

PRESENTED
FOR
REGISTRATION

Prepared by and mail to: Savage and Godfrey, Attorneys at Law

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DECLARATION OF COVENANTS AND RESTRICTIONS
OF THE
SUGARLAND RUN HOMEOWNERS ASSOCIATION

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LAURA M. DICK
REGISTER OF DEEDS
WAKE COUNTY

THIS DECLARATION, made this 5th day of August, 1997, by CEDAR CREEK PARTNERSHIP, a North Carolina General Partnership, hereinafter called "Company" and "Developer"; JVI RESIDENTIAL CONSTRUCTION, INC., a North Carolina corporation, BOND BUILDING LTD, a North Carolina corporation; TIMBERLINE BUILDERS, INC., a North Carolina corporation; BUILTRIGHT CONSTRUCTION, INC., a North Carolina corporation; and STEVEN C. ADAMS d/b/a STEVEN C. ADAMS AND ASSOCIATES and wife, JULIE C. ADAMS, all hereinafter called "Contractors"; and SOUTHLAND ASSOCIATES, INC., Trustee, and CENTRAL CAROLINA BANK AND TRUST COMPANY, hereinafter called "Lender";

W I T N E S S E T H :

WHEREAS, the Company and Contractors are the owners of the real property described in Article II of this Declaration.

WHEREAS, the Contractors and Lender join in the execution and fulfillment of the covenants and restrictions as desired by the Company to create on said real property described in Article II of this Declaration a planned development community with residential and recreational uses to be known as "Sugarland Run"; and

WHEREAS, the Company desires to provide for the preservation of values, the maintenance of common facilities and services, and the administration and enforcement of 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 for the purpose of exercising the functions aforesaid and which are hereinafter more fully set forth;

NOW, THEREFORE, the Company declares 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 ("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) "Affiliate" shall mean any corporation owning more than fifty percent (50%) of the voting stock 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

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a fifty percent (50%) or more of the cash flow from such partnership or joint venture.

(B) "Association" shall mean and refer to Sugarland Run Homeowner's Association, a North Carolina non-profit corporation, its successors and assigns.

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

(D) "Common Properties" and "Common Areas" shall mean and refer to those tracts of land with all improvements then or thereafter erected thereon which are deeded or leased to the Association and designated as "Common Properties" or "Common Areas". The term shall also include any personal property acquired or leased by the Association if said property is designated a "Common Property". All Common Properties and Areas 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, rules, and regulations adopted by the Association. "Common Properties" and "Common Areas" shall not include those tracts of land falling within the definition of "Restricted Common properties" set forth below.

(E) "Company" and "Developer" shall mean Cedar Creek Partnership, a North Carolina General Partnership, its successors and assigns.

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

(1) All lands and improvements designated on the Master Plan for intended use, or land actually used, for indoor and outdoor recreational and community facilities owned and operated by the Company, the Company's Affiliates, the Developer, the Developer's Affiliates, or the Association, if any;

(2) All lands and improvements designated as Common Properties or Restricted Common Properties;

(3) All lands and improvements 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;

(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"), and any improvements thereon;

(5) Property which is used for the maintenance, operation and service of facilities within Common Properties, Restricted Common Properties, Intended Common Properties, Intended Restricted Common Properties, and facilities within Open Space areas.

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

(G) "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 a Single Family Dwelling, including without limitation any Single-Family Detached Dwelling, Townhome, or Patio Home (or Zero lot line).

(H) "Sugarland Run" shall mean and refer to the property described on attached Exhibit A in Apex, Wake County, North Carolina, which are shown as a part of Sugarland Run on the Company's Master Plan as revised from time to time.

(I) "Intended for Use" shall mean the use intended for various parcels within the Properties as shown on the Master Plan of Sugarland Run 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 references in deeds by which the Company has conveyed the property.

(J) "Intended Common Property" shall mean and refer to those tracts of land and 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.

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

(L) "Inventory List" as used in these Covenants shall mean and refer to a listing of those Residential Lots owned by the Company, the Company's Affiliates, the Developer, or the Developer's Affiliates 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.

(M) "Master Plan" shall mean and refer to the drawings and documents which represent the conceptual plan for the future development of Sugarland Run. Since the concept of the future development of Sugarland Run 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.

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

(O) "Neighborhood Areas" shall mean various areas within Sugarland Run, each of which have been subjected to Additional Restrictive Covenants applied only to such areas.

(P) "Owner" shall mean and refer to the Owner as shown by the 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 mortgagee or holder of a deed of trust, its successors or assigns, unless 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.

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

(R) "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 under the provisions of Article II hereof.

(S) "Resident" shall mean and refer to each owner and Tenant of a Family Dwelling Unit who resides in Sugarland Run.

(T) "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 is intended for use as a site for a Single Family Detached Dwelling, Townhome, or Patio Home (or Zero lot line) as shown upon any recorded final subdivision map for 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;

(2) The Lot has been placed on an inventory list of lots for sale submitted to the Association by the Company, the Company's Affiliates, the Developer, or the Developer's Affiliates, in those cases where the Lot is owned by the Company, the Company's Affiliates, the Developer, or the Developer's Affiliates; 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.

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

(V) "Sub-Associations" shall be North Carolina non-profit corporations established by developers of places or portions of the Properties 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.

