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REGISTRATION

Prepared/Held: John B. O'Donnell, Jr.
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KENNETH C. WILKI
REGISTER OF DEEDS
WAKE COUNTY

**DECLARATION OF COVENANTS AND RESTRICTIONS
OF PEARSON FARMS COMMUNITY ASSOCIATION**

THIS DECLARATION, made this 26th day of October, 1995, by SNYDER-HUNT OF NORTH CAROLINA, INC., a North Carolina corporation, hereinafter called the "Company"; C. RICHARD DOBSON BUILDERS, INC., a Virginia corporation, F & L DEVELOPERS, INC., a North Carolina corporation, d/b/a R. W. LEE HOMES, HOMES BY HUFF & CO., INC., a North Carolina corporation, and PARKER & LANCASTER CORP., a Virginia corporation, hereinafter collectively called the "Builders"; and, CENTRAL CAROLINA BANK AND TRUST COMPANY, a North Carolina corporation; NATIONSBANK OF NORTH CAROLINA, N.A., a national banking association; ONE MORTGAGE CORPORATION, an Indiana corporation; THE FIDELITY BANK, a North Carolina corporation; UNITED FEDERAL SAVINGS BANK, a U.S.A. corporation; and SIGNET BANK/VIRGINIA, a Virginia corporation, hereinafter collectively called the "Beneficiaries."

W I T N E S S E T H :

WHEREAS, the Company and the Builders are the owners of the real property described in Article II of this Declaration and desire to create thereon a planned residential community with representation of residential and recreational uses to be known as "Pearson Farms"; and,

WHEREAS, the Company and the Builders desire to provide for the preservation of values and for the maintenance of any common facilities and services and for a vehicle for the administration and enforcement of covenants and restrictions; and,

WHEREAS, the Builders have expressly agreed with the Company to join in the execution of this document for the purpose of subjecting the Builders' real property, as described herein, to these covenants and restrictions; and,

WHEREAS, the Company has caused or will cause to be incorporated under the laws of the State of North Carolina, a non-profit corporation, Pearson Farms Community Association, Inc., hereinafter called the "Association", for the purpose of exercising the functions aforesaid, and which are hereinafter more fully set forth; and,

WHEREAS, the Company and the Builders have requested the Beneficiaries to join in the execution of this document for the purpose of acknowledging same and further subjecting the property described herein, in which Beneficiaries hold security interests pursuant to various Promissory Notes executed by the Company and the Builders, and secured by several Deeds of Trust recorded in the Wake County Registry, all as shown on Schedule "A," which schedule

is attached hereto and incorporated herein by reference, to those provisions hereof, which Beneficiaries have consented to undertake by the subscription of these presence as evidence of Beneficiaries' compliance with the Company's and the Builders' requests.

NOW, THEREFORE, the Company and the Builders declare, and the Beneficiaries agree, that the real property described in Article II, and such additions thereto as may hereinafter be made pursuant to Article II hereof, is and shall be held, transferred, sold, conveyed, given, donated, leased, occupied and used subject to the covenants, restrictions, conditions, easements, charges, assessments, affirmative obligations, and liens (all hereinafter sometimes referred to as the "Covenants" or the "Covenants and Restrictions") hereinafter set forth.

ARTICLE I.

DEFINITIONS

The following words and terms, when used in this Declaration or any supplemental declaration, (unless the context shall clearly indicate otherwise), shall have the following meanings:

(A) "Association" shall mean and refer to Pearson Farms Community Association, Inc., a North Carolina non-profit corporation, its successors and assigns.

(B) "Pearson Farms" shall mean and refer to the lands in The Town of Apex, County of Wake, State of North Carolina, which are shown as a part of Pearson Farms on the Company's Master Plan as revised from time to time.

(C) "Company" shall mean Snyder-Hunt of North Carolina, Inc., a North Carolina corporation, its successors and assigns.

(D) "Developer" shall mean Snyder-Hunt of North Carolina, Inc., a North Carolina corporation, its successors and assigns.

(E) "Affiliate" shall mean a corporation, if any, owning more than fifty percent (50%) of the voting stock of the Corporation, or which is owned or controlled by the Company or the Developer, and any partnership or joint venture in which the Company or the Developer has more than a fifty percent (50%) interest or more of the cash flow from such partnership or joint venture.

(F) "Properties" shall mean and refer to the Existing Property described in Article II hereof, and additions thereto, as are subjected to this Declaration or any Supplementary Declaration, if any, under the provisions of Article II hereof.

(G) "Residential Lot" shall mean any subdivided parcel of land located within the Properties for which no building permit has been

issued by the appropriate governmental authorities and which parcel is intended for use as a site for a Single Family Detached Dwelling, as shown upon any recorded final subdivision map or any part of the Properties. No parcel shall, however, be classified as a Residential Lot until the first day of the quarter of the year following after all of the following have occurred:

(1) Recording of a Plat in the Register of Deeds Office of Wake County, North Carolina, showing such Residential Lot; and,

(2) The Lot has been placed on an "Inventory List" [as defined in Section 3(c) of Article V] of lots for sale submitted to the Association by the Company, the Company's Affiliates, the Developer, or the Developer's Affiliates, if any, in those cases where the Lot is owned by the Company, the Company's Affiliates, the Developer, or the Developer's Affiliates, if any; and,

(3) The Lot is sufficiently developed to be subject to Assessment, in the sole and uncontrolled discretion of the Board of Directors, as a Residential Lot in those cases where the Lot is owned by any third party other than the Company, the Company's Affiliates, the Developer, or the Developer's Affiliates, if any.

(H) "Family Dwelling Unit" shall mean and refer to any improved property or any property formerly classified a Residential Lot for which a building permit has been issued by the appropriate governmental authorities, which property is located within the Properties and intended for use as Single-Family Detached Dwelling.

(I) "Exempt Property" shall mean and refer to the following classifications of property within the Properties:

(1) All land designated on the Master Plan for intended use, or by actual use, if applicable, for indoor and outdoor recreational and community facilities, owned and operated by the Company, the Company's Affiliates, the Developer, the Developer's Affiliates, and the Association, including the Swim and Tennis Club; or,

(2) All lands and any improvements thereon designated in any way as Common Properties or Restricted Common Properties, if any; or,

(3) All lands and any improvements thereon committed to the Association through express, written notification by the Company to the Association of intent to convey to the Association, including, without limitation, Intended Common Properties and Intended Restricted Common Properties, if any; or,

(4) All lands designated on the Master Plan or on recorded plats as Open Space or Private Open Space (hereinafter referred to, respectively, as "Open Space Areas" and "Private Open

Space Areas"), if applicable, and any improvements thereon which are defined in subparagraph (1) of this paragraph (I); or,

(5) Property which is used for the maintenance, operation and service of facilities within Common Properties, Restricted Common Properties, Intended Common Properties, Restricted Common Properties, Intended Restricted Common Properties, if any, and facilities within Open Space areas, if any, which are defined in subparagraph (1) of this paragraph (I); or,

(6) Property which is used for the maintenance, operation, and service of utilities within the Properties.

(J) "Owner" shall mean and refer to the Owner as shown by the Real Estate Records in the Register of Deeds Office of Wake County, North Carolina, whether it be one or more persons, firms, associations, corporations, or other legal entities, of fee simple title to any Residential Lot or Family Dwelling Unit situated upon the Properties but, notwithstanding any applicable theory of a deed of trust, shall not mean or refer to the mortgagees or holder of a deed of trust, its successors or assigns, unless and pursuant to foreclosure or a proceeding or deed in lieu of foreclosure; nor shall the term "Owner" mean or refer to any Lessee or Tenant of an Owner. In the event that there is recorded in the Office of the Register of Deeds of Wake County, North Carolina, a long-term contract of sale covering any Lot or Parcel of land within the Properties, the Owner of such Lot or Parcel of land shall be the Purchaser under said contract and not the fee simple title holder. A long-term contract of sale shall be one where the Purchaser is required to make payments for the Property or a period extending beyond nine (9) months from the date of the contract and where the Purchaser does not receive title to the Property until all such payments are made, although the Purchaser is given the use of said Property.

(K) "Tenant" shall mean and refer to the Lessee under a written agreement for the rent and hire of a Family Dwelling Unit in Pearson Farms.

(L) "Resident" shall mean and refer to each owner and Tenant of a Family Dwelling Unit who resides in Pearson Farms.

(M) "Member" shall mean and refer to all those Owners and Tenants who are Members of the Association as defined in Section 1 of Article III.

(N) "Master Plan" shall mean and refer to the drawing which represents the conceptual plan for the future development of Pearson Farms. Since the concept of the future development of Pearson Farms is subject to continuing revision and change by the Company, present and future references to the "Master Plan" shall be references to the latest revision thereof.

(O) "Intended for Use" shall mean the use intended for various parcels within the Properties as shown on the Master Plan of Pearson Farms prepared by the Company as the same may be revised from time to time by the Company, or the use to which any particular parcel of land is restricted by Covenants expressly set forth or incorporated by reference in deeds by which the Company has conveyed the property.

(P) "Common Properties" shall mean and refer to those tracts of land, if applicable, with any improvements thereon which are deeded or leased to the Association and designated in said deed or lease as "Common Properties". The term "Common Properties" shall also include any personal property acquired or leased by the Association if said property is designated a "Common Property". All Common Properties are to be devoted to and intended for the common use and enjoyment of the Members of the Association, their guests, and visiting members of the general public (to the extent permitted by the Board of Directors of the Association) subject to the fee schedules and operating rules adopted by the Association. Common Properties shall not include those tracts of land, if any, falling within the definition of "Restricted Common Properties" set forth below.

(Q) "Restricted Common Properties" shall mean and refer to those tracts of land, if applicable, with any improvements thereon which are designated as "Common Properties" or "Common Area" on any map of a portion of the Property which is under the control and jurisdiction of any "Sub-Association", as hereinafter defined, and which is reserved or restricted for the use of members of such Sub-Association.

(R) "Intended Common Property" shall mean and refer to those tracts of land, if applicable, with any improvements thereon committed to the Association through express, written notification by the Company to the Association of intent to convey said property to the Association as a Common Property.

(S) "Intended Restricted Common Property" shall mean and refer to those tracts of land, if applicable, with any improvements thereon committed by the Company to become Restricted Common Property.

(T) "Referendum" shall mean and refer to the power of all or some specific portion of the Members to vote by mailed ballots on certain actions by the Board of Directors of the Association more particularly set forth herein. In the event fifty-one percent (51%) of the votes actually returned to the Association within the specified time shall be in favor of such action, the Referendum shall be deemed to "pass" and the action voted upon will be deemed to have been authorized by the Members, provided, however, that if a higher or lower percentage required to "pass" shall be

specifically expressed herein, that higher or lower percentage shall control in that instance.

(U) "Sub-Associations" shall be North Carolina non-profit corporations established by developers of places or portions of the Properties, if any, requiring an association to manage the affairs of its members and properties owned by or under the control of such Sub-Association pursuant to the provisions of Declaration of Covenants and Conditions applicable only to such areas, the form, content and provisions of which shall be subject to the review and approval of the Company.

(V) "Neighborhood Areas" shall mean various areas within Pearson Farms, if applicable, each of which have been or may be subjected to Additional Restrictive Covenants applied only to such areas.

(W) "Neighborhood Covenants" shall mean the Additional Restrictive Covenants applicable only to a particular Neighborhood Area, if any, the form, content and provisions of which shall be subject to the review and approval of the Company.

(X) "Board of Directors" shall mean those persons elected or appointed to act collectively as the directors of the Association.

(Y) "Bylaws" shall mean the Bylaws of the Association as they now or hereafter exist.

(Z) "Institutional Lender" shall mean any bank, insurance company, trust company, real estate investment trust, savings and loan association, pension fund, or other first mortgage lender holding a first mortgage or deed of trust on any of the Property.

(AA) "Recreation Association" shall mean and refer to Olive Chapel Swim and Tennis Club, Inc., its successors and assigns.

(BB) "Swim and Tennis Club" shall mean and refer to certain areas adjacent to Pearson Farms, belonging to the Recreation Association and known as Olive Chapel Swim and Tennis Club, Inc., with improvements such as tennis courts, swimming pool, pool house, clubhouse, roads and parking areas ("Amenities") constructed thereon, which facilities shall be, among others, for the use and benefit of all persons residing in Pearson Farms.

ARTICLE II.

EXISTING PROPERTY AND ADDITIONS

Section 1. Existing Property. The real property which is and shall be held, transferred, sold, conveyed, given, donated, leased, occupied, and used subject to these Covenants is described as follows:

All those tracts or parcels of land in The Town of Apex, Wake County, North Carolina, and more particularly described in Exhibit "A," attached hereto and incorporated herein by reference as if fully set forth hereunder.

All of the real property hereinabove described shall sometimes be referred to herein as the "Existing Property". The Company intends to develop the Existing Property in accordance with a Master Plan prepared by the Company and which it may place on display in a Reception and Sales Office, or other areas. The Company reserves the right to review and modify that Master Plan at its sole option from time to time based upon its continuing research and design efforts. The Master Plan shall not bind the Company, its successors and assigns, to adhere to the Master Plan in the development of the land shown thereon. Subject to its right to modify the Master Plan as stated herein, the Company shall convey to the Association certain properties, if any, designated on the Master Plan as properties which may be transferred to the Association as, in the reasonable exercise of its discretion, it so chooses without regard to the relative location of such portions or sections within the overall plan. Once conveyed to the Association, these properties, if any, shall become Common Properties. The Company shall not be required to follow any predetermined sequence or order of improvements and development; and, it may bring within the plan of these Covenants additional lands, and develop the same before completing the development of the Existing Property. Other than as stated in this paragraph, the Company shall have full power to add to, subtract from, or make changes in the Master Plan regardless of the fact that such actions may alter the relative maximum potential voting strength of the various types of membership of the Association.

Section 2. Additions to Existing Property. Additional lands may become subject to, but not limited to, this Declaration in the following manner:

(A) Additions. During the period of development, which shall by definition extend from date to January 1, 2001, the Company, its successors and assigns, shall have the right, without further consent of the Association, by Supplementary Declaration to bring within the plan and operation of this Declaration additional property. Such property may be subjected to this Declaration as one parcel or as several smaller parcels at different times. The additions of such property authorized under this paragraph may increase the cumulative maximum number of Residential Lots and Family Dwelling Units authorized in the Properties and, therefore, may alter the relative maximum potential voting strength of the various types of membership of the Association.

The additions authorized under this and the succeeding subsection shall be made by recording a Supplementary Declaration

of Covenants and Restrictions with respect to the additional property which shall extend the operation and effect of the Covenants and Restrictions of this Declaration to such additional property. The Supplementary Declaration may contain such complementary additions and/or modifications of the Covenants and Restrictions contained in this Declaration as may be necessary or convenient, in the sole judgment of the Company, to reflect the difference character, if any, of the added properties and as are not inconsistent with the plan of this Declaration, but such modifications shall have no effect upon the Property described in Section 1, Article II, above, or upon any other Additions to the Properties.

