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STATE OF NORTH CAROLINA

COUNTY OF WAKE

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR HERMITAGE PARK

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REGISTER OF DEEDS
WAKE COUNTY

THIS DECLARATION, is made on the date hereinafter set forth by HMC DEVELOPMENT CORP., INCORPORATED, a North Carolina corporation, with its principal office located at Cary, Wake County, North Carolina (hereinafter referred to as "Declarant");

W I T N E S S E T H:

WHEREAS, Declarant is the owner of certain property in or near the Town of Cary, County of Wake, State of North Carolina, which is more particularly described as Exhibit "A" attached hereto (the "Property").

NOW, THEREFORE, Declarant hereby declares that all of the Property described above shall be held, sold and conveyed subject to the following easement, restrictions, covenants and conditions, which are for the purpose of protecting the value and desirability of, and which shall run with, the real property and binding on all parties having any right, title or interest in the described Property or any part hereof, 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 HERMITAGE PARK HOMEOWNERS ASSOCIATION, INC., a North Carolina non-profit corporation, its successors and assigns.

Section 2. "Board" or "Board of Directors" shall mean and refer to those persons elected or appointed to act collectively as the Board of Directors of the Association.

Section 3. "Builder" shall mean and refer to HMC Development Corp., Incorporated or such other licensed general contractor which acquires Lots.

Section 4. "Building" shall mean and refer to a house constructed or erected on the Property.

Section 5. "Common Elements" shall mean and refer to all real property owned by the Association for the common use and enjoyment of the Owners or members or designated classes of members of the Association, including Limited Common Elements as may be designated on any subdivision map of the Property or by the

Association. The Common Elements are private streets, sewer and water lines located outside of the Town of Cary sanitary sewer easements, public street rights-of-way and lots.

Section 6. "Common Expenses" shall mean and include:

(a) All sums lawfully assessed by the Association against its members;

(b) Expenses for maintenance of all building lots;

(c) Expenses of administration, maintenance, repair or replacement of the Common Elements and Limited Common Elements;

(d) Expenses declared to be common expenses by the provisions of this Declaration or the Bylaws;

(e) Hazard, liability or such other insurance premiums as the Declaration or the Bylaws may require the Association to purchase; or as the Association may deem appropriate to purchase;

(f) Ad valorem taxes and public assessment charges lawfully levied against the Common Elements;

(g) The expense of the maintenance of private drainage and utility easements and facilities located therein which are within the boundaries of the Property, cross Common Elements of the Property and serve both the Property and lands adjacent thereto;

(h) Expenses agreed by the members to be Common Expenses of the Association; and

(i) All charges for utilities used in connection with the maintenance and use of the Common Elements.

Section 7. "Declarant" shall mean and refer to HMC Development Corp., Incorporated, its successors and assigns, to whom the rights of the Declarant hereunder are expressly transferred, in whole or in part, and subject to such terms and conditions as Declarant may impose.

Section 8. "Limited Common Element" shall mean and refer to those portions of the Common Elements that serve only a single Lot or a limited number of Lots, and which my include, but specifically is not limited to, driveways, walkways, parking areas or areas serving only specified Lots, and such other similar areas as may be designated by a subdivision map of the Property or the Association.

Section 9. "Living Unit" shall mean and refer to any Lot on which a dwelling unit has been fully constructed and made ready for occupancy as a residence, including, without limitation, completion of the final floor covering, interior paint and wallpaper and all appliances and for which a Certificate of Occupancy has been issued.

Section 10. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the Property with the exception of the fee Common Elements.

Section 11. "Member" shall mean and refer to every person(s) or entity who holds membership in the Association.

Section 12. "Owner" or "Lot 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 Property, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 13. "Person" shall mean and refer to any individual, corporation, partnership, association, trustee or other legal entity.

Section 14. "Property" shall mean and refer to that certain real property hereinabove described.

ARTICLE II
ANNEXATION OF ADDITIONAL PROPERTIES

Section 1. Annexation of Property. Pursuant to the procedures as hereinafter required, additional lands may be added and annexed to the Properties and brought within the scheme of this Declaration and the jurisdiction of the Association only as provided in this Declaration and after said annexations have been reviewed and approved by the Town of Cary as required, and have satisfied all size restrictions and limitations required, by the Cary Town Code at the time of said annexation.

Section 2. Annexation by Members. Except as provided in Section 3 of this Article and together with the requirements of Section 1 of this Article, additional lands may be added and annexed to the Property and brought within the scheme of this Declaration and the jurisdiction of the Association only if both two-thirds (2/3) of all the votes entitled to be cast by Class A Members and two-thirds (2/3) of all the votes entitled to be cast by Class B Members, if any, are cast in favor of annexation. A meeting shall be duly called for this purpose, written notice of which shall be sent to all Members, setting forth the time, place,

and purpose of the meeting, not less than thirty (30) days nor more than sixty (60) days in advance of the meeting.

For the purpose of such meeting, the presence thereat of Members or proxies entitled to cast sixty percent (60%) of the votes of the Class A Members and sixty percent (60%) of the Class B Members, if any, shall constitute a quorum. If the required quorum is not present at any meeting, another meeting may be called within sixty (60) days thereafter, subject to the notice requirement set forth above, and the required quorum of such subsequent meeting shall be one-half (1/2) of the required quorum of the preceding meeting.

If a quorum as defined above is present and the majority of the votes are cast in favor of the annexation, but the majority is less than a two-thirds (2/3) majority either of said Class A or of said Class B votes, or both, and if it appears that the required two-thirds (2/3) majority of said class(es) may be achieved if the Members not present or voting by proxy assent to the annexation, the Members not present or voting by proxy may assent or dissent from the proposed annexation in writing within one hundred twenty (120) days following the date of the meeting at which the vote was taken. Each Member so assenting or dissenting shall be deemed to have cast, respectively, the vote to which the Member is entitled under Article IV of this Declaration either in favor of or against the annexation, as the case may be. If the number of votes cast at the meeting in favor of annexation, together with the votes deemed to have been cast by Members assenting to the annexation, shall constitute the requisite two-thirds (2/3) of all votes entitled to be cast by the Class A Members and two-thirds (2/3) of all votes entitled to be cast by the Class B Members, the annexation shall stand approved, and the additional land shall be deemed annexed to the Properties on the date of recordation of a declaration of annexation duly executed by appropriate officers of the Association, containing a recital of the approval of the Members, describing the lands annexed, and incorporating the provisions of this Declaration, as it may be amended from time to time, either by reference or by fully setting out said provisions therein, at the Wake County Register of Deeds Office together with recitation of the consent as required by the Town of Cary as provided in Section 1 of this Article II and by the Federal Housing Administration and the Veterans Administration as provided in Article XII, of this Declaration. Said declaration of annexation shall extend the scheme of this Declaration and the jurisdiction of the Association to such annexed property and thereby subject said annexed property to the benefits, restrictions, and obligations of this Declaration, as it may be amended from time to time, including but not limited to assessments and payment of the Association's expenses.