(W) "Tenant" shall mean and refer to the lessee under a written agreement of a Family Dwelling Unit in Sugarland Run.

ARTICLE II.
EXISTING PROPERTY AND ADDITIONS

Section 1. Existing Property. The real property which is subject to these Covenants is described as follows:

See EXHIBIT "A" attached hereto and incorporated herein by reference.

The above-described real property shall sometimes be referred to herein as the "Existing Property". The Company intends to develop the Existing Property in accordance with a Master Plan, which the Company reserves the right to review and modify at its sole option from time to time. The Company, its successors and assigns, shall not be bound 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 designated on the Master Plan as properties which may be transferred to the Association, as, in the reasonable exercise of the Company's discretion, it so chooses without regard to the relative location of such properties. Once conveyed to the Association, those properties shall become Common Properties. Dedication of Common Areas requires HUD/VA prior approval as long as there is a Class B membership, and nothing herein shall be construed so as to conflict with a HUD requirement, if any, that the Common Areas be conveyed to the Association free and clear of all encumbrances before HUD insures the first mortgage or deed of trust in Sugarland Run. 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 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. During the period of development, which shall by definition extend from the date of these covenants to January 1, 2010, the Company, its successors and assigns, shall have the right, without further consent of the Association, by one or more Supplementary Declarations, to bring within the plan and operation of this Declaration one or more additional properties, which may be in multiple parcels and take place on more than one occasion; provided, annexation of additional properties requires HUD/VA prior approval as long as there is a Class B membership. 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 in the sole judgment of the Company as are

not inconsistent with the plan of this Declaration.

ARTICLE III.

MEMBERSHIP AND VOTING RIGHTS IN THE ASSOCIATION

Section 1. Membership The Members of the Association shall be (a) The Company, (b) every Owner. Every Owner shall be a Member of the Association, except 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; except Company shall be a Class "A" member to the extent provided in (B) hereinafter. A Class "A" Member shall be entitled to one (1) vote for each Family Dwelling Unit or Residential Lot which he owns.

(B) CLASS "B": The Class "B" Member shall be the Company, its successors and assigns. The Class "B" Member shall be entitled to seven (7) votes for each Family Dwelling Unit or Residential 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 seventy-five percent (75%) of the Family Dwelling Units in the entire Sugarland Run subdivision are deeded to homeowners, excluding builders; 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 as 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, 2010.

(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, tenants in common, tenants in partnership or 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 their acts with respect to voting shall have the following effect:

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

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

Section 3. Governance The Association shall be governed by a Board of Directors consisting of three (3) Members, the number, election, and term to be determined in accordance with the By-Laws of the Association.

Section 4. 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 shall be as follows:

(A) When 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 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 or any parcel of land and improvements thereon designated 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 or termination of this Declaration as provided for by Section 1 of Article VIII hereof, the presence at the meeting of Members or proxies entitled to cast sixty (60%) percent of each class of the total vote of the Membership required for such action shall constitute a quorum.

(B) When a meeting of the Members of the Association is called to vote on any other 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 (30%) percent of each class of the total vote of the Membership shall constitute a quorum.

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 and any other requirements for such "duly called meeting" which may be established by the By-Laws of the Association. For the purpose of this section, "proper notice" shall be deemed to be given when given each Member not less than seven (7) days prior to the date of the meeting at which any proposed action is to be considered.

Section 5. Proxies. Members of the Association may vote and transact business at any meeting of the Association by authorized written proxy.

Section 6. Ballots by Mail. When requested by the Board of Directors, there shall be sent with notices of regular or special meetings of the Association a statement of 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 properly completed ballot presented at such meeting shall be counted in calculating the quorum requirements set out above; provided, however, such ballots shall not be counted in determining whether a quorum is present to vote upon motions not appearing on the ballot.

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, 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 subject to rules, regulations, and fee schedules established by the Board of Directors. A member of Member's immediate family residing with Member in Sugarland Run shall have the same easement of enjoyment hereunder as the Member.

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 described in Section 4 of the Article IV hereof, and any other parcels of land and any improvements thereof now or hereafter designated as Intended Common Properties; and, upon such conveyance, 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, and, further, the Association shall not refuse to accept any 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 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 all Common Properties.

(D) Notwithstanding anything in the foregoing to the contrary, the Company reserves unto itself, its successors and assigns and agents, the right to enter upon any Intended Common Property or Common Property for the purpose of constructing and maintaining improvements and facilities thereon. The provisions of this paragraph shall in no way create any obligation on the part of the Company to construct or maintain any such improvements or facilities on said properties.