(B) Other Additions. After the period of development, as defined above, and upon approval in writing of the Association pursuant to a simple majority of the vote of those present at a duly called meeting, the owner of any property who desires to add such property to the plan and operation of this Declaration and to subject it to the jurisdiction of the Association, shall record a Supplementary Declaration of Covenants and Restrictions with respect to the additional property which shall extend the operation and effect of the Covenants and Restrictions of this Declaration to such additional property. The additions of such property authorized under this paragraph may increase the cumulative maximum number of Residential Lots and Family Dwelling Units authorized in the Properties, and therefore, may alter the relative maximum potential voting strength of the various types of membership of the Association.

The Supplementary Declaration may contain such complementary additions and/or modifications of the Covenants and Restrictions contained in this Declaration as may be necessary or convenient which are not inconsistent with the plan or this Declaration, but such modifications shall have no effect upon the Property described in Section 1, Article II, above, or upon any other additions to the Properties.

(C) Merger. Upon merger or consolidation of the Association with another association, as provided for in the Bylaws of the Association or otherwise, its property rights and obligations may, by operation of law, be transferred to another surviving or consolidated association, or in the alternative, the properties, rights and obligations of another association may, by operation of law, be added to the properties of the Association as a surviving corporation pursuant to a merger. The surviving or consolidated association may administer the Existing Property, together with the Covenants and Restrictions established upon any other properties, as one plan. No merger or consolidation shall effect any revocation, within the Existing Property, including, without limitation, the maximum limits on Assessments and dues of the Association, or any other matter substantially affecting the interests of Members of the Association, or Institutional Lender.

(D) Additional Lands, if any, which may become subject to this Declaration under the provisions of this Section II may in the future be referred to as a part of Pearson Farms. Also, the name Pearson Farms may be used by the Company to refer to other nearby properties, if any, not subject to this Declaration.

ARTICLE III.

MEMBERSHIP AND VOTING RIGHTS IN THE ASSOCIATION

Section 1. Membership. The Company shall be a Member of the Association, and a creditor who acquires title to the Properties or any portion thereof pursuant to foreclosure or any other proceeding or deed in lieu of foreclosure shall be a Member of the Association. Every Owner shall be a Member of the Association. The Association may issue to each Member a membership card which shall expire upon sale by an Owner of his property in Pearson Farms. Any Owners who are exempt from the payment of Assessments shall not be Members of the Association unless otherwise specified herein.

Section 2. Voting Rights. The Association shall have two (2) classes of regular voting membership:

(A) CLASS "A": Class "A" Members shall be all Owners, other than the Company, its successors and assigns [however, Company shall be a Class "A" member to the extent provided in (B), hereinafter], of Residential Lots and Family Dwelling Units. A Class "A" Member shall be entitled to one (1) vote for each Family Dwelling Unit or Lot which it owns.

(B) CLASS "B": The Class "B" Member shall be the Company, its successors and assigns. The Class "B" Member shall be entitled to three (3) votes for each lot in which it holds a fee or undivided fee 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 earlier:

(1) when the total votes outstanding in Class "A" membership equal the total votes outstanding in Class "B" membership; provided, however, that the Class "B" membership shall be reinstated with all rights, privileges and responsibilities if, after conversion of the Class "B" membership to Class "A" membership is herein provided, additional lands are annexed to the Property by the Company in the manner provided in Article II of this Declaration; or,

(2) on January 1, 2001.

(C) Payment of Special Assessments shall not entitle Class "A" and "B" Members to additional votes.

(D) When any property entitling the Owner to membership as a Class "A" Member of the Association is owned of record in the name of two (2) or more persons or entities, whether fiduciaries, joint tenants in common, tenants in partnership or in any other manner of joint or common ownership, or if two (2) or more persons or entities have the same fiduciary relationship respecting the same property, then unless the instrument or order appointing them or creating the tenancy otherwise directs and it or a copy thereof is filed with the Secretary of the Association, their acts with respect to voting shall have the following effect:

(1) If only one (1) votes, in person or by proxy, its act shall bind all;

(2) If more than one (1) vote, in person or by proxy, the act of the majority so voting shall bind all;

(3) If more than one (1) vote, in person or by proxy, but the vote is evenly split on any particular matter, each fraction shall be entitled to its proportionate share of the vote or votes;

(4) If the instrument or order filed with the Secretary of the Association shows that any such Tenancy is held in unequal interest, a majority or even split under subparagraphs (2) and (3) immediately above shall be a majority or even split in interest in the property to which the vote(s) is attributable;

(5) The principles of this paragraph shall apply, insofar as possible, to execution of proxies, waivers, consents or objections, and for the purpose of ascertaining the presence of a quorum.

The voting rights of any Owner may be assigned by said Owner to its Lessee; provided, however, that the Owner may not assign to such Lessee any vote or votes not attributable to the property actually leased by such Lessee. The Class "A" and "B" Members are sometimes hereinafter collectively referred to as the "Members".

Section 3. Governance. The Association shall be governed by a Board of Directors consisting of not less than three (3) nor more than nine (9) Members. The number and term of such Directors is to be determined in accordance with the provisions of the Bylaws of the Association.

Section 4. Election of the Board of Directors. Election to the Board of Directors shall be as provided in the Bylaws.

Section 5. Members to Have Power of Referendum in Certain Instances. Where specifically provided for herein, the Members, or some specific portion thereof, shall have the power to approve or reject certain actions proposed to be taken by the Association by Referendum. In the event fifty-one percent (51%), or more, of the

votes actually returned to the Association within the specified time shall be in favor of such action, the Referendum shall be deemed to "pass" and the action voted upon will be deemed to have been authorized by the Members; provided, however, that if a higher percentage vote required to "pass" shall be specifically expressed herein, that higher percentage shall control in that instance. The Board of Directors may not undertake any action requiring a Referendum without complying with the provisions hereof. At any time that the Class "A" Members have the ability to elect a majority of the Board of Directors, the Members may require a Referendum on any action of the Board of Directors by presenting to the Secretary of the Board within thirty (30) days of the taking of such action or ratification by the Board of its intent to take such action a petition signed by not less than twenty-five percent (25%) of the Members.

Section 6. Quorum Required for any Action Authorized at Regular or Special Meetings of the Association. The quorum required for any action which is subject to a vote of the members at an open meeting of the Association (as distinguished from the Referendum) shall be as follows:

(A) The first time a meeting of the Members of the Association is called to vote on (i) an increase in the Maximum Regular Annual Assessment greater than that provided for by subparagraph (H) of Section 3 of Article V hereof, (ii) a Special Assessment as provided for by Section 4 of Article V hereof, (iii) the gift or sale of any parcel of land and improvements thereon designated, if applicable, as a Common Property or Restricted Common Property as provided for by subparagraph (f) of Section 3 of Article IV hereof, (iv) an Amendment to this Declaration as provided for by Section 2 of Article VIII hereof, or (v) the termination of this Declaration as provided by Section 1 of Article VIII hereof, the presence at the meeting of Members or proxies entitled to cast sixty percent (60%) of the total vote of the Membership required for such action shall constitute a quorum.

(B) The first time a meeting of the Members of the Association is called to vote on any action proposed to be taken by the Association, other than that described in subparagraph (A) above, the presence at the meeting of Members or proxies entitled to cast thirty percent (30%) of the total vote of the Membership shall constitute a quorum.

If the required quorum is not present at any meeting described in subparagraphs (A) or (B) above, with the exception of any meeting called to vote on the termination of this Declaration described in subparagraph (A)(v) above, another meeting or meetings may be called subject to the giving of proper notice and the required quorum at such subsequent meeting or meetings shall be one-half (1/2) of the required quorum at the preceding meeting.

Unless otherwise provided, any reference hereafter to "votes cast at a duly called meeting" shall be construed to be subject to the quorum requirements established by this Article III, Section 6, and any other requirements for such "duly called meeting" which may be established by the Bylaws of the Association. For the purpose of this section, "proper notice" shall be deemed to be given when given each Member not less than thirty (30) days prior to the date of the meeting at which any proposed action is to be considered.

Section 7. Proxies. All Members of the Association may vote and transact business any meeting of the Association by proxy authorized in writing, provided, however, that Proxies shall not be required for any action which is subject to a Referendum, in which case the votes of all the Members polled shall be made by specifically provided ballots mailed or delivered to the Association.

Section 8. Ballots by Mail. When required by the Board of Directors, there shall be sent with notices of regular or special meetings of the Association, a statement of certain motions to be introduced for vote for the Members and a ballot on which each Member may vote for or against each such motion. Each ballot which is presented at such meeting shall be counted in calculating the quorum requirements set out in Section 6 of this Article III. Provided, however, such ballots shall not be counted in determining whether a quorum is present to vote upon motions not appearing on the ballot.

Section 9. Recreation Association. Every Owner, by virtue of being a Class A Member of the Association, shall also be a member of Olive Chapel Swim and Tennis Club, Inc., and entitled to the benefits of, and subject to the restrictions of, that certain Declaration of Covenants, Conditions and Restrictions for Olive Chapel Swim and Tennis Club ("Recreation Declaration"), which has or will be recorded within the Wake County Registry, notice of which is hereby given by this reference, and by attachment hereto as Exhibit "B" of a copy of said Recreation Declaration. Each Owner of Residential Lot or Family Dwelling Unit, by virtue of acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to be bound by the terms of the Recreation Declaration relating to the Swim and Tennis Club.

ARTICLE IV.

PROPERTY RIGHTS IN THE COMMON PROPERTIES

Section 1. Members' Easements of Enjoyment in Common Properties. Subject to the provisions of these Covenants, the rules and regulations of the Association and any fees or charges established by the Association, every Class "A" and "B" Member, and every guest and tenant of such Class "A" and "B" Member, shall have a right of easement of enjoyment in and to the Common Properties,

if any, and such easement shall be appurtenant to and shall pass with the title of every Residential Lot and Family Dwelling Unit.

Employees of the Class "B" Member and its agents shall have access to and enjoyment of the Common Properties, if any, subject to rules and regulations and user fees established by the Board of Directors.

A Member's spouse, parent, and children who reside with such Member in Pearson Farms shall have the same easement of enjoyment hereunder as a Member.

In those instances where a Residential Lot or Family Dwelling Unit or other property in Pearson Farms is owned or occupied as a Tenant by two (2) or more persons (who do not have the relationship of spouse, parent, or child, one to the other) or by a corporation, such joint owners and corporations shall annually appoint one (1) person as the "Primary Member". Such Primary Member shall have the same easement of enjoyment in any Common Properties and Amenities as Members who own or occupy such property singularly. The remaining Joint Members and Tenants and the principal officers of such corporation shall be entitled to an easement of enjoyment in any Common Properties and Amenities by:

(1) Paying the same use fees as guests of Members; or,

(2) By paying to the Association annually an amount equal to the Annual Assessment charged against the property in which he or she owns a fractional interest or occupies as a Tenant. The payment of such amount shall not entitle such remaining Joint Members, Tenants or principal officers to additional votes in the Association.

As determined in the sole and uncontrolled discretion of the Board of Directors, certain Owners of Exempt Properties, certain prior owners of the Property and their families and certain Tenants and guests, may have access to and enjoyment of the Common Properties subject to rules and regulations and user fees established by the Board of Directors.

Section 2. Title to Common Properties.

(A) The Company covenants for itself, its successors and assigns, that it shall convey by deed to the Association, at no cost to the Association, and subject to (i) this Declaration of Covenants and Restrictions, (ii) all other restrictions and limitations of record at the time of conveyance, (iii) any restrictions, limitations conditions, or determinations as to the purposes and uses of the conveyed properties as stipulated in said deed, and (iv) any commitments by the Company to construct certain improvements thereon as stipulated in said deed, those Intended Common Properties, if any, described in Section 4 of this Article

IV hereof, and any other parcels of land and any improvements thereto now or hereafter designated as Intended Common Properties; and, upon such conveyance, any such parcels of land and any improvements thereon shall become Common Properties.

(B) The Association shall not refuse the designation of any parcel of land or any improvements thereon as an Intended Common Property, if applicable, and, further, the Association shall not refuse to accept any such Intended Common Property as a Common Property at such time as the Company, in its sole and uncontrolled discretion, deems it advisable to convey such property to the Association.

(C) Upon conveyance to the Association, and/or the subjection thereof to the provisions of this Declaration, or any parcel of land and any improvements thereon as a Common Property, if applicable, by the Company or any other party, the Association shall immediately become responsible for all maintenance and operation of said property, and for such additional construction of improvements thereon as may be authorized by the Association's Board of Directors. It is the purpose of this provision to provide that the Association shall be responsible for all maintenance and operation of any Common Properties.

(D) Notwithstanding anything in the foregoing to the contrary, the Company reserves unto itself, its successors and assigns, and its agents, the right to enter upon any Intended Common Property or Common Property, if any, for the purpose of constructing indoor and outdoor recreational and community facilities thereon, including, but not limited to, tennis courts, basketball courts, swimming pools, and any showers, locker rooms, or other club facilities associated with such uses, putting greens, playgrounds, ball fields, spectator viewing pavilions, gazebos, picnic shelters, picnic tables, greenways, parks, wildlife conservancies and feeding stations, nature interpretive areas, amphitheaters, community meeting facilities, and all rest room facilities, parking lots, service buildings, and concession-type food services associated with all such uses. The provisions of this paragraph shall in no way create any obligation on the part of the Company to construct any such facilities on said properties.

(E) Natural areas, trail areas, landscape areas within public rights-of-way, etc., if any, may be designated from time to time as Intended Common Properties, and shall be conveyed in large or small parcels from time to time after the Company has completed the surveying and platting of all adjacent subdivisions for Single Family Detached housing areas, Development Unit Parcels which may abut such natural areas, trail areas, greenways, etc., if any. Written notification designating such properties as Intended Common Properties will not normally show metes and bounds and, in any event, the metes and bounds as shown on the recorded plat and deed to the Association shall govern.

(F) Notwithstanding anything in the foregoing to the contrary, the Company shall not be required to convey the above referred to parcels where such conveyance would be prohibited under agreements existing on the date hereof, but in such case, shall be allowed to postpone such conveyance, without penalty, until such time as said prohibition may be nullified.