Section 3. Annexation by Declarant. The Declarant may annex additional lands to the Properties and bring said lands

within the scheme of this Declaration and the jurisdiction of the Association in the following manner:

(a) If, within ten (10) years of the date of the incorporation of the Association, the Declarant should develop, from time to time in future stages of development, additional lands within the boundaries shown on the Site Plan, the boundaries of which are described on Exhibit A attached hereto, such additional lands may be annexed to the Properties without the assent of the Association and/or any Members. Detailed plans for the development of the additional lands described in this paragraph may be submitted prior to such development to the Town of Cary if such submission is required by ordinances of the Town of Cary and to the Federal Housing Administration and Veterans Administration if such submission is required to evidence accord with the general plan heretofore approved by them. Nothing herein shall obligate the Declarant to annex any or all of the Property described in Exhibit "A" attached hereto.

(b) If, within ten (10) years of the date of the incorporation of the Association, the Declarant should develop, from time to time, an additional tract or additional tracts of land consisting of any property outside of the boundaries of the Site Plan, such additional land shall be annexed to the Properties only with the assent of the Declarant and two-thirds (2/3) of the Class A and Class B members pursuant to meeting and other procedural methodology described in Section 2 of this Article II (the same being incorporated hereby by reference), provided, however, that such annexation shall be approved by the Town of Cary if such approval is required by ordinances of the Town of Cary.

(c) The Declarant may annex to the Properties the additional lands described in subsection (a) of this Section 3 by recording in the Wake County Register of Deeds Office a declaration of annexation, duly executed by the Declarant, describing the lands annexed and incorporating the provisions of this Declaration, as it may be amended from time to time, either by reference or by fully setting out said provisions therein. The Declarant may annex to the Properties the additional lands described in subsection (b) of this Section 3 by recording in the Wake County Register of Deeds Office a declaration of annexation, duly executed by the Declarant, describing the lands annexed, incorporating the provision of this Declaration, as it may be amended from time to time, either by reference or by fully setting out said provisions therein, recitation of the

action on the part of the Association as necessary as provided in subsection (b) of this Section 3 to approve the annexation together with recitation of the consent as required in this Declaration and by the Town of Cary as provided in Section 1, of this Article. The additional land shall be deemed annexed to the Properties on the date of recordation of the aforedescribed applicable declaration of annexation at the Wake County Register of Deeds Office, and said declaration of annexation shall extend the scheme of this Declaration and the jurisdiction of the Association to such annexed property and thereby subject said annexed property to the benefits, restrictions, and obligations of this Declaration, as it may be amended from time to time, including but not limited to assessments and payment of the Association's expenses.

Section 4. Transfer of Common Area in Newly Annexed Lands. Subsequent to recordation of any subsequent declaration of annexation by the Declarant or by any other landowner and prior to the conveyance of the first Lot within said newly annexed lands, the Declarant or said other landowner requesting the annexation shall deliver to the Association one or more deed(s) conveying title to any Common Elements within the lands annexed in accordance with Article III, Section 3, of this Declaration.

Section 5. Additional Covenants and Assessments for Newly Annexed Lands. The Declarant or any other landowner annexing land to the Properties may bind the newly annexed lands to covenants applicable to the newly annexed lands in addition to those stated in this Declaration. Said additional covenants applicable to the newly annexed lands my included, without limitation, designation of Common Elements and/or Limited Common Elements, and the establishment of assessments in addition to those stated in this Declaration for the maintenance of said designated Common Elements and/or Limited Common Elements in the newly annexed lands, which said assessments for the newly designated Common Elements and/or Limited Common Elements may be governed by Article II of this Declaration, notwithstanding the maximum initial assessment rate specified in Article V, Section 4 of this Declaration.

ARTICLE III
PROPERTY RIGHTS

Section 1. Owners' Easements of Enjoyment. Every Owner shall have a right and easement of enjoyment in and to the Common Elements together with and including the right of access, ingress and egress, both pedestrian and vehicular, on and over the drives, walkways and parking areas of the Common Elements, all of which

shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

(a) the right of the Association to charge reasonable admission and other fees for the use of any recreational or other similar facility situated upon the Common Elements, provided, however, such fees charged must be in accordance with the Town Code of the Town of Cary, North Carolina;

(b) the right of the Association to suspend the voting rights and the right of use of the recreational or other Common Element facilities, if any, by an Owner for any period during which any assessment against his Lot remains unpaid and for a period not to exceed sixty (60) days for any infraction of its published rules and regulations;

(c) the right of the Association to dedicate, sell, lease or transfer all or any part of the Common Elements, or any interest therein, to any public agency, authority or utility, or to any other person for such purposes and subject to such conditions as may be agreed upon by the members. No such dedication, sale or transfer shall be effective unless it has been approved by two-thirds (2/3) of each class of members and an instrument of dedication, sale, lease or transfer properly executed by the Association has been recorded. On such instrument, the Secretary of the Association shall certify that two-thirds (2/3) of each class of members have approved the dedication, sale, lease or transfer and that certificate may be relied upon by any third party without inquiry and shall be conclusive as to any grantee, its successors or assigns; provided, however, conveyances for general utility purposes as specified herein may be made by the Association without consent of the members;

(d) the right of the Association to limit the number of guests of members;

(e) the right of the Association, in accordance with its Articles and Bylaws, to borrow money for the purpose of improving the Common Elements and facilities and, in aid thereof, to mortgage the Common Elements, and the rights of such mortgage in the Common Elements shall be subordinate to the rights of the homeowners hereunder;

(f) the right of the Association, in accordance with its Articles of Incorporation or Bylaws, to impose rules and regulations for the use and enjoyment of the Common Elements and improvements thereon, which rules and

regulations may further restrict the use of the Common Elements and to create Limited Common Elements;

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

Section 3. Title to the Common Elements. The Declarant hereby covenants for itself, its heirs and assigns, that it will convey fee simple title to the Common Elements located with the Property to the Association, free and clear of all encumbrances and liens, prior to the sale of the first Living Unit on the recorded plat, except encumbrances of utility, service, access, storm drainage and other similar service or utility easements. Similarly, the Declarant will convey to the Association the Common Elements which are a portion of any additional property as the same is annexed in the future at the time of conveyance of the first Lot located on that additional property.