(E) Natural areas, trail areas, landscape areas within public rights-of-way, and similar areas may be designated and conveyed from time to time. Written notification 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 By-Laws, 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 both (a) two-thirds (2/3) of the Members of the Association, either written or by affirmative vote of same in person or by proxy in a duly called meeting of the Association with said purpose being included in the notice of meeting, and (b) the Company if it owns any properties in the Sugarland Run Subdivision;

(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 (including voting rights) and easements of enjoyment of any Member, or Tenant or guest of a Member, for any period during which the payment of any Assessments against property owned by such Member remains delinquent, and for 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 or comply with the rules and regulations, 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 services on the Common Properties and the right of the Association to open the 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 easements on any part of the Common Properties;

(F) The right of the Association to give, sell or trade all or any part of the 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 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 prior consent of both (a) two-thirds (2/3) of the Members of the Association, either written or by affirmative vote of same in person or by proxy in a duly called meeting of the Association with said purpose being included in the notice of meeting, and (b) the Company if it still owns any properties in the Sugarland Run Subdivision. If ingress or egress to any Residential Lot or Family Dwelling Unit is through the common area, any conveyance or encumbrance of such area is subject to the Lot or Unit owner's easement. 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 sell, exchange or convey small portions of 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, 2010, 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 except such designated properties 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 and Family Dwelling Unit 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 a four percent (4%) late charge after fifteen (15) days past due, interest at the maximum legal rate, 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 and remain 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 establishment, improvement, insurance of, maintenance, enhancement,

enlargement, and operation of the Common Properties and Intended Common Properties, 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 1, and as it automatically increases annually pursuant to the provisions of subparagraph (D) below, shall be levied by the Association, unless the Board of Directors of the Association, by majority vote, determines that a lesser amount will meet the functions of the Association for any particular year; provided, however, 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 1 without the written consent of the Company so long as the Company owns any properties in the Sugarland Run Subdivision.

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 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.

Subject to the conditions above, if the Board of Directors, by majority vote, determines that the functions of the Association will not be properly funded, either for one year only or including subsequent years, it may approve a specified increase in the Maximum Regular Annual Assessment with the prior consent of both (a) two-thirds (2/3) of the Members of the Association, either written or by affirmative vote of same in person or by proxy in a duly called meeting of the Association with said purpose being included in the notice of meeting, and (b) the Company, if it owns any properties in the Sugarland Run Subdivision. An increase in the Maximum Regular Annual Assessment for one 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) Assessments shall be billed annually 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 for different categories of property.

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

(C) 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 remainder of that year to reflect the category change.

(D) From and after December 31, 1998, the Maximum Regular Annual Assessment shall be automatically increased each year by ten (10%) percent unless a lesser amount is specified by the Board of Directors.

(E) Any increase or decrease in the Maximum Regular Annual Assessment or actual levied assessment shall be made in such a manner that the proportionate increase or decrease is the same for Owners of Residential Lots and Family Dwelling Units.

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, remodeling, improvement, maintenance, repair, or replacement of the Common Properties, Restricted Common Properties, Intended Common Properties, or Intended Restricted Common Properties or improvements or facilities thereon, including the necessary fixtures and personal property related thereto;

(B) Additions to the Common Properties or Restricted Common Properties;

(C) Provision for the necessary facilities and equipment to offer the services authorized herein;

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

Such Special Assessment must have the prior consent of both (a) two-thirds (2/3) of the Members of the Association, either written or by affirmative vote of same in person or by proxy in a duly called meeting of the Association with said purpose being included in the notice of meeting, and (b) the Company, if it owns any properties in the Sugarland Run Subdivision.

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 one or more Special Assessments 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 invested and held for major rehabilitation or repairs; emergency and other repairs required as a result of storm, fire, natural disaster, or other casualty loss; or initial costs of any new service to be performed by the Association.

Section 6. Additional Duties of the Board of Directors. The Board of Directors of the Association shall fix the amount of the Annual Assessment against each Residential Lot and Family Dwelling Unit 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.

The Association, or its authorized billing agent if applicable, shall upon demand furnish a written certificate, signed

by an Officer of the Association, setting forth whether Assessments on a particular property have been paid. Such certificate shall be conclusive evidence against all but the Owners of payment of any Assessment therein stated to have been paid.

Section 7. Effect of Non-Payment of Assessment: The Personal Obligation of the Owner; the Lien; Remedies of Association. If any Annual or Special Assessment is not paid on or before the due date specified therein, then such Assessment shall be considered delinquent and shall, together with a four percent (4%) late charge after fifteen (15) days past due, interest at the maximum legal rate, and costs of collection thereof, including a reasonable attorney's fee, become a charge and continuing lien on the land and all improvements thereof against which each such Assessment is made, as well as the personal obligation of each Owner of the lot against which it is assessed. If the Assessment is not paid within thirty (30) days after the due date, the Association may file suit against the Owner personally to recover the amounts described above, and/or an action to enforce the lien by sale of the lot to satisfy same.

Section 8. Subordination of the Lien. The Lien of the Assessments provided for herein shall be subordinate to the lien of any mortgages or deed of trust now or hereafter placed upon any properties subject to Assessment. Holders of mortgages or deeds of trust are not required to collect Assessments. Failure to pay assessments does not constitute a default under an insured mortgage or deed of trust.

Section 9. Exempt Property. The following property, individuals, partnerships, and corporations subject to this Declaration shall be exempted from the Assessment, charge, and lien created herein:

(A) All lands designated on the Master Plan for intended use, and all lands and improvements actually used, for recreational and community facilities owned and operated by the Company, the Company's Affiliates, the Developer, the Developer's Affiliates, and the Association;

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

(C) 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;

(D) Property used for the maintenance, operation and service of facilities within Common Properties, Restricted Common Properties, Intended Common Properties, and Intended Restricted Common Properties;

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

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

(G) Property and improvements 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;

(H) 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 community facilities which the Board of Directors, in its sole and uncontrolled discretion, may designate as Exempt Properties.