Section 3. Extent of Members' Easements. The rights and easements of enjoyment created hereby shall be subject to the following:

(A) The right of the Association, in accordance with its Bylaws, to borrow money from the Company or any lender for the purpose of improving and/or maintaining the Common Properties, and providing services authorized herein and in aid thereof to mortgage said properties provided, however, that any such mortgage is with the prior consent of two-thirds (2/3) of the Members of the Association, which consent may be evidenced by petition or by an affirmative vote of two-thirds (2/3) of the Members voting in person or by proxy at a duly called meeting of the Association;

(B) The right of the Association to take such steps as are reasonably necessary to protect the above-described properties against foreclosures;

(C) The right of the Association to suspend the rights and easements of enjoyment of any Member or Tenant or guest or any Member for any period during which the payment of any Assessment against property owned by such Member remains delinquent, and for any period not to exceed sixty (60) days for any infraction of its published rules and regulations, it being understood that any suspension for either non-payment of any Assessment or a breach of the rules and regulations of the Association shall not constitute a waiver or discharge of the Member's obligation to pay the Assessment, and, provided that the Association shall not suspend the right to use any roads belonging to the Association subject to the rules, regulations and fees, if any, established by the Association for such use;

(D) The right of the Association to charge reasonable admission and other fees for the use of recreational facilities, if any, and any services on the Common Properties and the right of the Association to open any recreational facilities for use to outsiders (nonowners) subject to rules and regulations established by the Association to govern such use;

(E) The right of the Company or the Association by its Board of Directors to dedicate or transfer to any public or private utility, utility or drainage easements on any part of any Common Properties; and,

(F) The right of the Association to give or sell all or any part of any Common Properties, including lease-hold interests, subject to (i) the provisions of this Declaration of Covenants and Restrictions and (ii) all other restrictions and limitations of record at the time of conveyance, to any public agency, authority, public service district, utility, or private concern for such purposes and subject to such conditions as may be agreed to by the Members, provided, however, that no such gift or sale of any parcel of land and improvements thereon, or determination as to the purposes or as to the conditions thereof, shall be effective unless such dedication, transfers, and determinations as to purposes and conditions shall be authorized by the affirmative vote of three-fourths (3/4) of the votes cast at a duly called meeting of the Association, subject to the quorum requirements established by Article III, Section 6(A), and unless written notice of the meeting and of the proposed agreement and action thereunder is sent to every Member of the Association at least thirty (30) days prior to such meeting. A true copy of such resolution, together with a certificate of the results of the vote taken thereon, shall be made and acknowledged by the President or Vice-President and Secretary or Assistance Secretary of the Association and such certificate shall be annexed to any instrument of dedication or transfer of any parcel of land and improvements thereon affecting the Common Properties prior to the recording hereof. Such certificates shall be conclusive evidence of authorization by the Membership. The gift or sale of any personal property owned by the Association shall be determined by the Board of Directors in its sole and uncontrolled discretion.

(G) The right of the Company or the Association to convey all or part of any Common Properties and any Intended Common Properties to the Town of Apex.

(H) The right of the Company or the Association to sell, exchange or convey small portions of any Common Area adjoining Residential lots in order to alleviate minor setback violations.

Section 4. The Company covenants for itself, its successors and assigns, that, prior to January 1, 2001, it shall convey to the Association, at no cost to the Association, and subject to all the restrictions and limitations of the various Articles of this Declaration and any other restrictions and limitations of record, all properties designated as Intended Common Properties, if any, except such designated properties, if any, that are conveyed to the Town of Apex.

ARTICLE V.

COVENANTS FOR ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. The Company covenants, and each Owner of any Residential Lot, Family Dwelling Unit, or Unsubdivided Land, if applicable, located within the Properties, whether or not it shall be so expressed in any such deed or other conveyance, shall be deemed to covenant and agree to all the terms and provisions of this Declaration and to pay to the Association: (a) Annual Assessments or charges; and (b) Special Assessments or charges for the purposes set forth in this Article, such Assessments to be fixed, established and collected from time to time as hereinafter provided. The Annual and Special Assessments, together with such interest thereon and costs of collection thereof including a reasonable attorney's fee as hereinafter provided, shall be a charge and continuing lien on the real property and improvements thereon against which each such Assessment is made, and shall also be the personal obligation of the Owner of such property at the time when the Assessment first became due and payable. Co-owners shall be jointly and severally liable for the entire amount of the Assessment.

Section 2. Purpose of Assessments. The Annual Assessments levied by the Association shall be used exclusively for the improvement, maintenance, enhancement, enlargement, and operation of any Common Properties, any Intended Common Properties, and the property of the Recreation Association, and to provide services which the Association is authorized to provide.

Section 3. Application of "Maximum" Assessment. The Maximum Regular Annual Assessment, as set forth on Schedule "B," and as it automatically increased annually pursuant to the provisions of subparagraph (H) below, shall be levied by the Association. If, however, the Board of Directors of the Association, by majority vote, determines that the important and essential functions of the Association may be properly funded by an Assessment less than the Maximum Regular Annual Assessment, as the Company is engaged in the development of properties which are subject to the terms of this Declaration, the Association may not reduce Assessments below those set out on Schedule "B," without the written consent of the Company. The levy of an Assessment less than the Maximum Regular Annual Assessment in one (1) year shall not affect the Board's right to levy an Annual Assessment equal to the Maximum Regular Annual Assessment in subsequent years.

If the Board of Directors shall levy less than the Maximum Regular Annual Assessment for any Assessment year and thereafter, during such Assessment year, determine that the important and essential functions of the Association cannot be funded by such lesser Assessment, the Board may, by majority vote, levy a

Supplemental Assessment. In no event shall the sum of the initial and Supplemental Assessments for that year exceed the applicable Maximum Regular Annual Assessment.

If the Board of Directors, by majority vote, determines that the important and essential functions of the Association will not be properly funded in any one (1) year, or in any one (1) year and all subsequent years, it may request approval of a specified increase in the Maximum Regular Annual Assessment for either one (1) year only, or for that one (1) year and all subsequent years, by the vote of the Members at a duly called meeting of the Association, subject to the quorum requirements established by Article III, Section 6(A). Should the Members vote in favor of such proposed increase, it shall be deemed approved and may be levied by the Board. An increase in the Maximum Regular Annual Assessment for one (1) year only pursuant to the provisions hereof shall in no way affect the Maximum Regular Annual Assessment for subsequent years or increases thereof in subsequent years.

(A) From and after November 1, 1996, the Maximum Regular Annual Assessment shall be the sums calculated in accordance with the Assessment Schedule set out on Schedule "B," as shall be automatically increased in each instance by percentage as set forth in Section 3(H) of this Article, and as may be increased pursuant to the provisions set forth immediately above.

(B) Property shall not be classified for purposes of these Covenants and these Annual Assessments as a Residential Lot until the first day of the first month following after all of the following have occurred:

(1) Recording of a Plat in the Register of Deeds Office of Wake County, North Carolina, showing such Residential Lot; and,

(2) Approval by the Office of Interstate Land Sales Registration or successor agencies permitting such Residential Lot to be offered for sale in those cases where registration is required by law; and,

(3) The Lot has been placed on any "Inventory List" of lots for sale submitted to the Association by the Company, the Company's Affiliates, the Developer, or the Developer's Affiliates, if any, in any case where the Lot is owned by the Company, the Company's Affiliates, the Developer, or the Developer's Affiliates; and,

(4) The Lot is sufficiently developed to be subject to Assessment, in the sole and uncontrolled discretion of the Board of Directors, as a Residential Lot in those cases where the Lot is owned by any third party other than the Company, the Company's Affiliates, the Developer, or the Developer's Affiliates, if any.

A Residential Lot shall be deemed to be unimproved and shall not be deemed a Family Dwelling Unit until such time as a building permit has been issued for said property by the appropriate governmental authorities.

(C) "Inventory List" as used in these Covenants shall mean and refer to any listing of those Residential Lots owned by the Company, the Company's Affiliates, the Developer, or the Developer's Affiliates, if any, which are available for sale to the purchasers, and which listing is submitted to the Association. The Company reserves for itself, its Affiliates, the Developer, and the Developer's Affiliates the right to make additions and deletions from this listing one (1) day prior to the commencement of each quarter.

(D) Property shall not be classified for purposes of these Covenants and the Annual Assessments as a Family Dwelling Unit until a building permit has been issued by the appropriate governmental authorities for a property formerly deemed a Residential Lot as defined in subparagraph (b) hereinabove.

(E) Assessments shall be billed annually, quarterly, monthly, or on such other basis as may be determined by the Board of Directors. The billing schedule shall be the same for all properties of a specified category; however, the Board of Directors, in its discretion, may establish different schedules for the billing of Assessments due from different categories of property. All Assessment bills shall be due and payable ninety (90), thirty (30) or fifteen (15) days from the date of mailing of same as determined by the Board of Directors, provided, however, that if the Board of Directors elects to utilize a billing agent, the billing agent shall set the date on which Assessment bills shall be due and payable.

(F) The Board of Directors may authorize a billing agent to collect the Assessments provided for herein.

(G) The Owner of any assessable property which changes from one category to another during an Assessment year shall be billed an additional amount for the remaining full quarters of such year to reflect the category change.

(H) From and after December 31, 1996, the Maximum Regular Annual Assessment shall be automatically increased each year by the greater of the amount of ten percent (10%) or a percentage which may not exceed the percentage increase reflected in the Consumer Price Index For All Urban Consumers, U. S. City Average - All Items, or such other Index as may succeed the Consumer Price Index, for the twelve (12) month period ending immediately preceding July 1. However, in no event shall such increase be greater than twelve percent (12%) in any one (1) year.

(I) Any increase in the Maximum Regular Annual Assessment shall be made in such a manner that the proportionate increase in such Assessment is the same for Owners of any Residential Lots, Family Dwelling Units, Development Unit Parcels, or Unsubdivided Land. Any time the actual Assessment levied by the Board of Directors of the Association is less than the Maximum Regular Annual Assessment, such decrease shall be proportionate among the Owners of any Residential Lots, Family Dwelling Units, Development Unit Parcels, and Unsubdivided Land. The decrease or increase applicable to each class of Owners of the various classes of property may be made disproportionately by the favorable vote of seventy-five percent (75%) of the votes cast at a duly called meeting of the Association, subject to the quorum requirements established by Article III, Section 6 hereof, and by seventy-five percent (75%) of the votes cast at said meeting by the Members of the classes whose proportionate share is being raised.

Section 4. Special Assessment for Improvements and Additions.
In addition to the Maximum Regular Annual Assessments authorized by Section 3 hereof, the Association may levy Special Assessments for the following purposes:

(A) Construction, reconstruction, repair, or replacement of capital improvements upon any Common Properties, Restricted Common Properties, Intended Common Properties, Intended Restricted Common Properties, or Recreation Association property, including the necessary fixtures and personal property related thereto;

(B) For additions to any Common Properties or Restricted Common Properties;

(C) To provide for the necessary facilities and equipment, including those associated with the Swim and Tennis Club, to offer the services authorized herein;

(D) To repay any loan made to the Association to enable it to perform the duties and functions authorized herein.

(E) Such Special Assessment, before being charged, must have received the approval of the Members of the Association by the favorable vote of fifty-one percent (51%) of the votes cast at a duly called meeting of the Association, subject to the forum requirements established by Article III, Section 6(A). The notice of such meeting shall include one (1) statement from those Directors favoring the Special Assessment and one (1) statement from those Directors opposing the Special Assessment, containing the reasons for those Directors' support and opposition for the Assessment. Neither statement shall exceed five (5) pages in length.

This provision shall be interpreted to mean that the Association may make in any one (1) year an Annual Assessment up to

the maximum set forth in Section 3 of this Article V, plus an additional Special Assessment. Such Special Assessment in any one (1) year may not exceed a sum equal to the amount of the Maximum Regular Annual Assessment for such year except for emergency or repairs required as a result of storm, fire, natural disaster or other casualty loss. The fact that the Association has made an Annual Assessment for an amount up to the Maximum Regular Annual Assessment shall not affect its right to make a Special Assessment during the year.

The proportion of each Special Assessment to be paid by the owners of the various classifications of assessable property shall be equal to the proportion of the Annual Assessments levied for the Assessment year during which such Special Assessments are approved by the Members.

Section 5. Reserve Funds. The Association shall establish reserve funds from its Annual Assessments to be held in reserve in an interest drawing account or investments as a reserve for:

- (A) Major rehabilitation or major repairs; and,
- (B) For emergency and other repairs required as a result of storm, fire, natural disaster, or other casualty loss; and,
- (C) Initial costs of any new service to be performed by the Association.

Section 6. Special Assessments for Neighborhood Areas. If applicable, on petition of seventy-five percent (75%) of all Owners within a particular Neighborhood Area, if any, or contiguous Neighborhood Areas, as such may be designated on a recorded subdivision plat, the Board of Directors of the Association may levy a Special Assessment applicable only to each Owner within the immediate Neighborhood Area or Areas, to undertake special neighborhood improvements, neighborhood rehabilitation or construction, special neighborhood security, and neighborhood maintenance. If such Special Assessment be proposed by the Board of Directors of the Association rather than by petition as provided for hereinabove, then such proposal shall be submitted to a Referendum of all Owners within the particular Neighborhood Area(s), and such special Assessment shall be levied upon each such owner only upon a favorable response to said Referendum, as shall be indicated by not less than seventy-five percent (75%) of the votes entitled to be cast voting in favor of such Special Assessment.

In the event of election by the Members of a Neighborhood Area to be assessed by the Association for special improvements, construction, security, or maintenance, the Association shall be authorized to borrow money to fund such special improvements,

construction, security, or maintenance, and to repay any such loan with the receipts from the Special Assessment authorized therefor.

Section 7. Change in Maximum Amounts of Annual Assessments Upon Merger or Consolidation. The limitations of Section hereto shall apply to any merger or consolidation in which the Association is authorized to participate under Article II, Section 2, hereof, and under the Bylaws of the Association.

Section 8. Date of Commencement of Annual Assessments, Due Date. Notwithstanding anything in the foregoing to the contrary, the Annual Assessments provided for herein shall commence no earlier than October 1, 1995, but not later than December 31, 1995.

Section 9. Duties of the Board of Directors. The Board of Directors of the Association shall fix the amount of the Annual Assessment against each and any Residential Lot, Family Dwelling Unit, Development Unit Parcel, or Unsubdivided Land, within the Assessment Schedule as provided hereinabove, and shall, at that time, direct the preparation of an index of the Properties and Annual Assessments applicable thereto, and any Special Assessments applicable thereto, which shall be kept in the Office of the Association and which shall be open to inspection by any Member. Written notice of Assessment shall thereupon be sent to every Member subject thereto.

The Association shall upon demand at any time furnish to any Owner liable for said Assessments a certificate in writing signed by an Officer of the Association, setting forth whether said Assessments have been paid. Such certificate shall be conclusive evidence against all but the Owner of payment of any Assessment therein stated to have been paid. If the Board of Directors authorizes a Billing Agent to collect Assessments, the Certificate of the said Billing Agent shall be conclusive evidence against all but the Owner of payment of any Assessment therein stated to have been paid.

Section 10. Effect of Nonpayment of Assessment: The Personal Obligation of the Owner, the Lien, Remedies of Association. If the Annual Assessment or any Special Assessment is not paid on or before the past-due date specified in Section 3(E) hereof, then such Assessment shall become delinquent and shall (together with interest thereon at the maximum annual contract rate permitted by law from the due date and cost of collection thereof including a reasonable attorney's fee as hereinafter provided) become a charge and continuing lien on the land and all improvements thereof, against which each such Assessment is made, in the hands of the then Owner, its heirs, devisees, personal representatives, and assigns.

If the Assessment is not paid within thirty (30) days after the past due date, the Association may bring an action at law

against the Owner personally and there shall be added to the amount of such Assessment the costs of preparing the filing of the complaint in such action and a reasonable attorney's fee, and in the event a judgment is obtained, such judgment shall include interest on the Assessment as above provided and a reasonable attorney's fee together with the costs of the action.