Section 4. TV Antennas, Cablevision, Music. The Association may provide one or more central television or radio antennas for the convenience of the members and may supply cablevision and piped-in music, and the cost of these may be included in annual or special assessments. The Association may regulate or prohibit the erection of television, radio or other antennas on individual Lots.

ARTICLE IV
MEMBERSHIP AND VOTING RIGHTS

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

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

Class A. Class A Member(s) shall be all Owners, with the exception of the Declarant, and shall be entitled to one vote for each lot owned. When more than one person holds an interest in any Lot, all such persons shall be Members; however, the vote for such Lot shall be exercised as they among themselves determine, or as set forth in the Bylaws, but in no event shall more than one vote be cast with respect to any Lot. Fractional voting is prohibited.

Class B. Class B Member(s) shall be the Declarant and the Class B Member(s) shall be entitled to three (3) votes for each Lot

in which the Class B Member(s) has an ownership interest provided that the Class B membership shall cease and be converted to Class A membership on the happening of the following events whichever shall first occur:

(a) Seventy-five percent (75%) of the units are deeded to homeowners; provided, however, that the Class B membership shall be reinstated with all rights, privileges and responsibilities, if, prior to the termination date in subsection (b) hereafter, but after a conversion of the Class B membership to Class A membership as herein provided, additional lands are annexed to the Properties by the Declarant in the manner provided in Article II of the Declaration, it being hereby stipulated that the conversion and reconversion shall occur automatically as often as the foregoing facts shall occur; or

(b) October 30, 2003.

After termination of the Class B membership, if the Declarant still owns Lots, said Declarant shall for all purposes be deemed a Lot Owner and shall be entitled to the same rights and privileges of Class A Members.

Section 3. The right of any Member to vote may be suspended by the Board of Directors for just cause pursuant to its rules and regulations and the articles and Bylaws of the Association and according to the provisions of Article III, Section 1(b) herein.

ARTICLE V
COVENANT FOR MAINTENANCE ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each Lot owned within the Property, hereby covenants, and each Owner of any Lot by acceptance of a deed thereof, 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 which are Common Expenses, and (2) special assessments for extraordinary maintenance and capital improvements; and to the appropriate governmental taxing authority, a prorata share of assessments for public improvements to the Common Elements and public roads if the Association shall default in payment thereof, all as hereinafter provided. The annual and special assessments, together with interest, costs and reasonable attorney's fees for collection, shall be a charge on the land and shall be a continuing lien upon the Lot against which each such assessment is made. Each such assessment, together with interest,

costs and reasonable attorneys' fees, shall also be the personal obligation of the person who was the Owner of such Lot at the time when the assessment fell due. The personal obligation for the delinquent assessments shall not pass to his successors in title unless expressly assumed by them.

Notwithstanding any provision herein to the contrary, the assessment for each Lot which is not a Living Unit shall be twenty-five percent (25%) of the assessment of the Living Unit.

The Association shall also have the authority, through the Board of Directors, to establish, fix and levy a special assessment on any Lot or Living Unit to secure the liability of the Owner thereof to the Association arising from breach by such Owner of any of the provisions of this Declaration which breach shall require the expenditure of time and money, or both, by the Association for repair or remedy.

Each Owner covenants for himself, his heirs, successors and assigns to pay each assessment levied by the Association on the Lot described in such conveyance to him within ten (10) days of the due date as established by the Board, and further covenants that if said assessment shall be in default and become a lien upon said Owner's Lot as provided herein and shall continue to be such a lien until fully paid.

Section 2. Foreclosure of Liens for Unpaid Common Expenses. In an action brought by the Board of Directors to foreclose on a Lot because of unpaid Common Expenses, the Lot Owner shall be required to pay reasonable rental for the use of his Lot, and the plaintiff in such foreclosure action shall be entitled to the appointment of a receiver to collect the same. The Board, acting on behalf of all Lot Owners, or on behalf of any one or more individual Lot Owners, if so interested, shall have the power to purchase such Lot at the foreclosure sale and to acquire, hold, lease, mortgage, convey, or otherwise deal with the same, subject, however, to applicable restrictions of record. A suit to recover a money judgment for unpaid Common Expenses may be maintainable without foreclosing or waiving the lien securing the same.

Section 3. Purpose of Assessments. The assessments levied by the Association shall be used exclusively for the paying of Common Expenses to promote the recreation, health, safety and welfare of the residents of the Property and, in particular, but not limited to, the acquisition, improvement and maintenance of Property, services and facilities, for the maintenance of the front and rear lawns and related landscape appurtenant to any Living Unit, the maintenance of front yard fencing installed by the Builder and for the use and enjoyment of the Common Elements, including, but not limited to, the cost of repairs, replacements and additions; the cost of labor, equipment, materials, management

and supervision; the payment of taxes and public assessments assessed against the Common Elements owned in fee; the procurement and maintenance of insurance in accordance with the Declaration and Bylaws or as deemed appropriate by the Board; the payment of common antenna service; the employment of counsel, accountants and other professionals for the Association when necessary; and such other needs as may arise. Such maintenance of the front and rear lawns shall include the mowing of the lawns and routine trimming and upkeep of the trees and scrubs in existence at the time of the initial sale of any Living Unit. In the event any owner should change, modify, add to or replace any tree, shrub or any part of the landscape for which the assessments are intended to maintain, said Owner must first request and obtain the approval of the Association.

Section 4. Amount of Assessment.

(a) Initial Maximum Assessment. To and including December 31, 1996, the maximum annual assessment shall not exceed SEVEN HUNDRED TWENTY AND NO/100THS ($720.00) DOLLARS per Living Unit. The limitations herein set forth shall not apply to any increase in assessment undertaken as an incident to a merger or consolidation in which the Association is authorized to participate under its Articles of Incorporation.

(b) Increase by Association. From and after December 31, 1996, the monthly assessment effective for any year may be increased from and after January 1 of the succeeding year by the Board of Directors, without a vote of the membership, by a percentage which may not exceed the greater of ten percent (10%) of the percentage increase reflected in the U.S. City Average, Consumer Price Index - United States and selected areas for urban wage earners and clerical workers, all items most recent index and percentage changes from selected dated (published by the U.S. Bureau of Labor Statistics, Washington, D.C.), or such other Index as may succeed the Consumer Price Index, for the twelve-month period ending immediately proceeding October 1.