Section 10. Annual Statements. The President, Treasurer, or such other Officer as may have custody of the funds of the Association shall annually, within sixty (60) days after the close of the fiscal year of the Association, prepare a financial statement showing the assets and liabilities of the Association at the close of such fiscal year, and a statement of revenues and expenses. Such Officer shall furnish to the Board of Directors, the Company and Developer, and to each Member of the Association upon the Member's request, a copy of such statement.

Section 11. Annual Budget. The Board of Directors shall prepare, at least sixty (60) days prior to the first day of the upcoming fiscal year, a budget outlining anticipated receipts and expenses for the upcoming fiscal year. A copy shall be furnished to the Company and Developer, and to each Member of the Association upon the Member's request. The fiscal books of the Association shall be available for inspection by the Company, Developer, and Members.

Section 12. Working Capital Fund. At the time of closing of each sale or transfer (other than intra-family) of a Family Dwelling Unit, a sum established and announced by the Board of Directors shall be collected from the Buyer and transferred to the Association, to be designated as working capital or operating funds in the discretion of the Board of Directors. Amounts paid into the fund shall not be considered advance payment of the next due regular assessment.

ARTICLE VI.

FUNCTIONS OF ASSOCIATION

Section 1. Ownership, Operation and Maintenance of Properties. The Association may own, operate, and/or maintain Common Properties, Restricted Common Properties, Intended Common Properties, and Intended Restricted Common Properties, equipment, furnishings, and improvements 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, and bicycle paths through the Properties;

(C) For transportation throughout the Properties, e.g., shuttles, 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;

(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;

(H) For indoor and outdoor recreational and community facilities;

(I) For water and sewage facilities and any other utilities, if not adequately provided by a private utility, Wake County 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 may provide the following services:

(A) Cleaning, maintenance, lighting, landscaping, and beautification of all roads, roadways, parkways, lakes, parks, sidewalks, walking trails, bike trails, signs, recreational and community facilities, Common Properties, Restricted Common Properties, Intended Common Properties, and Intended Restricted Common Properties, 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;

(B) Transportation within the Properties, for example by shuttles, buses, and electric vehicles;

(D) 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 State of North Carolina, the County of Wake, or the Town of Apex within the Properties;

(E) Fire protection and prevention;

(F) Garbage and trash collection and disposal;

(G) 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;

(H) All 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;

(I) 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;

(J) Set up and operate an Architectural Review Board for all Common Properties or Intended Common Properties, and, in the event that the Association is designated by the Company as the agent or the assign of the Company for such purposes, extend the operation of the Architectural Review Board to all properties within Sugarland Run;

(K) Provide day care and child care services;

(L) Conduct instructional, recreational, sports, crafts, social and cultural programs of interest to Members, their families and guests;

(M) Provide for the improvement of air and water quality within the Properties;

(N) Provide safety equipment and facilities for emergencies;

(O) 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;

(P) Construct, operate, and maintain improvements on Common Properties, Restricted Common Properties, Intended Common Properties, or Intended Restricted Common Properties 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;

(Q) Provide administrative services for the benefit of the Association and its Members, including, but not limited to communication services and newsletters to inform Members of activities, notices of meetings, and other issues and events of community interest;

(R) Provide liability and hazard insurance covering improvements and activities on the Common Properties and Restricted Common Properties;

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

(T) Provide, conduct, and maintain water pollution and shoreline erosion abatement measures including, without limitation, maintenance and repair of shore revetments, dams, spillways and groins; and

(U) To construct and establish standards for mailboxes, signs, and other standard features for use throughout the Properties.

(V) To provide for communication facilities and systems, for example central television antennas, dishes, or cable television systems.

Section 3. Minimum List of Function 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. At a minimum the Association shall:

(A) 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 By-Laws of the Association;

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

(1) Set, levy, notify Members of, and collect Assessments.

(2) Maintain accurate records of Members, Property Classifications, Votes, Assessments, the Cumulative Number of Residential Lots and Family Dwelling Units in the Properties, and the Maximum Regular Annual Assessment;

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

(4) Maintain and operate all Common Properties, including payment of ad valorem taxes and public assessments on same;

(5) Hold Annual and Special Meetings as required, hold elections for the Board of Directors as required, and give Members proper notice of same as required; and

(6) Prepare Annual Statements and Annual Budgets, and make the financial books of the Association available for inspection by Members, the Board of Directors, the Company, and Declarant at all reasonable times.

(C) Provide appropriate liability and hazard insurance coverage for improvements and activities on all Common Properties;

(D) Provide appropriate directors' and officers' legal liability insurance, and indemnify persons pursuant to the provisions of the By-Laws of the Association;

(E) Keep a complete record of all its acts and corporate affairs;

(F) Provide regular and thorough cleanup of all roads, roadways, 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 roads 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, parks, and bike trails; sweeping all roads and bike trails; landscaping maintenance on all roadsides, cul-de-sac and roadway islands, entrances, parks, recreational areas and bike trails. Such cleanup as is possible shall begin within an individual residential neighborhood as soon as construction of dwellings has commenced within said neighborhood;

(G) Provide general maintenance of all 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) Operate and maintain all lighting within the entrance

area, private streets, Common Properties, and recreational and community facilities;

(I) Provide regular and thorough maintenance and cleanup of all 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 similar facilities, if applicable.