If the Board of Directors of the Association elects to utilize a Billing Agent to collect Assessments, interest which shall accrue on past-due sums will be the maximum interest rate which such agent may lawfully charge.

Section 11. Subordination of the Lien. The Lien of the Assessments provided for herein shall be subordinate to the lien of any first deed of trust now or hereafter placed upon any properties subject to Assessment. In the event a creditor acquires title to any property subject to Assessment pursuant to foreclosure or any other proceeding or deed in lieu of foreclosure, said creditor shall be subject to Assessments accruing after such acquisition.

Section 12. Exempt Property. The following property, individuals, partnerships, or corporations subject to this Declaration shall be exempted from the Assessment, charge, and lien created herein:

(A) Any lands designated on the Master Plan for intended use, or by actual use, if applicable, for indoor and outdoor recreational and community facilities owned and operated by the Company, the Company's Affiliates, the Developer, the Developer's Affiliates, and the Association, including the Swim and Tennis Club; or,

(B) Any lands and any improvements thereon designated in any way as Common Properties or Restricted Common Properties; or,

(C) Any lands and any improvements thereon committed to the Association through express, written notification by the Company to the Association of intent to convey to the Association, including, without limitation, Intended Common Properties and Intended Restricted Common Properties; or,

(D) Property which is used for the maintenance, operation and service of facilities within Common Properties, Restricted Common Properties, Intended Common Properties, and Intended Restricted Common properties, if any; or,

(E) Property which is used for the maintenance, operation, and service of utilities within the Properties; or,

(F) The Grantee in conveyances made for the purpose of granting utility easements.

In addition, the following lands shall be exempted from that portion of the Assessment attributable to recreational facilities as defined in Section 14 of this Article V: All lands, if applicable, owned by any other Homeowners Association organized by the Company or by others with the consent of the Company within the Properties if such Homeowners Association operates such facilities for the private use of its members or the Members of the Association, including, but not limited to, tennis courts, basketball courts, swimming pools, pool houses, and any showers, locker rooms, or other club facilities associated with such uses, any putting greens, playgrounds, ball fields, spectator viewing pavilions, gazebos, picnic shelters, picnic tables, greenways, parks, riding trails, walking trails, bike trails, boardwalks, decks, wildlife conservancies and feeding stations, nature interpretive areas, amphitheaters, community meeting facilities, and all rest room facilities, parking lots, service buildings, and concession-type food services associated with all such uses; and (ii) places of worship; libraries; fire stations and rescue squads; post offices, day care centers, nursery schools, and other schools and instructional centers; non-profit or charitable community, civic, or cultural clubs and institutions; and other similar community facilities, if any, which the Board of Directors, in its sole and uncontrolled discretion, may designate as Exempt Properties.

Section 13. Annual Statements. The President, Treasurer, or such other Officer as may have custody of the funds of the Association shall annually, within ninety (90) days after the close of the fiscal year of the Association, prepare and execute under oath a general itemized statement showing the actual assets and liabilities of the Association at the close of such fiscal year, and a statement of revenues, costs and expenses. It shall be necessary to set out in the statement the name of any creditor of the Association, provided, however, that this requirement shall be construed to apply only to creditors of more than One Thousand Dollars (\$1,000.00). Such Officer shall furnish to each Member of the Association who may make request therefor in writing, a copy of such statement, within thirty (30) days after receipt of such request. Such copy may be furnished to such Member either in person or by mail. Any holder of a first mortgage on a Lot(s) or Unit(s) shall be entitled upon written request to a financial statement for the immediately preceding fiscal year.

Section 14. Annual Budget. The Board of Directors shall prepare and make available to all Members, at least sixty (60) days prior to the first day of the following fiscal year, a budget outlining anticipated receipt and expenses for the following fiscal year. The fiscal books of the Association shall be available for inspection by all Members at all reasonable times. In preparing each Annual Budget, the Board of Directors shall use its best efforts based on generally accepted accounting procedures to accurately determine receipts and expenses and in order to comply

with the partial exemption provisions set out in Section 12 of this Article V, shall separate, prorate and allocate expenses attributable solely or partially to any recreational facilities from those expenses attributable solely or partially to the remaining common areas including, but not limited to, the greenways owned by the Association, signage (including electric service), and nature trails, if any.

Section 15. Working Capital Fund. At the time of closing of the sale of each Family Dwelling Unit, a sum equal to at least two (2) months assessment for each unit (based on the "Current Regular Annual Assessment" in effect at the time of the sale) shall be collected from the Buyer and transferred to the Association to be held as a working capital fund. The Purpose of said fund is to insure that the Association Board 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 assessments, nor shall such amounts constitute discharge, set off, or satisfaction of any obligation of the Buyer for Assessments, if any, due under the Recreation Declaration.

ARTICLE VI.

FUNCTIONS OF ASSOCIATION

Section 1. Ownership and Maintenance of Properties. The Association shall be authorized to own and/or maintain Common Properties, Restricted Common Properties, Intended Common, if applicable, Properties, and Intended Restricted Common Properties, if any, and equipment, furnishings, and improvements, if any, devoted to the following uses:

(A) For roads, roadways, roadway medians, roadway islands, and parkways along said roads or roadways, cul-de-sac islands, and neighborhood or other area entrances (including signs) throughout the Properties;

(B) For sidewalks, walking paths or trails, bicycle paths, and bridle paths through the Properties;

(C) For transportation facilities throughout the Properties other than privately owned automobiles, e.g., buses, electric vehicles, etc.;

(D) For security and fire protection services including security stations, guardhouses, police equipment, fire stations and fire fighting equipment, and buildings used in maintenance functions;

(E) For emergency health care including ambulances, rescue squad facilities, emergency care medical facilities, and the equipment necessary to operate such facilities;

(F) For providing any of the services which the Association is authorized to offer under Section 2 of this Article VI;

(G) For purposes set out in deeds by which Common Properties and Restricted Common Properties are conveyed to the Association, provided that such purposes shall be approved by the Members of the Association as set out in Section 4 of this Article VI;

(H) For indoor and outdoor recreational and community facilities, including, but not limited to, tennis courts, platform tennis courts, basketball courts, swimming pools, pool houses, and any showers, locker rooms, or other club facilities associated with such uses, any putting greens, playgrounds, ball fields, spectator viewing pavilions, gazebos, picnic shelters, picnic tables, greenways, parks, walking trails, bike trails, boardwalks, decks, wildlife conservancies and feeding stations, nature interpretive areas, amphitheaters, community meeting facilities, and all rest room facilities, parking lots, service buildings, and concession-type food services associated with all such uses;

(I) For water and sewage facilities and any other utilities, if not adequately provided by a private utility, the County of Wake or the Town of Apex;

(J) For the cleaning, landscaping and maintenance of all roadway medians and islands, parkways along said roadways, cul-de-sac islands and neighborhood and other area entrances (including signs).

Section 2. Services. The Association shall be authorized (unless such is provided by the County of Wake or the Town of Apex), but not required, except as specified in Section 3 of this Article VI, to provide the following services:

(A) Cleaning and maintenance of all roads, roadways, parkways, lakes, parks, sidewalks, walking trails, bike trails, Common Properties, Restricted Common Properties, if any, Intended Common Properties, and Intended Restricted Common Properties, if any, and also all public properties which are located within or in a reasonable proximity to the Properties such that their deterioration would affect the appearance of the Properties as a whole; and,

(B) Landscaping and beautification of roads, roadways, parkways, lakes, parks, sidewalks, walking paths, bike trails, Common Properties, Restricted Common Properties, Intended Common Properties, and Intended Restricted Common Properties, if any; and,

(C) Transportation facilities other than privately owned automobiles, e.g., buses, electric vehicles, ferry boats, etc.; and,

(D) Lighting of roads, signs, landscaping, sidewalks, walking paths, bike trails, parking lots, and any recreational and community facilities, if any, located within the Properties; and,

(E) Police protection and security, including, but not limited to the employment of police and security guards, maintenance of electronic and other security devices and control centers for the protection of persons and property within the Existing Property, and assistance in the apprehension and prosecution of persons who violate the laws of the United States, the State of North Carolina, the County of Wake and/or The Town of Apex within the Properties; and,

(F) Fire protection and prevention; and,

(G) Garbage and trash collection and disposal; and,

(H) Insect and pest control to the extent that it is necessary or desirable in the judgment of the Board of Directors of the Association to supplement the service provided by the state and local governments; and,

(I) The services necessary or desirable in the judgment of the Board of Directors of the Association to carry out the Association's obligations and business under the terms of this document; and,

(J) To take any and all actions necessary to enforce all Covenants and Restrictions affecting the Properties and to perform any of the functions of services delegated to the Association in any Covenants or Restrictions applicable to the Properties; and,

(K) To set up and operate an Architectural Review Board for all Common Properties or Intended Common Properties, if any, and, in the event that the Association is designated by the Company as the agent or the assign of the Company for such purposes, to extend the operation of the Architectural Review Board to all properties within Pearson Farms; and,

(L) To provide day care and child care services; and,

(M) To conduct instructional, recreational, sports, crafts, social and cultural programs of interest to Members, their families and guests; and,

(N) To provide legal and scientific resources for the improvement of air and water quality within the Properties; and,

(O) To provide safety equipment for storm emergencies; and,

(P) To support the operation of transportation services between key points of the Properties and the airports, other public transportation terminals and public centers serving the area surrounding the Properties; and,

(Q) To construct improvements on Common Properties, Restricted Common Properties, Intended Common Properties, or Intended Restricted Common Properties, if any, for use for any of the purposes authorized in this Article, or as may be required to provide any of the services authorized in this Article; and,

(R) To provide administrative services, including, but not limited to legal, accounting, and financial; and communication services, including, but not limited to, community newsletters and newspapers to inform Members of activities, notices of meetings, referendums, and other issues and events of community interest; and,

(S) To provide liability and hazard insurance covering improvements and activities on any Common Properties and Restricted Common Properties; and,

(T) To provide water, sewage, and any necessary utility services not provided by a public body, private utility or the Company; and,

(U) To provide, conduct, or maintain any water pollution and any shoreline erosion abatement measures, including, without limitation, maintenance and repair of shore revetments, dams, spillways and groins; and,

(V) To construct signs, and other standard features for use throughout the Properties; and,

(W) To provide any or all of the above listed services to another association of Owners of real property under a contract, the terms of which must be approved by the Board of Directors.

Section 3. Minimum List of Functions and Services. The "Minimum List of Functions and Services" shall establish and define the minimum level of functions and services which the Association must furnish or cause to be furnished to its Members. So long as the Company is engaged in the development of Properties which are subject to the terms of this Declaration, the Association shall not reduce the level of functions and services it furnishes to its Members below such minimum level without the prior written consent of the Company. The "Minimum List of Functions and Services" is as follows:

(A) The Association shall provide or procure the administrative services necessary to carry out the Association's obligations and business under the terms of this Declaration, the Articles of Incorporation of the Association, and the Bylaws of the Association, including, but not limited to, legal, accounting, financial, and communications services.

(B) The Association shall administer and enforce the covenants and restrictions established in this Declaration, including, but not limited to, the following:

(1) The Association shall set Assessments, levy cash Assessments, notify the Members of such Assessments, and collect such Assessments; and,

(2) The Association shall prepare accurate indexes of Members, Property Classifications, Votes, Assessments, the Cumulative Maximum Number of Residential Lots and Family Dwelling Units Authorized in the Properties, and the Maximum Regular Annual Assessment; and,

(3) The Association shall operate an Architectural Review Board if, and when, this responsibility is delegated to the Association by Declarant; and,

(4) The Association shall maintain and operate any Common Properties; and,

(5) The Association shall hold Annual Meetings, Special Meetings, and Referendums as required, hold elections for the Board of Directors as required, and give Members "proper notice" as required; and,

(6) The Association shall prepare Annual Statements and Annual Budgets, and shall make the financial books of the Association available for inspection by Members at all reasonable times;

(C) The Association shall provide appropriate liability and hazard insurance coverage for improvements and activities on any Common Properties;

(D) The Association shall provide appropriate directors' and officers' legal liability insurance, and indemnity persons pursuant to the provisions of the Bylaws of the Association;

(E) The Association shall keep a complete record of all its acts and corporate affairs;

(F) The Association shall provide regular and thorough cleanup of all roads, roadways, roadway medians, roadway islands, parkways, recreational areas and amenities, cul-de-sac islands, neighborhood

and other entrances, ponds and walking paths along the pond shoreline, and bike trails throughout the Properties (including landscaping areas along Olive Chapel Road adjacent to the Properties), including, but not limited to, mowing grass on all roadsides, cul-de-sac and roadway islands, entrances, dams and pond shoulder areas, greenways, parks, and bike trails; sweeping all roads and bike trails; landscape maintenance on all roadsides, cul-de-sac and roadway islands, entrances, parks, and bike trails; and, pickup and disposal of trash on all roads, roadsides, cul-de-sac and roadway islands, entrances, parks, recreational areas and bike trails. Such cleanup as is possible shall begin as soon as construction of dwellings has commenced within said neighborhood;

(G) The Association shall provide general maintenance of any identification, informational and directional signs, bike trail signs, and neighborhood and other area signs, including, but not limited to, painting, light replacement, repair work and replacement, as needed;

(H) The Association shall provide regular and thorough maintenance and cleanup of any Common Properties and Intended Common Properties, including, but not limited to, mowing of grass, fertilization as needed, landscape maintenance as needed, pickup and disposal of trash, repair, maintenance and replacement of sprinkler systems, washing down of picnic tables and benches as needed, and painting, repairs to and replacement of all improvements as needed, including, but not limited to, the swimming pool, tennis courts, clubhouse and all related facilities;

(I) Insurance coverage on the Property shall be governed by the following provisions:

(1) Ownership of Policies. All insurance policies upon the Common Property shall be purchased by the Association for the benefit of all the Association Members the Owners and their mortgagees (as their security interest may appear), and provisions shall be made for the issuance of certificates of mortgagee endorsements to the mortgagees of Owners.

(2) Coverage. All buildings and improvements upon the land and all personal property included in any Common Areas and facilities shall be insured in an amount equal to one hundred percent (100%) insurable replacement value as determined annually by the Association with the assistance of the insurance company providing coverage. Such coverage shall provide protection against:

(i) Loss or damage by fire and other hazards covered by standard extended coverage endorsement; and,

(ii) Such other risks as from time to time shall be customarily covered with respect to buildings on the land;

(iii) Such policies shall contain clauses providing for waiver of subrogation.

(3) Liability. Public liability insurance shall be secured by the Association with limits of liability of no less than One Million Dollars (\$1,000,000.00) per occurrence and shall include an endorsement to cover liability of the Owners as a group to a single Owner. There shall also be obtained such other insurance coverage as the Association shall determine from time to time to be desirable and necessary.

(4) Premiums. Premiums for insurance policies purchased by the Association shall be paid by Association and charged to the Owners as an assessment according to the provisions of Article V above; provided, that premiums on account of hazard insurance coverage for individual Lots shall be apportioned to their individual Owners according to the amounts of the coverage required.