(c) Increase by Members. From and after December 31, 1996, the monthly assessment may be increased by a percentage greater than permitted by this Article by an affirmative vote of two-thirds (2/3) of each class members who are voting in person or by proxy at a meeting duly called for such purpose.

(d) Criteria for Establishing Annual Assessment. In establishing the monthly assessment for any assessment year, the Board of Directors shall consider

all current costs and expenses of the Association, any accrued debts and reserves for future needs, but it may not fix the annual assessment in an amount in excess of ten percent (10%) of the sums derived by application of the Consumer Price Index formula provided in Subsection (b) without the consent of members required by Subsection (c) in this Section 4

(e) The Board of Directors may fix the monthly assessment at an amount not in excess of the maximum.

Section 5. 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 for any construction, reconstruction, restoration, repair or replacement of any improvement upon the Common Elements, any extraordinary maintenance, and in connection with exterior maintenance, including fixtures and personal property related thereto and any property for which the Association is responsible, provided that any such assessment shall have the assent of two-thirds (2/3) of the votes of each class of members who are voting in person or by proxy at a meeting duly called for this purpose.

Section 6. Replacement Reserve. Out of the Common Element assessment, the Board shall create and maintain a reserve fund for the periodic maintenance, repair and replacement of improvements to the Common Elements and any Limited Common Elements which the Association may be obligated to maintain.

Section 7. Notice and Quorum for any Action Authorized Under Sections 4 and 5. Written notice of any meeting called for the purpose of taking any action authorized under this Article shall be sent to all members not less than fourteen (14) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of members or proxies entitled to cast forty percent (40%) of all the votes of each class of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 8. Uniform Rate of Assessment. Both annual and special assessments must be fixed at a uniform rate for all Lots and Living Units and may be collected on a monthly basis; provided, however, that the assessment for Lots owned by Declarant which are not Living Units shall be twenty-five percent (25%) of the regular assessments for Living Units.

Section 9. Date of Commencement of Annual Assessments; Due Dates; Initial Working Capital. The annual assessments provided for herein shall commence as to all Lots on the first day of the month following conveyance of the Common Elements to the Association and as to all Living Units, as Living Units on the first month following the date a Lot became a Living Unit. All Lots in subsequently annexed properties, similarly, shall be subject to assessment commencing on the first day of the first month following conveyance of the Common Elements therein to the Association. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board of Directors shall fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every Owner subject thereto. The due dates shall be established by the Board of Directors. The Association shall, upon demand, and for a reasonable charge if it deems appropriate, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid. A properly executed certificate of the Association as to the status of assessments on a Lot is binding upon the Association as of the date of issuance.

In addition to regular assessments to be charged and paid hereunder, each Lot Owner shall, at the time of the initial sale of each Lot by Declarant to that Lot Owner, pay to the Association a sum equal to two (2) months' assessment on that Lot as additional working capital of the Association. These amounts need not be segregated, but may be commingled with regular assessment funds. This working capital amount shall be paid by the Lot Owner notwithstanding the fact that Declarant may have made prior regular assessment payments to the Association on the Lot being sold pursuant to the provisions of the first sentence hereunder.

Section 10. Effect of Nonpayment of Assessments; Remedies of Association. Any assessment not paid within thirty (30) days after the due date shall be delinquent, in default and shall bear interest from the due date at the highest rate then permitted by North Carolina law not to exceed eighteen percent (18%) per annum. The Association may bring an action at law against the Owner personally obligated to pay the same plus interest, costs, late payment charges and reasonable attorneys' fees or foreclose the lien against the Lot. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Elements or abandonment of his Lot.

The lien herein granted unto the Association shall be enforceable pursuant to Article 2A of Chapter 45 of the General Statutes from and after the time of recording a claim of lien in the Office of the Clerk of Superior Court in the County in which the Property is located in the manner provided therefore by Article

8 of Chapter 44 of North Carolina General Statutes which claim shall state the description of the Lot encumbered thereby, the name of the record Owner, the amount due and date when due. The claim of lien shall be recordable any time after thirty (30) days after the due date of the assessment or any instalment thereof and the lien shall continue in effect until all sums secured by said lien as herein provided shall have been fully paid. Such claims of lien shall include all assessments which are due and payable when the claim of lien is recorded, plus interest, costs, attorneys' fees, advances to pay taxes and prior encumbrances and interest thereon, all as above provided. Such claims of lien shall be signed by an officer or agent of the Association. Upon full payment of all sums secured by such claim of lien, the same shall be satisfied of record.

Section 11. Foreclosure of Liens for Unpaid Common Expenses. In an action brought by the Board of Directors to foreclose on a Lot because of unpaid Common Expenses, the Lot Owner shall be required to pay reasonable rental for the use of his Lot, and the plaintiff in such foreclosure action shall be entitled to the appointment of a receiver to collect the same. The Board, acting on behalf of all Lot Owners, or on behalf of any one or more individual Lot Owners, if so interested, shall have the power to purchase such Lot at the foreclosure sale and to acquire, hold, lease, mortgage, convey, or otherwise deal with the same, subject, however, to applicable restrictions of record. A suit to recover money judgment for unpaid Common Expenses may be maintainable without foreclosing or waiving the lien securing the same.

Section 12. Subordination of the Lien to Mortgages and Ad Valorem Taxes. The lien of the assessments provided for herein shall be subordinate to the lien of any institutional first mortgage and ad valorem taxes on said Lot. Sale or transfer of any Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to such mortgage or tax foreclosure or any proceeding in lieu thereof, shall extinguish the lien of such assessments as to payment which became due prior to such sale or transfer. No sale or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof.

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

Section 14. Responsibility for Maintenance of Private Streets. The maintenance responsibility of the private streets as

shown on the subdivision map recorded shall rest with the Association.

ARTICLE VI
ARCHITECTURAL CONTROL

No site preparation or initial construction, erection or installation of any improvements including, but not limited to, buildings, fences, signs, wallscreens, plantings or other structures shall be commenced, erected or maintained upon the Property, nor shall any exterior addition to or change or alteration therein be made by any Owner other than Declarant until the plans and specifications showing the nature, kind, shape, height, materials and location of the proposed improvements shall have been submitted to and approved in writing, as to harmony of external design and location in relation to surrounding structures and topography, by the Board of Directors of the Association, or by an architectural committee composed of three (3) or more representatives appointed by the Board. In the event said Board, or its designated committee, fails to approve or disapprove such design and location within thirty (30) days after said plans and specifications have been submitted to it, approval will not be required and this Article will be deemed to have been fully complied with; provided that plans and specifications that contain inaccurate or missing data or information when submitted shall not be deemed to be approved notwithstanding the foregoing.

