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LAURA M. NICHOL
REGISTER OF DEEDS
WAKE COUNTY

THIS DECLARATION, made this 21 day of January, 1997,
by SUNSET FOREST, LLC, a North Carolina Limited Liability
Company, hereinafter referred to as "Declarant".

WHEREAS, Declarant is the owner of certain property located in Holly Springs Township, Wake County, North Carolina, which property is more particularly described as follows:

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

WHEREAS, Declarant desires to create thereon a master planned community known as "SUNSET RIDGE NORTH" which will contain a mix of housing types and uses as described in the Master Land Use Plan as approved by the Town of Holly Springs; and

WHEREAS, although Declarant contemplates that separate easements, covenants, conditions, and restrictions may be imposed in regard to various sections or phases of SUNSET RIDGE NORTH, Declarant desires to impose pursuant hereto easements, covenants, conditions, and restrictions upon all of SUNSET RIDGE NORTH, with the understanding that, at Declarant's option, certain additional and/or supplementary

easements, covenants, conditions, and restrictions may be imposed as hereinabove stated; and

WHEREAS, Declarant desires to provide for the preservation and enhancement of the property values, amenities and opportunities in said community and for the maintenance of the properties and the improvements thereon, and to that end desires to subject the real property as described above, together with any and all such additions as may hereafter be made thereto, to the covenants, conditions, restrictions, easements, charges and liens hereinafter set forth, each and all of which is and are for the benefit of said property and each owner thereof; and

WHEREAS, Declarant has deemed it desirable for the efficient preservation of the values and amenities in said community to create an agency to which should be delegated and assigned the powers of owning, maintaining and administering certain community properties and facilities, administering and enforcing the master covenants, conditions and restrictions, collecting and disbursing the Association assessments and charges hereinafter created, and promoting the recreation, health, safety and welfare of the owners, residents, and tenants of SUNSET RIDGE NORTH; and

WHEREAS, Declarant has incorporated under the laws of the State of North Carolina the Sunset Ridge North Association, Inc. as a non-profit corporation for the purpose of exercising the functions aforesaid, among others.

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

ARTICLE I

DEFINITIONS

Section 1. "Association" shall mean and refer to Sunset Ridge North Association, Inc., a North Carolina non-profit corporation, its successors and assigns.

Section 2. "SUNSET RIDGE NORTH" shall mean and refer to that certain real property which is subject to this Master Declaration and any such additions thereto as may

hereafter be brought within the jurisdiction of the Association.

Section 3. "Common Area" shall mean and refer to all real property within SUNSET RIDGE NORTH which is owned by the Association for the common use and enjoyment of all members.

Section 4. "Limited Common Area" shall mean those lands owned by the Association that serve only a limited number of units and which may include, but specifically are not limited to, driveways and walkways serving townhouse sites, parking spaces, buildings or other areas serving only specified units, and other such similar areas as may be designated by the Declarant.

Section 5. "Lot" shall mean any numbered plot of land as shown on any recorded subdivision map of SUNSET RIDGE NORTH, except for Common Area, Limited Common Area, and any dedicated public streets.

Section 6. "Unit" shall mean a building or other structure constructed on a lot, whether for residential, commercial, office, recreational, civic, or other permitted use.

Section 7. "Member" shall mean and refer to every person or entity entitled to membership in the Association as provided in this Master Declaration.

Section 8. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title or undivided interest in and to any lot which is a part of SUNSET RIDGE NORTH, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 9. "Declarant" shall mean and refer to Sunset Forest, LLC, as well as its successors and assigns, if such successors and assigns should acquire more than one undeveloped lot from the Declarant for the purpose of development.

Section 10. "Board of Directors" shall mean those persons elected or appointed to act collectively as the directors of the Association.

Section 11. "VA" shall mean Veterans Administration and "HUD" shall mean Department of Housing and Urban Development.

Section 12. "Bylaws" shall mean the bylaws of the Association as they now or hereafter exist.

Section 13. "Master Declaration" shall mean and refer to this Master Declaration of Covenants, Conditions and Restrictions of SUNSET RIDGE NORTH, as the same may be amended from time to time as herein provided.

Section 14. "Supplementary Declaration" shall mean and refer to any Supplementary Declaration of Covenants, Conditions, and Restrictions which are specific to certain sections or phases of SUNSET RIDGE NORTH as defined therein.

Section 15. "Dwelling Unit" shall mean and refer to a primary residence containing sleeping facilities for one or more persons and a kitchen.

Section 16. "Accessory Dwelling Unit" shall mean and refer to an auxiliary dwelling unit on a lot which contains sleeping facilities for one or more persons and a kitchen, except that no unit contained within any Apartment District shall be considered an accessory dwelling unit.

Section 17. "Apartment District" shall mean and refer to that property, if any, including all improvements constructed or contemplated for construction thereon, designated as such on any recorded plats of SUNSET RIDGE NORTH.

Section 18. "Market District" shall mean and refer to that property, including all improvements constructed or contemplated for construction thereon, designated as such on any recorded plats of SUNSET RIDGE NORTH.

Section 18. "Landscape Easement" or "Maintenance Easement" shall mean and refer to those areas so designated on any recorded plats of SUNSET RIDGE NORTH which are not Common Areas or Limited Common Areas but within which the Association shall be responsible for the maintenance of landscaping or other improvements contained therein.