(5) Proceeds. All insurance policies purchased by the Association shall be for the benefit of the Association and the Owners and their mortgagees (as their interest may appear), and shall provide that all proceeds thereof shall be payable to the Association as insurance trustee under this Declaration. The sole duty of the Association as insurance trustee shall be to receive such proceeds as are paid and to hold the same in trust for the purposes stated herein or stated in the Bylaws and for the benefit of the owners and their mortgagees.

(6) Proceeds of insurance policies received by the Association as insurance trustee shall be placed in the Association's treasury for the following:

(i) Expense of the Trust. All expenses of the insurance trustee shall be first paid or provisions made therefor.

(ii) Reconstruction or Repair. The remaining proceeds shall be paid to defray the cost of repairs. Any proceeds remaining after defraying such cost shall be retained by the Association.

(7) All persons responsible for or authorized to expend funds or otherwise deal in the assets of the Association or those held in trust, shall first be bonded by a fidelity insurer to indemnify the Association for any loss or default in the performance of their duties in an amount equal to six (6) months' assessments plus reserves accumulated.

Section 4. Obligation of the Association. The Association shall not be obligated to carry out or offer any of the functions and services specified by the provisions of this Article except as specified in Section 3 of this Article VI. The functions and services to be carried out or offered by the Association at any particular time shall be determined by the Board of Directors of the Association taking into consideration the funds available to the Association and the needs of the Members of the Association. The functions and services which the Association is authorized to carry out or to provide, may be added or reduced at any time upon the affirmative vote of fifty-one percent (51%) of the votes cast by the Type "A" and Type "B" Members at a duly called meeting of the Association.

Section 5. Mortgage and Pledge. The Board of Directors of the Association shall have the power and authority to mortgage the property of the Association and to pledge the revenues of the Association as security for loans made to the Association which loans shall be used by the Association in performing its authorized functions and services; provided that any such mortgage is with the prior consent of two-thirds (2/3) of the Members of the Association, which may be evidenced by petition or by an affirmative vote of two-thirds (2/3) consent of the Association. The Company may, but shall not be required, to make loans to the Association, subject to approval by the Company of the use to which such loan proceeds will be put and the terms pursuant to which such loan will be repaid. Notwithstanding anything in this Declaration to the contrary, the Association shall not be allowed to reduce the level of the Annual Assessment below the limit of the Maximum Regular Annual Assessment at any time there are outstanding any amounts due the Company as repayment of any loans made by the Company to the Association without the express written consent of the Company.

Section 6. Maintenance of Property Not Owned by the Association. The Association shall be authorized to render services of a governmental nature not furnished by the local government in the case of maintenance of any property owned or operated by it.

ARTICLE VII.

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 possible to take full advantage of the individual characteristics of each parcel of the Properties and of technological advances and environmental values. In order to implement the purposes of these covenants, the Company

shall 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, Landscape Guidelines, and Environmental Rules and Regulations as defined hereinafter, and which shall be binding on all Property Owners within Pearson Farms.

Section 2. Controls.

(A) No building, fence, or other structure shall be erected, placed, or altered, nor shall a building permit for such improvement be applied for on any Property in Pearson Farms 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 Company, or by the Architectural Review Board of the Association if such review responsibility has been delegated to the Association by the Company. In addition, the Company may require prior written approval of a landscape plan. The Company 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 Pearson Farms 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 Company upon any ground, including purely aesthetic considerations, which in the sole and uncontrolled discretion of the Company 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 Company. One (1) copy of all plans and related data shall be furnished the Company for its records. In the event approval of such plans is neither granted nor denied within thirty (30) days following receipt by the Company of written demand for approval, the provisions of this paragraph shall be thereby waived.

(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 each Property, and to assure that structures will be located with regard to the topography of each Property, taking into consideration the location of large trees and other aesthetic and environmental considerations, the company reserves the right to control absolutely and solely to decide [subject to the provisions of the Zoning Ordinance(s) of the County

of Wake and Town of Apex], the precise site and location of any building or structure on any Property in Pearson Farms for reasons which may in the sole and uncontrolled discretion and judgment of the Company seem sufficient. Such location shall be determined only after reasonable opportunity is afforded the Property 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 Property shall not be affected by the location of a building or structure on an adjacent Property.

(C) Each Property Owner shall provide space for the parking of automobiles off public street prior to the occupancy of any building or structure constructed on said property in accordance with reasonable standards established by the Company.

(D) Except as may be required by legal proceedings, no sign shall be erected or maintained on any Property by anyone including, but not limited to, a Property 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 Company. Refusal or approval of size, color, content, number of signs, or location of sign(s) may be based by the Company upon any ground, including purely aesthetic considerations, which in the sole and uncontrolled discretion of the Company seems sufficient. The Company 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 Property in Pearson Farms.

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

(E) It shall be the responsibility of each Property Owner, tenant, contractor, or subcontractor to prevent the development of any unclean, unsightly, unkempt, unhealthy, or unsafe conditions of buildings or grounds on any Property which shall tend to substantially decrease the beauty or safety of Pearson Farms, the neighborhood as a whole, or the specific area. The Company and its agents shall have the right to enter upon any Property for the purpose of correcting such conditions, including, but not limited to, the removal of trash which has collected on the Property, and the cost of such corrective action shall be paid by the Property Owner. Such entry shall not be made until thirty (30) days after the Owner of the Property has been notified in writing of the need to take corrective action and unless such Owner fails to perform the corrective action within said thirty (30) 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 Company to take any such corrective action.

(F) No mailbox shall be erected or maintained on any Property until the proposed mailbox design, color, and location have been approved in writing by the Company. Refusal or approval of design, color, or location may be based by the Company upon any ground, including purely aesthetic considerations, which in the sole and uncontrolled discretion of the Company seems sufficient. No alteration in the exterior appearance of any mailbox shall be made without like prior written approval by the Company. The Company 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 Property in Pearson Farms.

(G) Prior to the occupancy of a building or structure on any Property, proper and suitable provisions shall be made for the disposal of sewage by connection with the sewer mains of the Town of Apex public sewer system, or to a system approved by the Town of Apex.

(H) Prior to the occupancy of a building or structure on any Property, proper and suitable provisions for water shall be made by connection with the water lines of the Town of Apex.

(I) The Company reserves unto itself, its successors and assigns, and its agent, 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 Property as may be reasonably required for utility line purposes; provided, however, that no such utility easement shall be applicable to any portion of such Property 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 Company, or (b) such portion of the Property 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 Company and which has been approved in writing by said Company. These easements and rights expressly include the right to cut any trees, bushes, or shrubbery, make any gradings of the soil, or to take any other similar action reasonably necessary to provide economical and safe utility installation to maintain reasonable standards of

health, safety, and appearance. The Company further reserves the right to locate wells, pumping stations, siltation basins, and tanks within Pearson Farms in any Common Area or on any Property designated for such use on the applicable plat of said Property, or to locate same upon any Property with the permission of the Owner of such Property. Such rights may be exercised by any licensee of the Company, but this reservation shall not create any obligation on the part of the Company to provide or maintain any such utility or service.

(J) Except as reserved and permitted in (I) above, no transmission or reception antenna or dish shall be placed on or erected upon any property within Pearson Farms except with the prior written approval of the Company.

(K) The Company 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 in Pearson Farms and such authorized standards, methods, and procedures may be utilized by the Owners of such specified Properties without prior written approval by the Company; 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 Company. 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 Property.

Section 3. Review Board. The Architectural Review Board 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 of the Association. At least one (1) Member of the Association other than the Company shall be a Member of the Architectural Review Board at all times. The Architectural Review Board will be formed at such time as architectural approval authority is delegated to the Association by the Company.

ARTICLE VIII.

GENERAL PROVISIONS

Section 1. Duration. The Covenants and Restrictions of this Declaration and any Amendments thereto shall run with and bind the land, and shall inure to the benefit of and be enforceable by the Association, the Company, or the Owner of any land subject to this Declaration, their respective legal representatives, heirs, successors, and assigns, for a period of thirty (30) years from the date this Declaration is recorded. Upon the expiration of said thirty (30) year period, this Declaration shall be automatically extended for successive periods of ten (10) years. The number of ten (10) year extension periods hereunder shall be unlimited, and

this Declaration shall be automatically extended upon the expiration of the initial thirty (30) year period, or during the last year of any subsequent ten (10) year extension period, at a duly called meeting of the Association, fifty-one percent (51%) or more of the total vote entitled to be cast by all the Members of the Association shall vote in favor of terminating this Declaration at the end of its then current term. The presence at the meeting of Members or proxies entitled to cast sixty percent (60%) of the total vote of the Membership shall constitute a quorum. It shall be required that written notice of any meeting at which such a proposal to terminate this Declaration is to be considered, setting forth the fact that such a proposal will be considered, shall be given each member at least thirty (30) days in advance of said meeting. In the event that the Members of the Association vote to terminate this Declaration, the President and Secretary of the Association shall execute a certificate which shall set forth the Resolution of Termination adopted by the Association, the date of the meeting of the Association at which such resolution was adopted, the date that Notice of such Meeting was given, the total number of votes of Members of the Association, the total number of votes required to constitute a quorum at a meeting of the Association, the total number of votes present at said meeting, the total number of votes necessary to adopt a Resolution terminating this Declaration, the total number of votes cast in favor of such Resolution, and the total number of votes cast against such Resolution. Said certificate shall be recorded in the Register of Deeds Office, Wake County, North Carolina, and may be relied upon for the correctness of the facts contained therein as they relate to the termination of this Declaration.

Section 2. Amendments. All proposed Amendments to this Declaration shall be submitted to a vote of the Members at a duly called meeting of the Association subject to the quorum requirements established by Article III, Section 6(A), and any such proposed amendment shall be deemed approved if two-thirds (2/3) of the votes cast at such meeting vote in favor of such proposed amendment. Notice shall be given each Member at least thirty (30) days prior to the date of the meeting at which such proposed amendment is to be considered. If any proposed amendment to this Declaration is approved by the members as set forth above, the President and Secretary of the Association shall execute an Addendum to this Declaration which shall set forth the Amendment, the effective date of the Amendment [which in no event shall be less than sixty (60) days after the date of the meeting of the Association at which such Amendment was adopted], the date of the meeting of the Association at which such Amendment was adopted, the date that notice of such meeting was given, the total number of votes required to constitute a quorum at a meeting of the Association, the total number of votes present at said meeting, the total number of votes cast for and against the Amendment, the number of votes necessary to adopt the Amendment, the total number of votes cast in favor of such Amendment and the total number of

votes cast against the Amendment. Such Addendum shall be recorded in the Office of the Register of Deeds, Wake County, North Carolina.

So long as the Company, as the Class "B" Member, is entitled to elect a majority of the Members of the Board of Directors of the Association, no Amendment of this Declaration shall be made without the consent of the Company, and until the end of the period of development no Amendment of this Declaration shall be made without the consent of the Company which would have the affect of creating a disproportionate increase in the Maximum Regular Annual Assessment, the actual assessment levied, or any Special Assessment of any Class of Owners.

Notwithstanding the foregoing, the 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 FNMA, if applicable, and without the consent of any Owner, in order to qualify the Association for tax-exempt status, and to correct obvious errors and omissions herein. Such amendment shall become effective upon the date of its recordation in the Wake County Registry.

Section 3. Notices. Any notice required to be sent to any Member under the provisions of this Declaration shall be deemed to have been properly sent, and notice thereby given, when delivered personally or sent by mail, with the proper postage affixed, to the address appearing on the Association's Membership list. Notice to one (1) or two (2) or more Co-Owners or cotenants of any Residential Lot, Family Dwelling Unit, Development Unit Parcel, or Unsubdivided Land shall constitute notice to all co-owners. It shall be the obligation of every Member to immediately notify the Secretary of the Association in writing of any change of address. Any person who becomes a Member following the first day in the calendar month in which said notice is delivered or mailed shall be deemed to have been given notice if notice was given to his predecessor in title.

Section 4. Enforcement. Enforcement of these Covenants and Restrictions shall be by any proceeding at law or in equity against any person or persons violating or attempting to restrain violation or to recover damages, and against the land and to enforce any lien created by these Covenants; and failure by the Association, if applicable, or any Member or the Company to enforce any Covenant or Restriction herein contained for any period of time shall in no event be deemed a waiver or estoppel of the right to enforce same thereafter.

Section 5. Severability. Should any Covenant or Restriction herein contained, or any Article, Section, Subsection, sentence, clause, phrase or term of this Declaration be declared to be void,

invalid, illegal, or unenforceable, for any reason, by the adjudication of any court or other tribunal having jurisdiction over the parties hereto and the subject matter hereof, such judgment shall in no way affect the other provisions hereof which are hereby declared to be severable and which shall remain in full force and effect.

Section 6. Interpretation. The Board of Directors of the Association shall have the right to determine all questions arising in connection with this Declaration of Covenants and Restrictions, and to construe and interpret its provisions, and its determination, construction, or interpretation shall be final and binding. In all cases, the provisions of this Declaration of Covenants and Restrictions shall be given that interpretation or construction that will best tend toward the consummation of the general plan of improvements.

Section 7. Authorized Action. All actions which the Association is allowed to take under this instrument shall be authorized actions of the Association if approved by the Board of Directors of the Association in the manner provided for in the Bylaws of the Association, unless the terms of this instrument provide otherwise.

Section 8. Other Agreements. Notwithstanding anything contained herein to the contrary, all the provisions of these Covenants and Restrictions shall be subject to and conform with the provisions of:

(A) The Zoning Ordinance(s) of the Town of Apex and County of Wake and the rules and regulations promulgated thereunder, as may from time to time hereafter be amended or modified; and,

(B) A Master Plan for the development of Pearson Farms may from time to time hereinafter be amended or modified.

None of the provisions of this Section (8) are or shall in any way be construed to be or to constitute a conveyance, transfer, disposition, waiver or relinquishment of any right, title, and interest of the Company or the Association, as their respective rights, titles, and interests may appear, in and to or under any of the above referenced instruments or documents to or for the benefit of any other person, firm or corporation.

Section 9. Limited Liability. In connection with all reviews, acceptances, inspections, permissions, consents or required approvals by or from the Company and/or the Association contemplated under this Declaration, the Company and/or the Association shall not be liable to an Owner or to any other person on account of any claim, liability, damage, or expense suffered or incurred by or threatened against an Owner or such other person and arising out of or in any way relating to the subject matter of any

such reviews, acceptances, inspections, permissions, consents or required approvals, whether given, granted, or withheld.

Section 10. Termination of Association. In the event that this Declaration be declared to be void, invalid, illegal, or unenforceable in its entirety, or in such a significant manner that the Association is not able to function substantially as contemplated by the terms hereof, for any reason, by the adjudication of any Court or other tribunal having jurisdiction over the parties hereto and the ten (10) years of the date of recording this Declaration, any and all Common Properties belonging to the Association at the time of such adjudication shall revert to the Company, and the Company shall own and operate said Common Properties as set forth below. If said adjudication shall occur on a date more than ten (10) years after the date of recording of this Declaration, or if the Members of the Association should vote not to renew and extend this Declaration as provided for in Article VIII, Section 1, any and all Common Properties owned by the Association at such time shall be transferred to a Trustee appointed by the Superior Court for Wake County, North Carolina, which Trustee shall own and operate said Common Properties for the use and benefit of Owners within the Properties as set forth below.