The Association shall have the right, at its election, but shall not be required, to enter upon any of the 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 good and workmanlike manner, utilizing approved methods and good quality materials.

ARTICLES VII
EXTERIOR MAINTENANCE

Section 1. In addition to maintenance of the Common Elements, the Association shall provide exterior maintenance upon each Living Unit which is subject to assessment hereunder, as follows: trees, shrubs, grass, walks, mailboxes, fences installed by the Builder, Declarant or the Association, exterior post lights (excluding electricity or gas therefor), and other exterior improvements. Such exterior maintenance shall not include glass surfaces or screens for windows and doors or the repair or reconstruction of any improvements on any Lot, the cost of which repair or reconstruction would be covered by casualty insurance, whether or not a policy of casualty insurance is in effect. Further, the Owner of any lot shall be responsible for the watering

of all vegetation on their Lot, and shall not plant any vegetation in the front, rear or side yards, as the case may be, except with the prior written approval of the Association.

Section 2. In the event that the need for maintenance or repair is caused through the willful or negligent act of the Owner, his agents or contractors, his family or tenant's guests or invitees or contract purchasers, the cost of such maintenance or repairs shall be added to, and become part of, the assessment to which such Lot is subject.

Section 3. In order to enable the Association to accomplish the foregoing, there is hereby reserved to the Association, its agents, employees or contractors, the right to unobstructed access over and upon each Lot or Living Unit at all reasonable times for inspection and to perform maintenance as provided in this Article.

Section 4. Maintenance and repairs under this Article arise from normal usage and weathering and do not include maintenance and repairs made necessary by fire or other casualty or damage.

ARTICLE VIII
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 yard space of each Lot and the Common Elements. Such rules and regulations may provide for imposition of fines or penalties for the violation thereof, or for the violation of any of covenants and conditions contained in this Declaration.

Section 2. Use of Property. No portion of the Property (except for temporary office of the Declarant and/or model houses used by the Declarant) shall be used except for single-family residential purposes and for purposes incidental or accessory thereto.

Section 3. Quiet Enjoyment. No obnoxious or offensive activity shall be carried on upon the Property, nor shall anything be done which may be or may become a nuisance or annoyance to the neighborhood.

Section 4. Animals. No animals, livestock or poultry of any kind shall be kept or maintained on any Lot or in any dwelling except that dogs, cats or other household pets may be kept or maintained provided that they are not kept or maintained for

commercial purposes and are controlled in accordance with applicable governmental ordinances and are not a nuisance to other Owners.

Section 5. Insurance. Nothing shall be kept, and no activity shall be conducted, on the Property which will increase the rate of insurance, applicable to residential use, for the Property or the contents thereof. No Owner shall do or keep anything, nor cause or allow anything to be done or kept, in his home or on the Common Elements which will result in the cancellation of insurance on any portion of the Property or the contents thereof, or which will be in violation of any law, ordinance or regulation. No waste shall be committed on any portion of the Common Elements.

Section 6. Offensive Behavior. No immoral, improper, offensive or unlawful use shall be made of the Property, or any part thereof, and all valid laws, ordinances and regulations of all governmental agencies having jurisdiction thereof shall be observed. All laws, order, rules, regulations or requirements of any governmental agency having jurisdiction thereof, relating to any portion of the Property, shall be complied with, by and at the sole expense of the Owner or the Association, whichever shall have the obligation to maintain or repair such portion of the Property.

Section 7. Structural Integrity. Nothing shall be done in or to any Building or in, to, or upon any of the Common Elements which will impair the structural integrity of any building or portion of the Common Elements or which would impair or alter the exterior of any Building or portion thereof, except in the manner provided in this Declaration.

Section 8, Business. No industry, business, trade, occupation or profession of any kind, whether commercial or otherwise, shall be conducted, maintained or permitted on any part of the Property, except that the Declarant, or its agents may use any unsold home for sales or display purposes.

Section 9. Signs. No Owner shall display, or cause or allow to be displayed, to public view any sign, placard, poster, billboard or identifying name or number upon any Building, or any portion of the Common Elements, except as allowed by the Association pursuant to its Bylaws or regulations or as required by local governmental authority; provided, however, that the Declarant and any mortgagee who may become the Owner of any Lot, or their respective agents, may place "For Sale" signs on any unsold or unoccupied Living Units and in suitable places on the Common Elements. Provided, however, that during the development of the Property and the marketing of the Living Units, the Declarant may maintain a sales office and may erect such signs as the Declarant

deems appropriate as aids to such development and marketing, provided that such signs do not violate any applicable law.

Section 10. Alterations. No person shall undertake, cause or allow any alteration or construction in or upon any portion of the Common Elements except at the direction or with the express written consent of the Association.

Section 11. Common Elements Use. The Common Elements shall be used only for the purposes for which they are intended and reasonably suited and which are incident to the use and occupancy of the Living Units, subject to any rules or regulations that may be adopted by the Association pursuant to its Bylaws.

Section 12. Parking. No boats, trailers, campers, motorhomes, trucks or tractors shall be parked on the Property or on any right of way of any streets adjoining the Property by any Lot Owners, its family members, tenants or contract purchasers, except as may be permitted by Rules and Regulations to be parked in a closed garage.

Section 13. Land Use and Building Type. All Lots shall be used for residential purposes. No structure shall be erected, altered, placed or permitted to remain on any Lot other than one detached single-family dwelling, not to exceed two and one-half (2½) stories in height, a private garage for not more than three (3) cars, and other out-buildings incidental to residential use of the Lot. Nothing herein shall be deemed to prohibit conversion of a Lot to a street or to Common Property.

Section 14. Dwelling Size. The minimum heated square footage of a dwelling may not be less than 1,300 square feet.

Section 15. Building Setbacks; House Location. No dwelling shall be erected or maintained on any Lot outside of the building envelope shown on the recorded plat of the subdivision or as otherwise provided in the Zoning Ordinance of the Town of Cary as amended from time to time referenced in Section 12 of this Article VII (hereinafter the "Zoning Ordinance"). For purposes of these building setback requirements, decks, porches, eaves, carports and other similar projections shall be deemed to be part of the dwelling only to the extent that the same are deemed to be part of the dwelling under the Zoning Ordinance of the Town of Cary as it exists as of the date of these Covenants. Any dwelling erected on a Lot other than a corner lot shall face the street on which the Lot abuts. On corner lots, a dwelling may be erected so as to face the intersection of the two streets on which the Lot abuts.