(J) Maintain insurance coverage as follows:

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

(2) Coverage. All buildings and improvements upon the land and all personal property included in the 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 building on the land.

(iii) The 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, the Board of Directors, the Developer, or the Company shall determine from time to time to be desirable and necessary.

(4) Proceeds. All insurance policies purchased by the Association shall be for the benefit of the Association and the Owners 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.

(5) Bond. 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 one year's 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 consent of (a) two-thirds (2/3) of the Members of the Association, either written or by affirmative vote of same in person or by proxy in a duly called meeting of the Association with said purpose being included in the notice of meeting, and (b) the Company if it owns any properties in the Sugarland Run Subdivision.

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 to be used by the Association in performing its authorized functions and services; provided that any such mortgage is with the prior consent of both (a) two-thirds (2/3) of the Class A Members of the Association, either written or by affirmative vote of same in person or by proxy in a duly called meeting of the Association with said purpose being included in the notice of meeting, and (b) the Company if it owns properties in the Sugarland Run Subdivision. If ingress or egress to any Residential Lot or Family Dwelling Unit is through the common area, any encumbrance of such area is subject to the Lot or Unit owner's easement. 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.

ARTICLE VII.

ARCHITECTURAL CONTROL

Section 1. Purpose. The primary purpose and foremost consideration of these restrictive covenants is the creation of a community which is aesthetically pleasing, functionally convenient, and protective of the owners' investment. The establishment of detailed standards relating to design, size and location of dwellings and other structures makes it impossible to take full advantage of the individual characteristics of each lot, technological advances, and environmental values. In order to implement the purposes of these covenants the Declarant may establish and amend from time to time objective standards, regulations, specifications, rules and guidelines for architecture, construction, signs, mailboxes, landscaping, and environment which may be the same for the subdivision as a whole or different for

individual neighborhoods.

Section 2. Controls.

(A) No building, fence, or other improvement shall be constructed, erected, placed, or altered on any lot until the building plans and specifications (including but not limited to architectural style, construction techniques, exterior materials, colors, and finishes, roofing material, driveway material, and landscape design), and plat showing the proposed location of same have been approved in writing by the architectural committee, in its sole and uncontrolled discretion and based upon such grounds as it alone deems sufficient, so as to ensure the goals above as well as conformity and harmony of exterior design and construction with existing structures and improvements in the development and the intent of these covenants. The plat shall also show location, topography, finished elevation, drainage, and setbacks. In the event the committee fails to approve or disapprove the complete set of plans, specifications, and plat within thirty (30) days after submission, this covenant will be deemed fully complied with. The committee may retain all plans, specifications, and plats submitted to them.

(B) All driveways shall be paved with concrete, brick or such other material as may be approved in writing by the Architectural Committee. Each lot owner shall, prior to occupancy, provide for sufficient off-street parking for a minimum of two (2) automobiles.

(C) It shall be the responsibility of each lot owner to prevent and correct unclean or unsightly conditions of buildings or lots. All lots shall be kept clean and free of garbage, junk, trash, debris, non-operable vehicles and apparatus, and any substance and condition that might contribute to an unsightly condition, health hazard or the breeding and habitation of snakes, rats, or insects. The owners of lots shall see to the mowing of their lawn as needed, the maintenance and protection of landscaping, the proper drainage of the lot so as to prevent soil erosion, and the maintenance of the home and other structures and improvements located on said lot so as to insure their good condition and appearance. "Lot" as used in this section also includes that portion of the lot between the right of way and the pavement.

Upon a lot owner's continued failure or refusal to abide by this section after fourteen (14) days written notice, the Architectural Committee may perform the required maintenance and repairs, with the lot owners to be responsible for the reasonable charges for same, together with a twenty-five percent (25%) surcharge to the Association to cover its administrative costs. The charges and surcharge shall constitute a lien upon the lot to the same extent as an unpaid Regular Annual Assessment.

Any dwelling or outbuilding which is destroyed in whole or in part by fire, windstorm, or other casualty or act of God must be rebuilt or the debris removed and the lot restored to a sightly condition promptly, and any event within six (6) months.

No offensive or noxious activity shall be carried on upon any

lot, nor shall anything be done thereon tending to cause embarrassment, discomfort, annoyance or nuisance to other residents. There shall not be maintained any plant, animal, device or thing of any sort whose activity or existence is in any way noxious, loud, dangerous, unsightly, unpleasant or of a nature as may diminish or destroy the enjoyment of the neighborhood by the owners thereof. Unless otherwise approved in writing by the architectural committee, no sign, other than a single "For Sale" or "Sold" sign, and signs at the sales office, shall be placed on any lot. Lot owners' vehicles shall not be habitually parked on the street; and no boat, camper, commercial vehicle, vehicle with three or more axles, or trailer shall be parked or permitted to remain on a street, or on a lot nearer the front street than the front corner of the house. Outside clothes lines are not permitted on lots.

(D) All mailboxes shall be of the same design, color, construction, and materials and shall be as approved by the Architectural Committee. Receptacles for newspapers or other publications are not permitted except as part of the approved mailbox design.