(A) Each Lot or Parcel of land located within the Properties shall be subject to an Annual Assessment which shall be paid by the Owner of each such Lot or Parcel to the company or Trustee, whichever becomes the successor in title to the Association. The amount of such Annual Assessment and its due date shall be determined solely by the Company or the Trustee, as the case may be, but the amount of such Annual Assessment on any particular Lot or Parcel shall not exceed the amount actually assessed against that Lot or Parcel in the last year that assessments were levied by the Association, subject to the adjustments set forth in subparagraph (B), immediately below;

(B) The Maximum Regular Annual Assessment which may be charged by the Company or Trustee hereunder on any particular Lot or Parcel may be automatically increased each year by an amount of ten percent (10%).

(C) Any past due Annual Assessment together with interest thereon at the maximum annual rate allowed by law from the due date and all costs of collection including reasonable attorney's fees shall be a personal obligation of the Owner at the time the Annual Assessment became past due, and it shall also constitute and become a charge and continuing lien on the Lot or Parcel of land and all improvements thereon, against which the Assessment has been made, in the hands of the then Owner, his heirs, devisees, personal representatives and assigns.

(D) The Company, or the Trustee, as the case may be, shall be required to use the funds collected as Annual Assessments for the

operation, maintenance, repair, and upkeep of any Common Properties. The Company or Trustee may charge as part of the cost of such functions the reasonable value of this services in carrying out the duties herein provided. Neither the Company nor the Trustee shall have the obligations to provide for operation, maintenance, repair, and upkeep of any Common Properties once the funds provided by the Annual Assessment have been exhausted.

(E) The Company shall have the right to convey title to any Common Properties, and to assign its rights and duties hereunder, provided that the transferee accepts such properties subject to the limitations and uses imposed hereby and affirmatively acknowledges its acceptance of the duties imposed hereby.

(F) The Trustee shall have the power to dispose of any Common Properties free and clear of the limitations imposed hereby; provided, however, that such disposition shall first be approved in writing by fifty-one percent (51%) of the Owners of property within the Properties or in the alternative shall be found to be in the best interests of the Owners of property within the Properties or in the alternative shall be found to be in the best interests of the Owners of property within the Properties by the Superior Court for Wake County, North Carolina. The proceeds of such a sale shall first be used for the payment of any debts or obligations constituting a lien on the Common Properties, then for the payment of any obligations incurred by the Trustee in the operation, maintenance, repair, and upkeep of such properties, then for the payment of any obligations distributed among the Owners of property within the Properties, exclusive of the Trustees, in a proportion Assessment on property owned by a particular Owner bears to the total Maximum Regular Annual Assessments for all property located within the Properties.

Section 11. Management and Contract Rights of Association.

The Company may enter into a contract with a Management company or manager for the purposes providing all elements of the operation, care, supervision, maintenance, and management of the Properties. However, no such contract shall be binding upon the Association except through express adoption, or ratification of the terms and conditions of such contract. Any contract or lease entered into by the Company or by the Association while the Company is in control thereof shall contain a provision allowing the Association to terminate such contract without justification or penalty after transfer of management by the Company to the Association.

Section 12. Rights of Noteholders.

(A) Any institutional holder of a first mortgage on a Unit or Lot will, upon written request, be entitled to: (i) Inspect the books and records of the Association during normal business hours, (ii) receive an annual audited financial statement of the Association within ninety (90) days following the end of its fiscal

year, (iii) receive written notice of all meetings of the Association and the right to designate a representation to attend all such meetings, (iv) receive written notice of any condemnation or casualty loss that affects either a material portion of the project or the unit securing its mortgage, (v) receive written notice of any sixty (60) day delinquency in the payment of assessments or charges owned by the owner of any unit on which it holds the mortgage, (vi) receive written notice of a lapse, cancellation, or material modification of any insurance policy of fidelity bond maintained by the Owners' Association, (vii) receive written notice of any proposed action that requires the consent of a specified percentage of mortgage holders, (viii) be furnished with a copy of the master insurance policy; and (ix) receive a copy of any Supplementary Declaration which contains additions, provisions or modifications to the Declaration pursuant to the provisions of Article II, Section 2(A) hereof thirty (30) days prior to the recording of such Supplementary Declaration.

(B) Without the prior written consent of not less than sixty-six percent (66%) of Institutional Lenders, the Association may not: (i) abandon, partition, subdivide, encumber, sell or transfer real estate or improvements which are owned by the Association for the benefit of all members, (ii) alter or amend the method of determining assessments that may be levied against an owner, (iii) waive or abandon any scheme of regulations or enforcement thereof pertaining to the architectural design or the exterior appearance of any building, fence, wall or other structure upon the properties, the exterior maintenance of lots, the maintenance of party walls or common fences and driveways within the properties or the upkeep of lawns and plantings within the properties, and (iv) use hazard insurance proceeds for losses to improvements located on Association property for other than the repair, replacement or reconstruction of such improvements.

Section 13. Exchange of Common Area. Notwithstanding any provision herein to the contrary, it is expressly provided that the Association may exchange with the Company, as well as any other Owner, for fair value any portion of the Common Properties, if any, theretofore conveyed to the Association for additional property to be added to the Common Properties, if any. Any such exchange and conveyance shall be subject to prior VA or HUD and FNMA approval, if applicable. Upon such exchange and conveyance, the area conveyed shall cease to be Common Properties and shall cease to be subject to the provisions of this Declaration relating to Common Properties. Any area acquired by the Association pursuant to the foregoing language shall become Common Property and subject to the provisions of these covenants relating to the Common Property.

Section 14. VA or HUD, and FNMA Approval. As long as the Company controls the Board, or retains the right to do any of the following without the consent of the Members, such acts will require the prior approval of VA or HUD and FNMA, if applicable:

Annexation of additional properties, dedication of any Common Areas, and amendment of this Declaration of Covenants and Restrictions for Pearson Farms.

Section 15. Easements.

(A) Walks, Drives, Utilities, Etc. All Properties shall be subject to such easements for walkways, water lines, sanitary sewers, storm drainage facilities, gas lines, telephone, streets, drives, electric power lines, television antenna lines, and other utilities, together with ingress, egress and regress and otherwise as shall be established by the Company and the Association, which shall have the power and authority to grant and establish further such easements upon, over, under and across the Property.

(B) Encroachments and Company's Easement to Correct Drainage. All Properties shall be subject to easements for the encroachment of initial improvements constructed thereon 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. If any encroachment shall occur subsequent to subjecting Pearson Farms to this Declaration as a result of settling or shifting of any building or as a result of any permissible repair, construction, reconstruction, or alteration, there is hereby created and shall be and remain a valid easement for such encroachment for the maintenance of the same. For a period of twenty-five (25) years from the date hereof, the Company reserves an easement and right on, over and under any property comprising Pearson Farms to maintain and to correct drainage or surface water runoff 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 similar action reasonably necessary. After such action has been completed, the Company shall restore the affected property to its original condition to the extent practicable. Company shall give reasonable notice of intent to take such action to all affected Owners.

(C) Easement to County of Wake and Town of Apex. An easement is hereby established for municipal, state or public utilities serving Pearson Farms, their agents and employees over any and all Common Properties, 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.

(D) Reservation. Company and Association reserve the right to subject the Property to a contract with the Town of Apex, or other utility, for the installation of above ground or underground electric cables and lines and/or the installation of street lighting, either or both of which may require an initial payment

and/or a continuing monthly payment to The Town of Apex, or other utility, by the Owner of each Family Dwelling Unit within said Property.

IN WITNESS WHEREOF, the Company has caused this instrument to be executed as of the day and year first above written.

SNYDER-HUNT OF NORTH CAROLINA, INC.

By: [Signature] President

ATTEST:

[Signature] Secretary

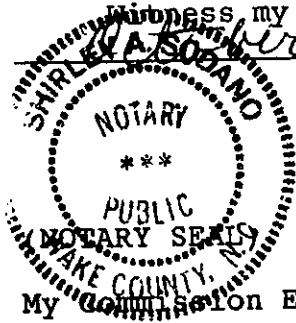
(affix corporate seal here)

NORTH CAROLINA

WAKE COUNTY

I, Shirley G. Sordano, a Notary Public, in and for the aforesaid County and State, do hereby certify that Joseph E. Fox personally appeared before me this day and acknowledged the he is the Secretary of Snyder-Hunt of North Carolina, Inc., a North Carolina corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its President, sealed with its corporate seal and attested by the said as its Secretary.

Witness my hand and official stamp or seal, this 26th day of September, 1995.



Shirley G. Sordano
Notary Public

My Commission Expires: My Commission Expires 7-25-99

C. RICHARD DOBSON BUILDERS, INC.,
a Virginia corporation

By: _____

Vice President

ATTEST:

Elizabeth J. Pruitt
ASSISTANT Secretary



STATE OF Virginia
city
COUNTY OF Newport News

I, Lissette PRATT, a Notary Public, in and for the aforesaid County and State, do hereby certify that ELIZABETH J. PRUITT personally appeared before me this day and acknowledged the she is the ASSISTANT Secretary of C. RICHARD DOBSON BUILDERS, INC., a Virginia corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its VICE President, sealed with its corporate seal and attested by the said ELIZABETH PRUITT as its ASSISTANT Secretary.

Witness my hand and official stamp or seal, this 21th day of October, 1995.

Lissette Pratt
Notary Public

(NOTARY SEAL)

My Commission Expires: 1-31-98

BK6731PG0402

F & L DEVELOPERS, INC., a North
Carolina corporation, d/b/a
R. W. LEE HOMES

By:

President

ATTEST:

Secretary

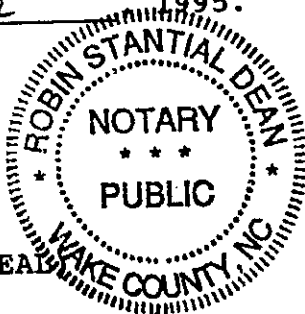


STATE OF NORTH CAROLINA

COUNTY OF WAKE

I, ROBIN STANTIAL DEAN, a Notary Public, in and for
the aforesaid County and State, do hereby certify that
ALAN D. FAKHOURY personally appeared before me this day and
acknowledged the he is the Secretary of F & L
DEVELOPERS, INC., a North Carolina corporation, d/b/a R. W. LEE
HOMES, and that by authority duly given and as the act of the
corporation, the foregoing instrument was signed in its name by its
President, sealed with its corporate seal and attested by the
said ALAN D. FAKHOURY as its Secretary.

Witness my hand and official stamp or seal, this 30th day of
OCTOBER 1995.



Robin Stantial Dean
Notary Public

(NOTARY SEAL)

My Commission Expires:

My Commission Expires 8-11-98

BK6731PG0403

HOMES BY HUFF & CO., INC., a North Carolina corporation

By:

President

ATTEST:

Secretary

STATE OF NORTH CAROLINA

COUNTY OF Durham

I, D. Michelle Jackson, a Notary Public, in and for the aforesaid County and State, do hereby certify that Joanne M. Huffman personally appeared before me this day and acknowledged the 3 he is the Asst. Secretary of HOMES BY HUFF & CO., INC., a North Carolina corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its President, sealed with its corporate seal and attested by the said Asst. Secretary.

Witness my hand and official stamp or seal, this 25 day of October, 1995.

D. Michelle Jackson
Notary Public

(NOTARY SEAL)

My Commission Expires: September 16, 1997

BK6731PG0404

PARKER & LANCASTER CORP.,
a Virginia corporation

By:

[Signature]
President

ATTEST:

[Signature]
Secretary

STATE OF NORTH CAROLINA
COUNTY OF CHEROKEE

I, Charles T. Longmire, a Notary Public, in and for the aforesaid County and State, do hereby certify that Christine B. McNeill personally appeared before me this day and acknowledged the she is the ASST. SECRETARY Secretary of PARKER & LANCASTER CORP., a Virginia corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its VICE President, sealed with its corporate seal and attested by the said ASST. SECRETARY as its ASST. Secretary.

Witness my hand and official stamp or seal, this 26 day of October, 1995.



[Signature]
Notary Public

My Commission Expires: 9-27-99

CENTRAL CAROLINA BANK AND TRUST
COMPANY, a North Carolina
corporation

By:

[Signature]
Vice President

ATTEST:

[Signature]
Secretary

STATE OF North Carolina
COUNTY OF Wake

I, Jean Tiley, a Notary Public, in and for
the aforesaid County and State, do hereby certify that
Rick Merrill personally appeared before me this day and
acknowledged the he is the ASSISTANT Secretary of CENTRAL
CAROLINA BANK AND TRUST COMPANY, a North Carolina corporation, and
that by authority duly given and as the act of the corporation, the
foregoing instrument was signed in its name by its Vice President,
sealed with its corporate seal and attested by the said
as its ASSISTANT Secretary.

Witness my hand and official stamp or seal, this 25th day of
October, 1995.

[Signature]
Notary Public

(NOTARY SEAL)

My Commission Expires:

12/21/97

"All References in this document to NationsBank of North Carolina, N.A. or NationsBank, N.A. (Carolinas) shall be deemed to be NationsBank, N.A. NationsBank, N.A. is the successor by name change to NationsBank, N.A. (Carolinas)."

BK6731PG0406

NATIONSBANK OF NORTH CAROLINA, N.A.,
a national banking association



By:

[Signature]
President

[Signature]
Assistant Secretary

STATE OF North Carolina
COUNTY OF Wake

I, Nancy J. Willis, a Notary Public, in and for the aforesaid County and State, do hereby certify that Amy R. Ballinger personally appeared before me this day and acknowledged the she is the Assistant Secretary of NATIONSBANK OF NORTH CAROLINA, N.A., a national banking association, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its Vice President, sealed with its corporate seal and attested by the said Amy R. Ballinger as its Assistant Secretary.

Witness my hand and official stamp or seal, this 25th day of October, 1995.

[Signature]
Notary Public

(NOTARY SEAL)

My Commission Expires: 10/30/99

BK6731PG0407

ONE MORTGAGE CORPORATION,
an Indiana corporation

By:

Vice

President

ATTEST:

J. Marlene Kloss
Asst Secretary

STATE OF Indiana

COUNTY OF Marion

I, Pandora S. Eads, a Notary Public, in and for the aforesaid County and State, do hereby certify that J. Marlene Kloss personally appeared before me this day and acknowledged the she is the Assistant Secretary of ONE MORTGAGE CORPORATION, an Indiana corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its Vice President, sealed with its corporate seal and attested by the said J. Marlene Kloss as its Assistant Secretary.

Witness my hand and official stamp or seal, this 26 day of October, 1995.