Section 16. Fences. With the exception of any fence initially installed by the Builder at the time of the construction

of a Living Unit, no fence or wall shall be erected on any Lot without the prior written approval of the Association.

Section 17. Temporary Structures. No residence of a temporary nature shall be erected or allowed to remain on any Lot, and no trailer, basement, shack, tent, garage, barn, or any other building of a similar nature shall be used as a residence on any Lot, either temporarily or permanently.

Section 18. Parking; Driveways and Parking Pads; Abandoned Vehicles. Vehicles may be parked or stored only on portions of a Lot improved for that purpose, i.e., garage, driveway, carport or maintained on any Lot except a paved driveway and an attached paved parking pad, which pad shall be designed for the parking of not more than three (3) vehicles. Any driveway or parking pad constructed upon any Lot shall have either a concrete surface, or be constructed from brick pavers.

No mobile house trailer (whether on or off wheels), vehicle or enclosed body of the type which may be placed on or attached to a vehicle (known generally as "recreational vehicles" or "campers"), or commercial vehicle of any kind shall be parked on any street within the subdivision, nor shall any such vehicle be parked or kept on any Lot within the subdivision. Further, no boat or boat trailer shall be parked on any street within the subdivision. A boat and/or boat trailer may be parked or kept on a Lot if it is parked or kept in such a manner that it is screened from all streets, the Common Elements or Limited Common Elements, and all adjacent Lots. Screening may be either by fence or plantings but, in any case, the screening must comply with applicable Cary Zoning Ordinances and be approved pursuant to Article VI of this Declaration. No tractor trailers, trucks or cabs shall be parked on any street or Lot within the subdivision.

No vehicle of any type which is abandoned or inoperative shall be stored or kept on any Lot in such manner as to be seen from any other Lot, any street within the subdivision, or the Common Elements or Limited Common Elements, and no automobiles or mechanical equipment may be dismantled or allowed to accumulate on any Lot.

Section 19. Antennas; Satellite Dishes or Discs. No radio or television transmission or reception towers or antennas shall be erected on a Lot other than a customary television or radio reception antenna, which shall not extend more than ten (10) feet above the top roof ridge of the house. However, a satellite antenna receiver or disc will be permitted on a Lot if: (i) the receiver or disc is not larger than two (2) feet in diameter; (ii) the receiver or disc is located on the side of the house away from the street and within the building set back lines applicable to that Lot; and (iii) the receiver or disc is located or screened in

such a way that it cannot be seen from any street within the subdivision. Any such screening must be approved as provided in Article VI of this Declaration. In no event shall an free standing transmission or receiving tower be permitted on any Lot.

Section 20. Swimming Pools. No above-ground swimming pools shall be permitted in the subdivision, except small, wading pools shall be permitted.

Section 21. Mailboxes. A mailbox approved by the Declarant will be provided and installed by the builder of the dwelling on each Lot. No mailbox shall be placed or maintained on any Lot that does not conform in size, detail, and color to those originally provided by such builder.

Section 22. Clotheslines. No clotheslines may be erected or maintained on any Lot.

Section 23. Garbage; Unsightly Storage. All trash and rubbish shall be kept in garbage cans stored behind the house in such a manner as not to be visible from the street upon which the house fronts. No trash, rubbish, stored materials, wrecked or inoperable vehicles, or similar unsightly items shall be allowed to remain on any Lot; provided, however, that the foregoing shall not be construed to prohibit temporary deposits of trash, rubbish, and other debris for collection by governmental or other similar garbage and trash removal units. In the event of curbside trash and/or garbage pickup, trash and/or garbage cans may be moved to the street on the night before the scheduled pickup, but all garbage cans must be returned to an approved enclosure the night of the scheduled pickup.

Section 24. Septic Tanks; Wells. No septic tank shall be installed, used or maintained on any Lot. No well shall be installed, used or maintained on any Lot for human domestic water consumption, nor shall any well be connected in any manner whatsoever to the water mains, laterals and piping serving the dwelling, which mains furnish domestic water from sources beyond the boundaries of the Lot.

ARTICLE IX
EASEMENTS

Section 1. Utility Easement. All of the Property including Lots and Common Elements, 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 and other public utilities as shall be established by the Declarant or by his predecessors in title, prior to the subjecting of the Property to this Declaration; and the Association shall have the power and authority to grant and establish upon, over, under and across the Common Elements conveyed to it, such further easements as are requisite for the convenient use and enjoyment of the Property without approval of the membership as provided in the Articles of Incorporation and this Declaration.

Section 2. Adjoining Areas. Each Owner is hereby declared to have an easement, and the same is hereby granted by the Declarant, over all adjoining Lots for the purpose of accommodating any encroachment due to engineering errors, errors in original construction, settlement or shifting of the building or any other cause. There shall be valid easements for the maintenance of said encroachment, settlement or shifting; provided, however, that in no event shall a valid easement for encroachment be created in favor of an Owner or Owners if said encroachment occurred due to the willful misconduct of said Owner or Owners. In the event a structure on any Lot is partially or totally destroyed, and then repaired or rebuilt, the Owners of each Lot agree that minor encroachments over adjoining Lots shall be permitted and that there shall be valid easements for the maintenance of said encroachments so long as they shall exist.

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

Section 4. Easement for the Benefit of the Town of Cary. An easement is hereby established for the benefit of the Town of Cary, or other governmental agency, over all Common Elements for the setting, removing and reading of water meters (which shall be separate for each Living Unit), maintaining and replacing water, sewage and drainage facilities, for police protection, fire fighting and garbage collection and the rendering of such other services as are appropriate and necessary for the use and enjoyment of the Property.

Section 5. Priority of Easements. Each of the easements hereinabove referred to shall be deemed to be established upon the

recordation of this Declaration and shall henceforth be deemed to be covenants running with the land for the use and benefit of the Lots, as the case may be, superior to all other encumbrances which may hereafter be applied against or in favor of the Property or any portion thereof.