(E) Declarant reserves to itself and its successors and assigns, in addition to any easements of record, a perpetual, alienable and releasable easement and right on, over and under the ground to erect, install, maintain and use electric and telephone poles, wires, cables, conduits, sewers, water mains, water drainage provisions and facilities, and other suitable equipment for the conveyance and use of electricity, telephone equipment, cable television, gas, water, sewer, water drainage and public conveniences or utilities on, in or over five (5) feet around the perimeter of each lot. These easements and rights expressly include the right to cut any trees, bushes, or shrubbery, excavate and grade soil, and take any other action reasonably necessary to economical and safe utility installation and to maintain reasonable standards of health, safety and appearance.

(F) Radio towers, exterior television antennas and similar transmission and receiving apparatus shall not be placed on the property, except that one small satellite dish may be placed on each lot if adequately screened so as not to be visible from the street if approved in writing by the architectural committee.

(G) Houses and related structures must be completed within one (1) year after the construction of same shall have commenced, except where such completion is interrupted by fire or similar casualty or act of God.

Section 3. Review Board. The architectural committee shall be composed of the Company, the Developer, and such persons and entities as designated or appointed by the Company and the Developer, until such time, not later than the sale or transfer of all the Properties by the Company and Developer, as the Company and the Developer designate a minimum of three (3) Members to serve as the committee, without compensation, other than actual expenses, until they are replaced by majority vote of the Members.

ARTICLE VIII.

GENERAL PROVISIONS

Section 1. Term and Amendment of Covenants and Restrictions:

These restrictive covenants shall run with and bind the land, and shall inure to the benefit of and be enforceable by the Company, the Developer, the Association, the Owners, and their heirs, successors, and assigns, for a term of thirty (30) years from the date of this Declaration is recorded, at which time they shall automatically be deemed extended for successive ten (10) year periods unless revoked or modified by two-thirds (2/3) of the then owners of the lots. These restrictive covenants may be amended at any time by written agreement of both (a) two-thirds (2/3) of all of the owners of the lots, and (b) the Company and the Developer if they own any properties in the Sugarland Run Subdivision; provided amendment requires HUD/VA prior approval as long as there is a Class B membership.

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, and FNMA and without the consent of any Owner, in order to qualify the Association for tax-exempt status, correct obvious errors and omissions herein, conform to the requirements of any law or governmental agency having legal jurisdiction over the Properties or any improvements thereon for mortgage or improvement loans made, insured, or guaranteed by a government 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 of any portion of the Properties or mortgage interests therein, as well as any other law or regulation relating to the control of the Properties, 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, United States Department of Housing and Urban Development, the Federal Home Loan Mortgage Corporation, Government National Mortgage Corporation, or the Federal National Mortgage Association, requesting or suggesting an amendment necessary to comply with the requirements of such corporation or agency shall be sufficient evidence of the approval of such corporation or agency, provided that the changes made substantially conform to such request or suggestion. Such Amendment shall become effective upon the date of its recordation in the Wake County Registry.

Section 2. Invalidation: Should any covenant or restriction herein contained, or any 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 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. In addition, if there

is any contradiction between these restrictions and any governmental ordinances, laws or regulations of a federal, state, or local agency, the latter shall prevail.

Section 3. Notice: Notice to all owners of a lot shall be deemed to have been given when (a) deposited, postage paid, in the United States Mail addressed to one or more of said owners at the most recent address shown on the county tax records, or (b) hand delivered to the lot.

Section 4. Enforcement: Enforcement of these covenants and restrictions shall be by the Company, the Developer, any Member, any Owner, or the Association via any proceeding at law or in equity against any persons violating or attempting to violate any covenant or restriction herein, to restrain violation and/or recover damages. The failure of any party to enforce any covenants or restrictions herein for any period of time shall in no event be deemed a waiver or estoppel of the right to enforce any or all restrictions thereafter.

Section 5. 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 6. 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 By-Laws of the Association, unless the terms of this instrument provide otherwise.

Section 7. Other Agreements. Notwithstanding anything contained herein to the contrary, all the provisions of these Covenants shall be subject to and conform with the provisions of:

(A) The Zoning Ordinances 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;

(B) The Master Plan for the development of Sugarland Run as may from time to time hereinafter be amended or modified.

None of the provisions of this section 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 of 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 8. 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, neither the Company nor the Association shall 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 9. Management and Contract Rights of Association.

The Company may enter into a contract with a Management company or manager for the purposes of providing all elements of the operation, care, supervision, maintenance, and management of the property. 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 10. 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 theretofore conveyed to the Association for additional property to be added to the Common Properties. Any such exchange and conveyance shall be subject to prior VA or HUD and FNMA approval. 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 the 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 11. VA or HUD, and FNMA Approval. As long as there is a Class B membership the following acts will require the prior approval of VA or HUD and FNMA: Annexation of additional properties, dedication of Common Areas, and amendment of this Declaration of Covenants, Conditions and Restrictions.

Section 12. Easements.

(A) All Properties shall be subject to such easements for walkways, water lines, sanitary sewers, storm drainage facilities, gas lines, telephone, streets and electric power lines, television antenna lines and other utilities, and for ingress, egress and regress as necessary to operate and maintain same, and as otherwise deemed necessary by the Company or the Association, who shall have the power and authority to grant and establish further easements upon, over, under and across the Property.