Pandora S. Eads
Notary Public

(NOTARY SEAL)

My Commission Expires: 10/2/98

BK6731PG0408

THE FIDELITY BANK,
a North Carolina corporation

By: Raymond G. Lane, Jr.
E.V. President

ATTEST:

Ray Bowden
Asst. Secretary

STATE OF NORTH CAROLINA

COUNTY OF HARNETT

I, ADELL J. COLEY, a Notary Public, in and for
the aforesaid County and State, do hereby certify that
RAY BOWDEN personally appeared before me this day and
acknowledged the he is the ASST. Secretary of THE FIDELITY
BANK, a North Carolina corporation, and that by authority duly
given and as the act of the corporation, the foregoing instrument
was signed in its name by its E.V. President, sealed with its
corporate seal and attested by the said RAY BOWDEN as
its ASST. Secretary.

Witness my hand and official stamp or seal, this 30 day of
OCTOBER, 1995.

Adell J. Coley
Notary Public

(NOTARY SEAL)

My Commission Expires: 3-5-97

BK6731PG0409

UNITED FEDERAL SAVINGS BANK,
a U.S.A. corporation

By:

Byron F. Hall
President

ATTEST:

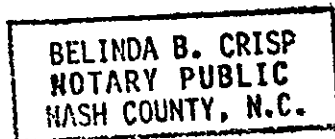
Elizabeth B. Hedrick
Secretary

STATE OF North Carolina

COUNTY OF Nash

I, Belinda B. Crisp, a Notary Public, in and for the aforesaid County and State, do hereby certify that Elizabeth B. Hedrick personally appeared before me this day and acknowledged the she is the Assistant Secretary of UNITED FEDERAL SAVINGS BANK, a U.S.A. corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its Vice President, sealed with its corporate seal and attested by the said Elizabeth B Hedrick as its Assistant Secretary.

Witness my hand and official stamp or seal, this 26th day of October, 1995.



Belinda B. Crisp
Notary Public

(NOTARY SEAL)

My Commission Expires: 5-14-99

SIGNET BANK/VIRGINIA,
a Virginia corporation

By: *[Signature]*
Vice President

ATTEST:
[Signature]
Assistant Secretary

STATE OF VIRGINIA
CITY of Richmond, to-wit:

The foregoing instrument was acknowledged before me this 26th day
of October, 1995, by W. Richard Kay, Jr. as Assistant Secretary of Signet
Bank/Virginia, a Virginia corporation, on behalf of said company.

My commission expires: 8-31-99

Jorge Falbert Magorian
Notary Public

Jorge Falbert Magorian

NORTH CAROLINA — WAKE COUNTY

The foregoing certificate of *Shirley A. Sodano*
Lisette O. Pratt
Robin Stantial Dean

Notar(y)(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.

KENNETH C. WILKINS, Register of Deeds

By *P. Anne Read*
Asst./Deputy Register of Deeds

D. Michelle Jackson
Carla J. Montgomery
Jean Telep
Nancy J. Willis
Randora S. Eads
Adell J. Coley
Belinda B. Crisp

SCHEDULE "A"
(PEARSON FARMS)

Properties of the Company and the Builders in which the Beneficiaries hold security interests are described in the following Deeds of Trust, all within the Wake County, North Carolina, Registry:

- (1.) Snyder-Hunt of North Carolina, Inc. (Central Carolina Bank and Trust Company), Book 6187, Page 879.
- (2.) C. Richard Dobson Builders, Inc. (NationsBank of North Carolina, N.A.), Book 6607, Pages 721 and 736.
- (3.) C. Richard Dobson Builders, Inc. (One Mortgage Corporation), Book 6607, Page 736.
- (4.) F & L Developers, Inc., d/b/a R. W. Lee Homes (The Fidelity Bank), Book 6604, Pages 606, 613, 620, 592, and 599; Book 6622, Pages 312, 319, 326 and 333.
- (5.) Homes by Huff & Co., Inc. (United Federal Savings Bank), Book 6615, Pages 195, 202 and 209; Book 6619, Page 356.
- (6.) Parker & Lancaster Corp. (Signet Bank/Virginia), Book 6598, Page 445; Book 6604, Pages 58, 63, 68 and 73.

EXHIBIT "A"
(PEARSON FARMS)

TRACT ONE

BEING all of that tract or parcel of land containing 103.564 acres, and identified as the "West Tract" on a certain plat or map entitled "Survey for Cedar Queen Development, L.L.C." by Smith and Smith Surveyors, dated June 22, 1994, and recorded in Book of Maps 1994, Page 904, Wake County Registry.

TRACT TWO

BEING all of Lots 2-26, 41, and 224, Phase 1A, Pearson Farms, as shown on that certain survey entitled "Final Plat of Pearson Farms Subdivision Phase 1A" by Smith and Smith Surveyors, dated May 8, 1995, and recorded in Book of Maps 1995, Page 925, Wake County Registry.

BK6731PG0413

EXHIBIT "B"

Prepared by and return to:
William W. Bunch, III
BROWN & BUNCH
4900 Falls of Neuse Road, Suite 210
Raleigh, North Carolina 27609

STATE OF NORTH CAROLINA
COUNTY OF WAKE

DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS FOR
OLIVE CHAPEL SWIM AND TENNIS CLUB

THIS DECLARATION, made on the date hereinafter set forth by MJK Developments, LLC, a North Carolina limited liability company ("MJK Developments") and Snyder-Hunt of North Carolina, Inc., a North Carolina corporation ("Snyder-Hunt") hereinafter collectively referred to as "Declarant",

WITNESSETH THAT:

WHEREAS, MJK Developments is the owner of certain property in the Town of Apex, County of Wake, State of North Carolina, described on Exhibit A attached hereto and incorporated herein by this reference, upon which MJK Developments intends to develop and construct thereon a residential subdivision, in phases, containing up to 375 Lots therein to be known and referred to hereinafter as "Dogwood Ridge"; and

WHEREAS, Snyder-Hunt is the owner of certain property in the Town of Apex, County of Wake, State of North Carolina, described on Exhibit B attached hereto and incorporated herein by this reference, upon which Snyder-Hunt intends to develop and construct thereon a single family residential subdivision, in phases, containing up to 224 Lots therein to be known and referred to hereinafter as "Pearson Farms"; and

WHEREAS, it is the intent of Declarant to establish an Association to be known as Olive Chapel Swim and Tennis Club, Inc. and convey to such Association certain areas adjacent to Dogwood Ridge and Pearson Farms, when Amenities defined hereinafter such as tennis courts, swimming pools, cabana/pool house, sidewalks and parking areas are constructed thereon, which facilities shall be for the use and benefit of all persons residing in Dogwood Ridge and Pearson Farms;

NOW, THEREFORE, Declarant hereby declares that each Lot defined hereinafter shall be held, sold and conveyed subject to the following easements, restrictions, covenants and conditions which are for the purpose of enhancing and protecting the value and desirability of, and which shall run with, each Lot created within the Properties and be binding on all parties having any right, title or interest in a Lot, their heirs, successors and assigns and shall inure to the benefit of each Owner thereof.

ARTICLE I
DEFINITIONS

Section 1. "Association" shall mean and refer to Olive Chapel Swim and Tennis Club, Inc., its successors and assigns.

Section 2. "Member" shall mean and refer to every person or entity who holds membership in the Association.

Section 3. "Lot" shall mean and refer to any residential lot, including those intended for detached and attached residential structures, shown upon any recorded subdivision map of Dogwood Ridge and Pearson Farms.

Section 4. "Properties" shall mean and refer to that certain real property located in the Town of Apex, Wake County, consisting of Dogwood Ridge and Pearson Farms, as the same may be expanded and exist from time to time. The portion of the Properties upon which Dogwood Ridge is to be developed is shown on Exhibit A hereto and the portion of the Properties upon which Pearson Farms is to be developed is shown on Exhibit B hereto.

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 which is a part of the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 6. "Declarant" shall collectively mean and refer to MJK Developments and Snyder-Hunt and their successors and assigns to whom the rights of Declarant hereunder are expressly transferred, in whole or in part, and subject to such terms and conditions as the Declarant may impose.

Section 7. "Amenities" shall mean the facilities constructed, erected, or installed on the Club Property conveyed to the Association for the use, benefit and enjoyment of Members.

Section 8. "Club Property" shall mean and refer to the property described on Exhibit C attached hereto and incorporated herein by this reference, upon which the Amenities are to be constructed and to be conveyed by MJK Developments to the Association as set forth hereinafter.

Section 9. "Family" shall mean and refer to the members of one household and their dependents; provided, however, that the Board of Directors of the Association may further define this term from time to time in keeping with the connotation commonly associated with this term.

Section 10. "Homeowner's Association" shall mean and refer to the respective homeowner's association created for each of Dogwood Ridge and Pearson Farms and being Dogwood Ridge Homeowner's Association, Inc. and Pearson Farms Community Association, Inc., respectively.

ARTICLE II MEMBERSHIP

Section 1. Members. The Declarant, for so long as it shall be an Owner, and every person or entity who is a record owner of a fee or undivided fee interest in any Lot shall be a Member of the Association, including contract sellers. Membership by an Owner in the Association shall be automatic and mandatory upon the acquisition and ownership of a Lot. Membership in the Association may be offered to persons or

entities other than an Owner in accordance with Article X, Section 9.

Section 2. Delegation of Use. Subject to Article IV, Section 1 hereinafter, any Member who is an Owner may delegate, in accordance with the Bylaws, his rights to use and enjoyment in and to the Club Property and Amenities, to the members of his family, his lawful tenants, or contract purchasers who reside upon such Member's Lot and to his guests.

ARTICLE III VOTING RIGHTS

Section 1. The Association shall have two classes of voting membership:

Class A. Class A Members shall be all Owners, with the exception of the Declarant, and shall be entitled to one vote for each Lot owned. When more than one person holds 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 vote be cast with respect to any Lot, and no fractional vote may be cast with respect to any Lot.

Class B. The Class B Member(s) shall be the Declarant and shall be entitled to three (3) votes for each Lot in which it holds a fee or undivided fee 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 earlier:

(a) When the total votes outstanding in Class A membership equal the total votes outstanding in Class B membership; provided, however, in the event the Class B membership shall cease and be converted to Class A membership because the Declarant no longer owns the number of Lots required to keep such Class B membership in effect, such Class B membership shall be reinstated by the recordation of a subdivision map of the Properties which creates additional Lots, but in no event shall such Class B membership extend beyond the time stated in subparagraph (b) of this Section; or

(b) on January 1, 2001.

ARTICLE IV PROPERTY RIGHTS

Section 1. Member's Easements of Enjoyment. Every Member shall have a right and easement of enjoyment in and to the Club Property and Amenities and such easement of every Member shall be appurtenant to and shall pass with the title to the Member's Lot, subject to each of the following provisions:

(a) The right of the Association to limit the number of guests of Members;

(b) The right of the Association to charge reasonable admission and other fees to Members and/or guests of Members for the use of the Amenities situated upon the Club Property;

(c) The right of the Association, in accordance with its Articles and Bylaws, to borrow money for the purpose of improving

the Club Property and facilities and in aid thereof to mortgage the Club Property, or any portion thereof, except the rights of such mortgagee in said Club Property shall be subordinate to the rights of the Members hereunder; provided, however, that if any Club Property is mortgaged while the Class B membership is in existence, the execution of such mortgage shall require the same approval of the membership which is required for Special Assessments for Capital Improvements as set forth in Article V, Section 4 of this Declaration;

(d) The right of the Association to suspend the voting rights and right to use of the Amenities by a Member or any member of his Family (or any person to whom he has delegated his right of enjoyment) for any period during which any Assessment remains unpaid; and for a period not to exceed thirty (30) days, for any infraction of its published rules and regulations;

(e) The right of the Association to dedicate or transfer all or any part of the Club Property to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Members. No such dedication or transfer shall be effective unless an instrument signed by Members entitled to cast two-thirds (2/3) of the votes of the Class A membership and two-thirds (2/3) of the votes of the Class B membership, if any, has been recorded, agreeing to such dedication or transfer, and unless written notice of the proposed action is sent to every Member not less than thirty (30) days nor more than sixty (60) days in advance;

(f) The right of the Association to offer membership therein and use of the Amenities situated upon the Club Property to non-owners in accordance with Article X, Section 9 of this Declaration; and

(g) The right of the Association to formulate, publish and enforce rules and regulations as provided in Article VII.

Section 2. Delegation of Use. Any Member may delegate, in accordance with the Bylaws, his right of enjoyment to the Club Property and Amenities to the members of his family, his tenants, or contract purchasers who reside upon his Lot.

Section 3. Title to the Club Property. MJK Developments hereby covenants for itself, its successors and assigns, that immediately upon the completion of the construction of the initial Amenities, the payment in full of all costs and expenses incurred in the construction thereof, lien waivers relative thereto have been obtained from all parties providing labor or materials relative to the construction thereof and the receipt of all approvals and permits necessary for the use, operation and enjoyment of the Amenities, it shall convey fee simple title to the Club Property to the Association, free and clear of all encumbrances and liens, except utility and drainage easements and easements to governmental authorities and restrictions of record, including this Declaration.

ARTICLE V COVENANT FOR ASSESSMENTS

Section 1. Creation of Personal Obligation of Assessments. The Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner of any Lot by

acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association:

(1) Annual Assessments or charges paid and determined as hereinafter set forth, and

(2) Special assessments for capital improvements, such assessments to be established and collected as hereinafter provided.

(3) Each Member is also a member of the respective Homeowner's Association depending on whether it owns a Lot in Dogwood Ridge or Pearson Farms, as the case may be. By virtue of ownership of such Lot, each Member is subject to assessment from the respective Homeowner's Association. Included within such assessment is a budgeted amount which is for the purpose of payment of the annual Assessment of such Member to this Association. Therefore, by virtue of a Member paying its assessments to the respective Homeowner's Association, inclusive of the Assessment due hereunder, it shall have discharged its obligation for the payment of annual Assessments hereunder. Thereafter, immediately upon receipt of such assessment, it shall be the duty of the respective Homeowner's Association to pay the portion of such assessment as is budgeted for annual Assessment hereunder and due and payable to this Association. Annual Assessments may be collected on a monthly basis.

Section 2. Purpose of Assessments. The Assessments levied by the Association shall be used exclusively for the purpose of promoting the beautification of the Club Property, the recreation, health, safety, and welfare of the Members, the enforcement of this Declaration and the rules of the Association, and, in particular, for the improvement and maintenance of the Club Property and the Amenities and providing the services and facilities devoted to this purpose and related to the use and enjoyment of the Club Property and the Amenities.

Section 3. Basic and Maximum Annual Assessments. Assessments hereunder shall not commence until the first day of the month following the conveyance of the Club Property described on Exhibit C to the Association. Until January 1 of the year immediately following the conveyance of the Club Property described on Exhibit C to the Association, the basic (and maximum) annual Assessment shall be Two Hundred Forty Dollars (\$240.00).

(a) From and after January 1 of the year immediately following the conveyance of the Club Property described on Exhibit C to the Association, the maximum annual Assessment may be increased each year not more than ten percent (10%) above the maximum Assessment for the previous year without a vote of the membership.

(b) From and after January 1 of the year immediately following the conveyance of the Club Property described on Exhibit C to the Association, the maximum annual Assessment may be increased above ten percent (10%) by a vote of two-thirds (2/3) of each class of Members who are voting in person or by proxy, at a meeting duly called for this purpose.