Section 6. Declarant Easement. If any encroachment shall occur subsequent to subjecting the Property 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 a valid easement for such encroachment and for the maintenance of the same. Every Lot shall be subject to an easement for entry and encroachment by the Declarant for a period not to exceed eighteen (18) months following conveyance of a Lot to an Owner for the purpose of correcting any problems that may arise regarding grading and drainage. The Declarant, upon making entry for such purpose, shall restore the affected Lot or Lots to as near the original condition as practicable.

Section 7. Emergencies. Every Lot and Living Unit shall be subject to an easement for entry by the Association for the purpose of correcting, repairing, or alleviating any emergency condition which arises upon any Lot or within any Living Unit and that endangers any building or portion of the Common Elements.

Section 8. Easement and Right of Entry for Repair, Maintenance and Reconstruction. If any dwelling is located closer than five (5) feet from its lot line, the owner thereof shall have a perpetual access easement over the adjoining lot to the extent reasonably necessary to perform repair, maintenance or reconstruction of his Living Unit. Such repair, maintenance or reconstruction shall be done expeditiously and, upon completion of the work, the owner shall restore the adjoining lot to as near the same condition as that which prevailed prior to the commencement of the work as is reasonably practicable.

Section 9. Entry of the Association for Maintenance. At any and all reasonable time or times, the Association, the Declarant, the Builder, the Developer or their duly authorized representatives, or agents, successors or assigns shall be authorized to enter any Lot subject to this Declaration to perform such maintenance or do such other things as are allowed or required by this Declaration for the Association to perform or maintain or to remove any object placed in any easement area in violation of the provisions of this Section 9. Accordingly such right of entry is hereby expressly reserved unto the Association, Declarant, Builder and Developer.

ARTICLE X
INSURANCE

Section 1. Insurance to be Maintained by the Association. The following insurance coverage shall be maintained in full force and effect by the Association:

(a) Public liability and property damage insurance in such amounts and in such forms as shall be required by the Cary Town Code in the minimum amount of $1,000,000.00;

(b) All liability insurance shall contain cross-liability endorsements to cover liability of the Owners as a group to an individual Owner; and

(c) Such other insurance coverages as it may determine to be desirable and necessary, including fidelity insurance for officers and directors of the Association and fire and hazard insurance covering all buildings and Living Units located on the Property as specified in Section 4, if determined to be better served by the Association procuring such insurance.

Section 2. Premiums. Premiums for insurance policies purchased by the Association shall be paid by the Association and charged ratably to Owners as an assessment according to the applicable provisions of this Declaration.

Section 3. Insurance Beneficiaries. All such insurance policies shall be purchased by the Association for the benefit of the Association and the Owners.

Section 4. Insurance to be Maintained by the Owners. Every Owner shall maintain in full force and effect at all times fire and hazard insurance in an amount equal to the full insurable value of his Living Unit except that the amount shall not be required to exceed the replacement cost of the Living Unit. An Owner shall exhibit to the Board, upon request, evidence that such insurance is in effect. If any Owner shall fail to maintain such insurance, the Board is authorized to obtain such insurance in the name of the Owner from an insurer selected by the Board, and the cost of such insurance shall be included in the annual assessment of the Owner and shall constitute a lien against such Lot until paid as a result of enforcement by the Association or otherwise. The Association may, at its election, procure and pay for such insurance on all buildings, improvements and Living Units.

ARTICLE XI
REPAIR, RESTORATION OR RECONSTRUCTION OF CASUALTY DAMAGE

Section 1. Repair and Restoration. Except as otherwise herein provided, damage to or destruction of Living Units or Lots shall be promptly repaired, restored or reconstructed by the affected Owners, such repair and restoration or reconstruction, insofar as possible, to be in accordance with the original plans and specifications of the original building. In the event that the Owners of damaged Living Units and Lots default in the obligation to promptly repair and restore or reconstruct as herein provided, the Association may (but shall be under no obligation to) repair and restore or reconstruct the damaged Living Unit or Lot. In order to enable the Association to accomplish the foregoing, there is hereby reserved to the Association and its agents that right to unobstructed access over and upon each Lot at all reasonable times to perform repair and restoration or reconstruction as provided in this Article. In the event of action by the Association as herein permitted, the Owners of damaged Living Units and Lots shall be liable for assessment for the entire cost of such repair and restoration or reconstruction and subject to exercise of enforcement remedies herein provided in the event of failure of timely payment of the assessment.

ARTICLE XII
RIGHTS OF INSTITUTIONAL LENDERS

Section 1. Rights Reserved to Institutional Lenders. "Institutional Lender" or "Institutional Lenders", as the terms are used herein, shall mean and refer to banks, savings and loan associations, savings banks, insurance companies, Veterans Administration, Federal Housing Authority, Federal National Mortgage Association and other reputable mortgage lenders, guarantors and insurers of first mortgages. So long as any Institutional Lender or Institutional Lenders shall hold any mortgage upon any Lot or shall be the Owner of any Lot, such Institutional Lender or Institutional Lenders shall have the following rights:

(a) To be furnished with at least one copy of the Annual Financial Statement and Report of the Association, including a detailed statement of annual carrying charges or income collected and operating expenses, such Financial Statement and Report to be furnished within one hundred twenty (120) days of the end of each calendar year;

(b) To be given notice by the Association of the call of any meetings of the membership to be held for the purpose of considering any proposed Amendment to the Declaration, or the Articles of Incorporation and Bylaws of the Association, which notice shall state the nature of the amendment being proposed, and to be given permission to designate a representative to attend all such meetings;

(c) To be given notice of default in the payment of assessments by any Owner of a Lot of sixty (60) days or more encumbered by a mortgage held by the Institutional Lender or Institutional Lenders, such notice to be given in writing and to be sent to the principal office of such Institutional Lender or Institutional Lenders, or to the place which it or they may designate in writing to the Association;

(d) To inspect the books and records of the Association and the Declaration, Bylaws and any Rules and Regulations during normal hours and to obtain copies thereof;

(e) To be given notice by the Association of any substantial damage to any part of the Common Elements;

(f) To be given notice by the Association if any portion of the Common Elements is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority;

(g) To be given notice of any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association; and

(h) Any proposal requiring consent of the mortgage holders.

Whenever any Institutional Lender desires the benefits of the provisions of this Section, such Lender shall serve written notice of such fact upon the Association by Registered Mail or Certified Mail addressed to the Association and sent to its address stated herein, or the address of the Property, identifying the Lot upon which any such Institutional Lender or Institutional Lenders hold any mortgage or mortgages, or identifying any Lot owned by them, or any of them, together with sufficient pertinent facts to identify any mortgage or mortgages which may be held by it or them, and which notice shall designate the place to which notices are to be given by the Association to such Institutional Lender.