(B) 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 Sugarland Run to this Declaration 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 thirty (30) years from the date of recording this Declaration, the Company reserves an easement and right on, over and under any property comprising Sugarland Run 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 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 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) An easement is hereby established for municipal, state or public utilities serving Sugarland Run, their agents and employees over all Common Properties hereby or hereafter established for setting, removing, maintaining, monitoring, and reading utilities and utility meters, maintaining and replacing utility or drainage facilities and connections, and acting with other purposes consistent with the public safety and welfare, including, without limitation, police and fire protection.

(D) The Company and Association reserve the right to subject the Property to contracts with the Town of Apex and utility companies 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 by the Owner of each Unit within said Property.

Section 13. Subdivision of Lots. Although lot lines may be altered, and the owners of two lots may subdivide a Lot located between them with the written permission of the architectural committee, no lot may be subdivided so as to create two or more building lots from the original lot or increase the total number of building lots in the subdivision. The Company and Developer reserve the right to replat or otherwise modify the shape or size of any lot during the time they own same.

Section 14. Conflict. In the case of a conflict between this Declaration and covenants recorded for individual sections or phases of the Properties, this Declaration shall control.

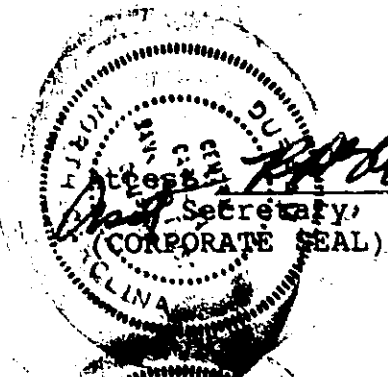
IN WITNESS WHEREOF, the Company has caused this instrument to be executed as of the day and year first above written.

CEDAR CREEK PARTNERSHIP, a North Carolina
General Partnership

By:  (SEAL)
Managing Partner

Central Carolina Bank and Trust Company,
a North Carolina Banking Corporation

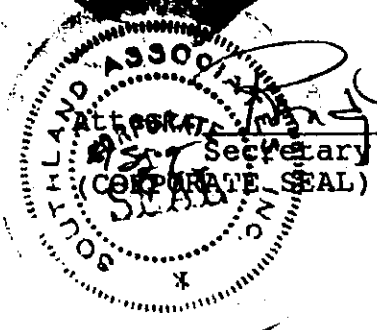
By: [Signature] (SEAL)
Vice President



Attest: [Signature]
Secretary
(CORPORATE SEAL)

Southland Associates, Inc., a NC
corporation, Trustee

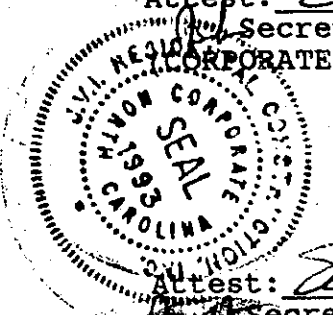
By: [Signature] (SEAL)
Vice President



Attest: [Signature]
Secretary
(CORPORATE SEAL)

JVI Residential Construction, Inc.

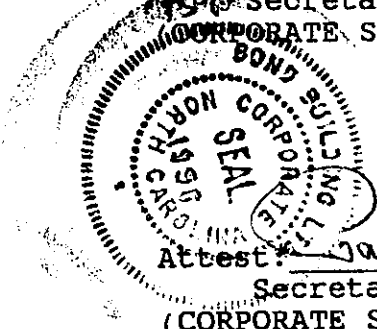
By: [Signature] (SEAL)
President



Attest: [Signature]
Secretary
(CORPORATE SEAL)

Bond Building Ltd.

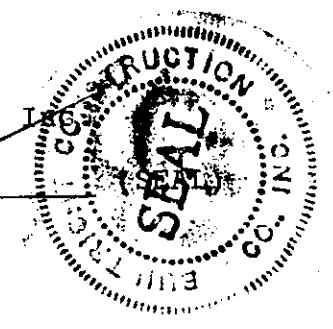
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President



Attest: [Signature]
Secretary
(CORPORATE SEAL)

BuiltRight Construction Co., Inc.

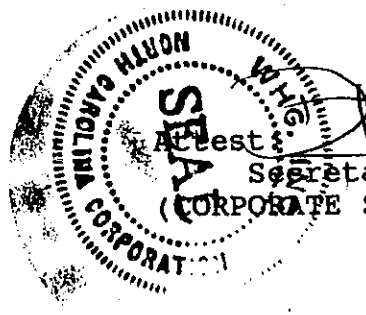
By: [Signature]
President



Attest: [Signature]
Secretary
(CORPORATE SEAL)

Timberline Builders, Inc.

By: [Signature] (SEAL)
President



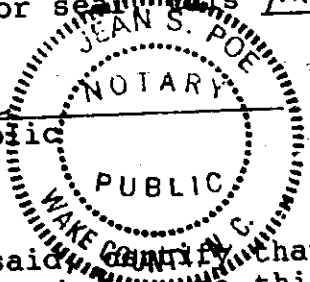
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Secretary
(CORPORATE SEAL)

NORTH CAROLINA
WAKE COUNTY

I, a Notary of the County and State aforesaid, certify that ~~Steve Bond~~ Sandra N. Sheckell personally came before me this day and acknowledged that she is Asst Secretary of Bond Building, Ltd., 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 her President, sealed with its corporate seal and attested by her as its Asst Secretary. WITNESS my hand and official stamp or seal on this 7th day of August, 1997.