(c) The Board of Directors may fix the annual Assessment at an amount not in excess of the maximum.

Section 4. Special Assessments for Capital Improvements. In addition to the annual Assessments authorized above, the Association may levy in any Assessment year, a special Assessment applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, unexpected repair or replacement of a described capital improvement upon the Club Property, including the necessary fixtures and personal property related thereto; provided that, any such Assessment shall be adopted by a two-thirds (2/3) affirmative vote of each class of Members 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 nor more than sixty (60) days in advance of the meeting, setting forth the time, place, and purpose of the meeting.

Section 5. Uniform Rate of Assessment. Both annual and special Assessments relating to the Club Property must be fixed at a uniform rate for all Members and may be collected on a monthly basis; provided, however, annual and special Assessments for Lots owned by Declarant and not occupied as a residence shall be twenty-five percent (25%) of such Assessments for other Lots. Special Assessments may be collected on a monthly basis.

Section 6. Quorum for Any Action Authorized Under Sections 3 and 4. At the first meeting called for the purposes stated in Sections 3 and 4 hereof, the presence at the meeting of the 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 forthcoming at any meeting, another meeting may be called, subject to the notice requirement set forth in Sections 3 and 4, and the required quorum at any such subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. Such subsequent meeting shall be held within sixty (60) days following the preceding meeting.

Section 7. Date of Commencement of Annual Assessments: Due Dates. The annual Assessments provided for herein shall commence as to each Lot on the latter to occur of the first day of the month immediately following the conveyance of the Club Property to the Association or the first day of the month immediately following the platting of record of such Lot. The first annual Assessments shall be adjusted according to the number of months remaining in the fiscal year. As set forth in the Declaration of Covenants, Conditions and Restrictions for each respective Homeowner's Association specifically identified in Section 8 immediately following, there shall be paid at the time of the initial sale of each Lot (not including a sale by Declarant to a purchaser who intends solely to acquire such Lot in order to construct a residential dwelling structure thereon, but meaning and being the sale of such Lot to the initial occupant of the residential dwelling structure constructed thereon) at least two (2) months' Assessments in order to provide a working capital fund for the initial months of the Association's operation. Amounts paid into such fund shall be in addition to and shall not be considered as advance payment of any portion of the annual Assessment. The Board of Directors shall fix the amount of the annual Assessment of 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 Member. This Section shall be deemed complied with by virtue of the foregoing notice being given by the respective Homeowner's Association at the time that notice is given relative to the amount to be assessed by the respective Homeowner's Association and the Assessment hereunder shall be deemed included therewith.

Section 8. Effect of Nonpayment of Assessments: Remedies of the Association. 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 be subject to such interest, penalties and actions as shall be established therefor in the Declaration of Covenants, Conditions and Restrictions for the respective Homeowner's Association, which are recorded in the Wake County Registry as follows: Dogwood Ridge recorded in Book ____, Page ____, Wake County Registry; and, Pearson Farms recorded in Book ____, Page ____, Wake County Registry, including future phases annexed into either such respective Homeowner's Association and made a part of the Properties and thereby subject to such respective declaration. No Member may waive or otherwise escape liability for the Assessments provided for herein by non-use of the Club Property or Amenities.

ARTICLE VI ARCHITECTURAL CONTROL AND INSPECTION

During any period in which the Declarant is a Class B Member, no site preparation or initial construction, erection, or installation of any improvements, nor additions and alterations thereto, including, but not limited to, buildings, fences, walls, and other structures, shall be undertaken upon the Club Property 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 Declarant or its agent and expressly approved in writing.

In the event that the Declarant fails to approve or disapprove the site or design of any proposed improvements within thirty (30) 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 met; provided, that the plans and specifications required to be submitted shall not be deemed to have been received by the Declarant if they contain erroneous data or fail to present adequate information upon which the Declarant can arrive at a decision.

The Declarant shall have the right, at its election, but shall not be required, to enter upon any of the Club Property during site preparation or construction, erection, or installation of improvements to inspect the work being undertaken and to determine that such work is being performed in conformity with the approved plans and specifications and in a good and workmanlike manner, utilizing approved methods and good quality materials.

ARTICLE VII USE RESTRICTIONS

Section 1. Rules and Regulations. The Board of Directors of the Association shall have the power to formulate,

publish and enforce reasonable rules and regulations concerning the use and enjoyment of the Club Property.

Section 2. Quiet Enjoyment. No obnoxious or offensive activity shall be carried on upon the Club Property which may be or may become a nuisance or annoyance to the Members and the surrounding neighborhood.

ARTICLE VIII EASEMENTS

The Club Property shall be subject to such easements for driveways, walkways, parking areas, water lines, sanitary sewers, storm drainage facilities, gas lines, telephone and electric power lines, television antenna lines and other public utilities as shall be established by the Declarant or by his predecessors in title, prior to the conveyance of the Club Property to the Association; and the Association shall have the power and authority to grant and establish upon, over, under and across the Club Property conveyed to it, such further easements as are requisite for the convenient use and enjoyment of the Properties and Club Property.

An easement is hereby established for the benefit of the Town of Apex over all Club Property hereby or hereafter established for setting, removing, and reading water meters, maintaining and replacing water, sewer and drainage facilities, police protection, firefighting and garbage collection.

ARTICLE IX INSURANCE

Section 1. Ownership of Policies. All insurance policies upon the Club Property and Amenities constructed thereon which shall be purchased by the Association shall be for the benefit of all the Association and the Members and their mortgagees as their interest may appear.

Section 2. Coverage. All Amenities and all improvements and personal property included in the Club Property shall be insured in an amount equal to one hundred percent (100%) of their insurable replacement value as determined annually by the Association with the assistance of the insurance company underwriting the coverage. Such coverage shall provide protection against loss or damage by fire and other hazards covered by a standard extended coverage endorsement and such other risks as from time to time shall be customarily covered with respect thereto. In addition, public liability insurance shall be secured by the Association with limits of liability of no less than One Million Dollars (\$1,000,000.00) per occurrence and shall include an endorsement to cover liability of the Members as a group to a single Member. There shall also be obtained such other insurance coverage as the Association shall determine from time to time to be desirable and necessary. Such policies shall contain clauses providing for waiver of subrogation, if possible.

Section 3. Fidelity Insurance or Bond. All persons responsible for or authorized to expend funds or otherwise deal in the assets of the Association, shall first be bonded by a fidelity insurer to indemnify the Association for any loss or

default in the performance of their duties in an amount equal to at least six (6) months' Assessments plus reserves accumulated.

Section 4. Premiums. Premiums for contracts of insurance purchased by the Association shall be paid by the Association and charged ratably to all Members as an Assessment according to the provisions of Article V above.

Section 5. Proceeds. All contracts of insurance purchased by the Association shall be for the benefit of the Association and its mortgagees, if any, as their interests may appear, and the Members and their mortgagees, as their interests may appear, and shall provide that all proceeds thereof shall be payable to the Association as insurance trustee under this Declaration. The sole duty of the Association as insurance trustee shall be to receive such proceeds as are paid and to hold the same in trust for the purposes stated herein.

Section 6. Distribution of Insurance Proceeds. Proceeds of contracts of insurance received by the Association as insurance trustee shall be distributed to or for the benefit of the beneficiary or beneficiaries thereof in the following manner:

(a) The proceeds shall be paid first to defray the cost of reconstruction and repair of casualty or liability so covered.

(b) Any expense of the insurance trustee may be paid from proceeds after payment of reconstruction or repair expenses or liability. Any proceeds remaining thereafter shall be distributed to the beneficiary or beneficiaries of the trust.

ARTICLE X GENERAL PROVISIONS

Section 1. Enforcement. The Association, or any Member, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations and charges now or hereafter imposed by the provisions of this Declaration. Failure by the Association or by any Member to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

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

Section 3. Amendment. The covenants, conditions and restrictions of this Declarant shall run with and bind the land, and shall inure to the benefit of and be enforceable by the Association, or any Member, 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 this Declaration may be amended during the first thirty (30) year period by an instrument signed by not less than ninety (90%) percent of the Members and thereafter by an instrument signed by not less than seventy-five (75%) percent of the Members. Such amendment shall be certified as an official act of the Board and must be recorded in the Wake County Registry to be effective.

Section 4. Procedure for Certification and Recordation of Amendment. Any instrument amending these covenants, conditions and restrictions shall be delivered, following execution by the Members, to the Board of Directors of this Association. Thereupon, the Board of Directors shall, within thirty (30) days after delivery, do the following:

(a) Reasonably assure itself that the amendment has been executed by the required number of Members as provided in Section 3 of this Article. (For this purpose, the Board may rely on its roster of Members);

(b) Attach to the amendment a certification as to its validity, which certification shall be executed by the Association in the same manner that deeds are executed. The following form of certification is suggested:

CERTIFICATION OF VALIDITY OF AMENDMENT TO COVENANTS,

CONDITIONS AND RESTRICTIONS FOR

OLIVE CHAPEL SWIM AND TENNIS CLUB

By authority of its Board of Directors, Olive Chapel Swim and Tennis Club, Inc. hereby certifies that the foregoing instrument has been duly executed by _____ percent of the Members of Olive Chapel Swim and Tennis Club, Inc. and is, therefore, a valid amendment to the existing covenants, conditions and restrictions of Olive Chapel Swim and Tennis Club.

This the ____ day of _____, 19__.

OLIVE CHAPEL SWIM AND TENNIS CLUB, INC.

By: _____
President

Attest:

Secretary

(c) Immediately, and within the thirty (30) day period aforesaid, cause the amendment to be recorded in the Wake County Registry.

All amendments shall be effective from the date of recordation in the Wake County Registry, provided, however, that no such instrument shall be valid until it has been indexed in the name of this Association. When any instrument purporting to amend the covenants, conditions and restrictions has been certified by the Board of Directors, recorded and indexed as provided by this Section, it shall be conclusively presumed that such instrument constitutes a valid amendment as to the Members of the Association.

Section 5. Contract Rights of Association. As long as there is a Class B membership, any contract entered into by or on behalf of the Association shall contain a provision giving the Association or the other party thereto the right to terminate such contract upon the giving of not more than ninety (90) days written notice to the other party or parties.

Section 6. Lender's Notice. Upon written notice to the Association, identifying the name and address of the holder, insurer or guarantor and the Lot number or address, any mortgage holder, insurer, or guarantor will be entitled to timely written notice of:

(a) Any condemnation or casualty loss that affects either a material portion of the Club Property.

(b) Any sixty (60) day delinquency in the payment of Assessments owed by the Owner of the Lot on which it holds the mortgage.

(c) A lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association.

(d) Any proposed action that requires the consent of a specified percentage of mortgage holders.

(e) The Association's financial statement for the immediately preceding fiscal year.

Section 7. HUD/VA/FNMA Approval. As long as there is a Class B membership, the following actions will require the prior approval of the Department of Housing and Urban Development, Veterans Administration or Federal National Mortgage Association, as the case may be: Annexation of additional properties, dedication of Club Property, deeding in trust the Club Property, mergers and consolidations and amendment of this Declaration.

Section 8. Reservation of Right to Expand. MJK Developments is the owner and holder of an option to purchase certain real property adjoining Dogwood Ridge pursuant to that certain option to purchase evidenced of record by memorandum thereof recorded in Book 6473, Page 22, Wake County Registry. In the event MJK Developments exercises such option to purchase and acquires the real property subject thereto, MJK Developments does hereby expressly reserve the right and option, at its sole election, to include same within and as a part of its general plan of development for Dogwood Ridge. In accordance with the foregoing, any lots created within such real property may, at the sole option and election of MJK Developments, be added to and included as a portion of the Lots defined herein and subject to this Declaration. The Club Property and the Amenities thereon have been designed to accommodate a capacity which is greater than the Owners of all of the Lots which may otherwise be created within Dogwood Ridge and Pearson Farms. In the event MJK Developments elects to include lots created within such real property as a portion of the Lots defined herein and subject to this Declaration, such Lots shall be entitled to utilize such excess capacity and upon full absorption and utilization of such excess capacity, if ever, any Lots to be added and included thereafter, shall not be added until such time as MJK Developments, at its sole cost and expense, has expanded the Amenities and the capacity thereof as necessary such that the inclusion of such Lots shall not burden the Amenities and their capacity beyond the capacity for which they were originally designed. The additions authorized under this Section shall be made by MJK Developments in its capacity as Declarant hereunder filing of record an amendment with respect to such real property which shall extend the scheme of this Declaration to the Lots created within such real property.

Section 9. Non-Owner Membership. Subject to the prior and superior right to add and include Lots pursuant to Section 8 of this Article and thereby utilize excess capacity of the Club Property and the Amenities, for so long as the capacity of the Club Property and the Amenities exceed the reasonable needs of the Owners of Lots subject hereto from time to time, the Association shall have the right and option to offer membership in the Association to persons or entities other than an Owner. Such non-owner membership shall be upon such terms, including length of membership, amount of dues and other provisions relative thereto as determined and promulgated by the Association. Members who are not Owners shall not have voting rights within the Association.

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has executed this instrument on this the ____ day of _____, 199__.

Declarant:

MJK Developments, LLC,
a North Carolina limited liability
company (SEAL)

By: _____ (SEAL)
Manager

Snyder-Hunt of North Carolina, Inc.,
a North Carolina Corporation

(Corporate Seal)

By: _____
President

Attest:

Secretary

STATE OF NORTH CAROLINA
COUNTY OF WAKE

I, a Notary Public of the County and State aforesaid, certify that _____, Manager of MJK Developments, LLC, a North Carolina limited liability company, personally appeared before me this day and acknowledged the execution of the foregoing instrument. Witness my hand and official stamp or seal this _____ day of _____, 199__.

My Commission Expires: _____

Notary Public

(SEAL)

STATE OF NORTH CAROLINA
COUNTY OF _____

I, a Notary Public of the County and State aforesaid, certify that _____, personally came before me this day and acknowledged that _____ he is _____ Secretary of Snyder-Hunt of North Carolina, Inc., a North Carolina corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its _____ President, sealed with its corporate seal and attested by _____ as its _____ Secretary. Witness my hand and official stamp or seal, this the _____ day of _____, 199__.

My Commission Expires: _____

Notary Public

(SEAL)

A:MJK.50

Exhibit A

LEGAL DESCRIPTION OF DOGWOOD RIDGE

(To be attached prior to recordation of Declaration)

BK6731PG0427

Exhibit B

LEGAL DESCRIPTION OF PEARSON FARMS

(To be attached prior to recordation of Declaration)

BK6731PG0428

Exhibit C

LEGAL DESCRIPTION OF CLUB PROPERTY

(To be attached prior to recordation of Declaration)

BK6731PG0429

SCHEDULE "B"
(PEARSON FARMS)

MAXIMUM REGULAR ANNUAL ASSESSMENT AS OF NOVEMBER 1, 1995

	<u>Yearly</u>	<u>Monthly</u>
Residential Lot (owned by Company)	\$ 60.00	\$ 5.00
Family Dwelling Unit	\$240.00	\$20.00
Residential lot [owned by Builder(s)]	\$240.00	\$20.00