ARTICLE XIII
GENERAL PROVISIONS

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

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

Section 3. Amendment. The covenants and restrictions of this Declaration shall run with and bind the land for a term of twenty (20) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years. This Declaration may be amended during the first twenty (20) year period by an instrument signed by not less than ninety percent (90%) of the Lot Owners, and thereafter by an instrument signed by not less than seventy-five percent (75%) of the Lot Owners; provided that (1) prior to the sale of the first Lot, this Declaration may be amended by the Declarant without consent of the members; and (2) the Board may amend this Declaration without the consent of the members to correct any obvious error or inconsistency in drafting, typing or reproduction. All amendments shall specify the provisions herein under which it is amended and shall certify the compliance with the amendment provision herein. No amendment shall be effective until recorded in the County in which the property is located.

Section 4. Other Amendment of Declaration Without Approval of Owners. The Declarant, so long as it shall retain control of the Association, without the consent or approval of any other Owner, shall have the right to amend this Declaration to conform to the requirements of any law or governmental agency having legal jurisdiction over the Property or to qualify the Property or any Lots and improvements thereon for mortgage or improvement loans made, insured or guaranteed by a governmental agency or to comply with the requirements of law or regulations of any corporation or agency belonging to, sponsored by, or under the substantial control of the United States Government or the State of North Carolina regarding purchase or sale in such Lots and improvements or mortgage interests therein, as well as any other law or regulation relating to the control of Property, including, without limitation,

ecological controls, construction standards, aesthetics and matters affecting the public health, safety and general welfare. A letter from an official of any such corporation or agency, including without limitation, the Veterans Administration, U.S. Department of Housing and Urban Development, the Federal Home Loan Mortgage Corporation, Government National Mortgage Corporation of the Federal National Mortgage Association, or the Town of Cary, requesting or suggesting an amendment necessary to comply with the requirements of such corporation or agency shall be sufficient evidence of approval of such corporation or agency, provided that the changes made substantially conform to such request or suggestion.

No amendment made pursuant to this Section shall be effective until duly recorded in the County in which the Property is located.

Section 5. Amendment to Achieve Tax-Exempt Status. The Declarant, for so long as it shall retain control of the Association, and, thereafter, the Board of Directors may amend this Declaration as shall be necessary, in its opinion, and without the consent of any Owner, to qualify the Association or the Property, or any portion thereof, for tax-exempt status. Such amendment shall become effective upon the date of this recordation in the County in which the Property is located.

Section 6. FHA/VA Approval. As long as there is a Class B membership, and if Declarant determines to qualify this Property for Federal Housing Administration or Veterans Administration approval, the following actions will require the prior written approval of the Federal Housing Administration or the Veterans Administration: Annexation of additional property, dedication of Common Elements and amendment of this Declaration of Covenants, Conditions and Restrictions.

Section 7. Town of Cary Approval. In addition to compliance with this Declaration, all Lots and Lot Owners shall also be subject to the jurisdiction of the Town of Cary with respect to regulation of the property herein described, including without limitation the use of areas designated as buffers within the boundary of the Property.

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has hereunto set its hand and seal this 12th day of February, 1997.

HMC DEVELOPMENT CORP.,
INCORPORATED, a North Carolina
corporation

ATTEST:

Assistant Secretary

Secretary

[CORPORATE SEAL]

By: _____

President

* *

STATE OF NORTH CAROLINA

COUNTY OF WAKE

I, Notary Public of the County and State aforesaid, certify that JEANNE G BERENT RICHARD G BERENT personally came before me this day and acknowledged that (s)he is the Secretary of HMC DEVELOPMENT CORP., INCORPORATED, a North Carolina Corporation, and that by the 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 JEANNE BERENT as its Secretary. Witness my hand and office stamp or seal, this 12th day of FEBRUARY, 1997.

Cynthia D Burney

Notary Public

My commission expires: Commission Expires 02-27-2001

NORTH CAROLINA — WAKE COUNTY

The foregoing certificate___of Cynthia D. Burney

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.

LAURA M. RIDDICK, Register of Deeds

By _____

Asst./Deputy Register of Deeds

BEGINNING at an existing iron pipe located S 81° 06' 24" E, a distance of 36.16 feet from the intersection of the centerline of the 60 foot public right-of-way of Fairbanks Road with the centerline of the 60 foot public right-of-way of N.C. Hwy. 54 and running from said BEGINNING point along the eastern margin of the 60 foot public right-of-way of Fairbanks Road N 45° 27' 26" E, a distance of 607.83 feet to an existing iron pipe, a corner with lands now or formerly of Leslie E. Gallup bearing PIN #0754.08 98 7455 (the "Gallup Property"); running thence with the Gallup Property N 85° 40' 37" E, a distance of 4.33 feet to an existing iron pipe; running thence with the Gallup Property N 85° 14' 57" E, a distance of 551.69 feet to an existing iron pipe, a corner with Silver Creek Subdivision; running thence with Silver Creek Subdivision S 08° 24' 58" W, a distance of 429.95 feet to an existing iron pipe, a corner with lands of Richard C. Covington, as the same is described in a Deed recorded in Deed Book 3194, Page 177, Wake County Registry (the "Covington Property"); runs thence with the Covington Property S 75° 31' 22" W, a distance of 294.97 feet to an existing axle; thence continuing with the Covington Property S 75° 31' 22" W, a distance of 200.39 feet to an existing iron pipe; running thence with the lands of John Warwick, as the same is described in a Deed recorded in Deed Book 3323, Page 236, Wake County Registry, S 75° 31' 22" W, a distance of 381.78 feet to an existing iron pipe located along the eastern margin of the 60 foot public right-of-way of N.C. Hwy. 54, a corner; runs thence with the eastern margin of the 60 foot public right-of-way of N.C. Hwy. 54 N 23° 34' 01" W, a distance of 184.97 feet to an existing iron pipe lying in the eastern margin of the 60 foot public right-of-way of N.C. Hwy. 54; runs thence N 23° 34' 01" W, a distance of 2.92 feet to an existing iron pipe marking the point and place of BEGINNING and being all of Tracts 1, 2 and 3 containing 8.83 acres total as shown on a plat entitled "Boundary Survey for HMC Development Corp., Inc." prepared by Benton W. Dewar and Associates, Registered Land Surveyor dated March 8, 1996 and recorded in Book of Maps 1996, Page 949, Wake County Registry.