Jean S. Poe
Notary Public

My Commission Expires: 5-30-2001



NORTH CAROLINA
WAKE COUNTY

I, a Notary of the County and State aforesaid, certify that Pamela Varner personally came before me this day and acknowledged that she is ✓ Secretary of BuiltRight Construction 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 Pamela Varner President, sealed with its corporate seal and attested by Pamela Varner as its Secretary. WITNESS my hand and official stamp or seal on this 12th day of Aug, 1997.

Brandye R. Fields
Notary Public

My Commission Expires: 1-15-2001

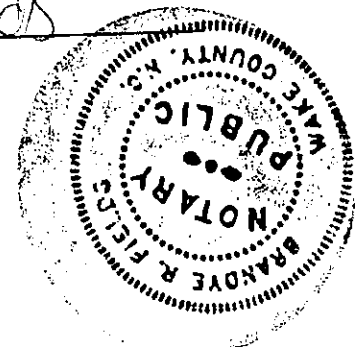


NORTH CAROLINA
WAKE COUNTY

I, a Notary of the County and State aforesaid, certify that David M. Hawley personally came before me this day and acknowledged that he is ✓ Secretary of Timberline Builders, 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 David Hawley President, sealed with its corporate seal and attested by David Hawley as its Secretary. WITNESS my hand and official stamp or seal, this 11 day of August, 1997.

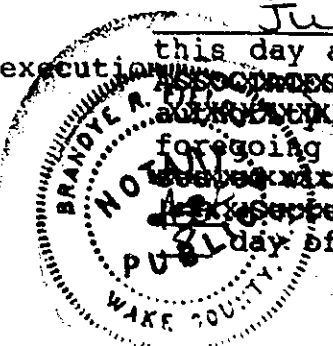
Brandye R. Fields
Notary Public

My Commission Expires: 1-15-2001

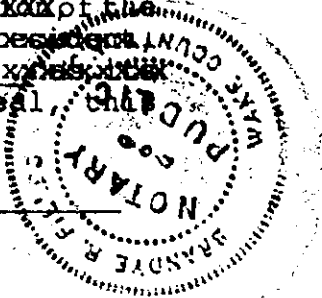


NORTH CAROLINA
WAKE COUNTY

I, a Notary of the County and State aforesaid, certify that Julie C. Adams, personally came before me this day and acknowledged that she is ~~xxxxxxx~~ Secretary of ~~xxxxxxx~~ SOUTHLAND ASSOCIATES, 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 ~~xxxxxxx~~ President, sealed with its corporate seal and attested by ~~xxxxxxx~~ himself, the ~~xxxxxxx~~ Asst. Secretary. WITNESS my hand and official stamp or seal, this ~~xxxxxxx~~ 8th day of August, 1997.



Brandy R. Fields
Notary Public



My Commission Expires: 1-5-2001

NORTH CAROLINA
WAKE COUNTY

I, a Notary of the County and State aforesaid, certify that RANDY POWELL, personally came before me this day and acknowledged that he is Asst. Secretary of SOUTHLAND ASSOCIATES, INC., a North Carolina corporation, Trustee 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 himself, the Asst. Secretary. WITNESS my hand and official stamp or seal, this 6th day of August, 1997.

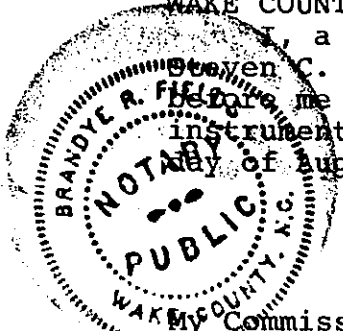
Wendy J. Gallonitch
Notary Public



My Commission Expires: 3-5-2000

NORTH CAROLINA
WAKE COUNTY

I, a Notary of the County and State aforesaid, certify that Steven C. Adams dba Steven C. Adams and Associates personally came before me this day and acknowledged the due execution of the foregoing instrument. WITNESS MY hand and official stamp or seal, this 8th day of August, 1997.



Brandy R. Fields
Notary Public

My Commission Expires: 1/15/2001

NORTH CAROLINA - WAKE COUNTY

The foregoing certificate of Sean S. Poe
Wendy J. Gallonitch
Brandy R. Fields 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 Laura M. Riddick
Asst. Deputy Register of Deeds

SCHEDULE 1
MAXIMUM REGULAR ANNUAL ASSESSMENT
AS OF RECORDING DATE OF
THESE COVENANTS AND RESTRICTIONS

Residential Lot or Family Dwelling Unit owned by Developer or Builder after January 1, 1998 \$ 20.00/month

Residential Lot or Family Dwelling Unit owned other than by Developer or Builder \$ 20.00/month or any fractional portion of a month

Working Capital Fund Contribution per Article V Section 12 To be set by the Board of Directors

G:\realest\sugar2.cov

EXHIBIT A

BEING all of that 23.368 total acres, as shown on map and survey entitled "Division for Helton Group, Inc" as recorded in Book of Maps 1996, Page 1288, Wake County Registry, reference to which is hereby made for greater certainty of description.