ARTICLE II

COMMON AREA AND LIMITED COMMON AREA OWNERSHIP AND MAINTENANCE

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

Section 2. Delegation of Use. Any owner may delegate his right of enjoyment of the Common Area and facilities and Limited Common Area and facilities, if any, to the members of his family, his tenants, contract purchasers who reside on the property, or his guests.

Section 3. Rules and Regulations. The Association Board of Directors shall have the power to formulate, publish and enforce reasonable rules and regulations concerning the use and enjoyment of the Common Area and Limited Common Area. Such rules and regulations, along with all policy resolutions and actions taken by the Board of Directors, shall be recorded, and such records shall be maintained in a place reasonably convenient to the members and available to them for inspection during normal business hours.

Section 4. Leasing Common Area and Limited Common Area Facilities. The Board of Directors shall have the power to lease the use of any recreational facility for functions, lessons or other special events, and to allow such lessee to charge admission or other fees for functions, lessons or other special events.

Section 5. Operating Common Area and Limited Common Area Facilities. The Board of Directors shall have the power to limit the number of guests, to regulate behavior and hours of operation, and to curtail any use or uses it deems necessary for either the protection of the facilities or the peace and tranquility of adjoining residents, except that in no case may any Board of Directors so limit, regulate or curtail use of any Limited Common Area so as to deny an owner ingress, egress, and regress and the full use and enjoyment of his property as permitted hereunder.

Section 6. Common Area and Limited Common Area Facilities Admission Fees. The Association may charge reasonable admission and other fees for the use of any Common Area or Limited Common Area recreational facility.

Section 7. Suspensions. The Board of Directors shall have the power to suspend the voting rights and the right to use the Common Area or Limited Common Area facilities of a Class A member, or any person to whom that member has delegated his right of enjoyment, for any period during which any assessment against that member remains unpaid, and, for a period not to exceed thirty (30) days, for any infraction of its published rules and regulations, except that in no case shall a Board of Directors suspend any right to use any Limited Common Area so as to deny an owner ingress, egress

and regress and the full use and enjoyment of his property as permitted hereunder.

Section 8. Declarant's Covenant to Convey Title to Common Area and Limited Common Area. Declarant hereby covenants for itself, its successors and assigns, that it will convey fee simple title to the property designated Common Area and Limited Common Area, or portions thereof, to the Association after completion by Declarant of improvements thereon, if any, and upon such time as Declarant determines that the Association is able to maintain same, but, notwithstanding any provision to the contrary herein, such conveyance to the Association shall be made no later than one year following the recordation of the plat upon which such Common Area or Limited Common Area is designated and identified.

Section 9. Mortgaging Common Area and Limited Common Area. The Association shall have the power to borrow money for the purpose of improving the Common Area and facilities, or Limited Common Area and facilities, and, pursuant thereto, to mortgage the Common Area, Limited Common Area or any portion thereof, except that the Association shall not be permitted to mortgage any Limited Common Area which is used to provide ingress, egress and regress to an owner served thereby and which Limited Common Area is essential for the full use and enjoyment of an owner's property as permitted hereunder. The execution of any such permitted mortgage shall require the same approval of the membership which is required for special assessments for capital improvements as set forth in Article V, Section 11, of this Master Declaration. The rights of such mortgagee in said Common Area or Limited Common Area shall not be subordinate to the rights of the members.

Section 10. Common Area and Limited Common Area Dedication or Transfer. The Association shall have the right to dedicate or transfer all of the Common Area or Limited Common Area or any part thereof to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the members. No such dedication or transfer shall be effective unless an instrument signed by members entitled to cast two-thirds (2/3) of the votes of the membership has been recorded, agreeing to such dedication or transfer, and unless written notice of the proposed action has been sent to every member not less than thirty (30) days in advance.

ARTICLE IIILAND USE

Section 1. Restrictions. Each lot and the Common Area and Limited Common Area shall be subject to the restrictions contained in this Master Declaration and any applicable Supplementary Declaration and to those set forth in the by-laws of the Association.

Section 2. Permitted Uses. Declarant has promulgated certain Design Guidelines which are explanatory and illustrative of Declarant's general intent for the development of SUNSET RIDGE NORTH. The Design Guidelines, which may be supplemented and amended from time to time by Declarant, contain tables of permitted uses which are suggested by Declarant as appropriate or desirable within SUNSET RIDGE NORTH. It is understood, however, that in any instance wherein one of the permitted uses as set out in the Design Guidelines conflicts with and is contrary to the applicable zoning and subdivision regulations then in effect for the Town of Holly Springs, those municipal regulations will control the permitted use.

Section 3. Common Area and Limited Common Area Restriction. All Common Area and Limited Common Area recreational facilities and amenities shall be used, improved and devoted exclusively to recreational purposes for the benefit of the owners served thereby.

Section 4. Common Area and Limited Common Area Offensive Use. No immoral, improper, offensive or unlawful use shall be made of SUNSET RIDGE NORTH, and any ordinances and regulations of all governmental agencies having jurisdiction thereof shall be observed.

Section 5. Common Area and Limited Common Area Construction or Alteration. No owner shall undertake, cause or allow any alteration or construction in or upon any portion of the Common Area or Limited Common Area unless directed by and with the express written consent Association.

Section 6. Nuisance or Annoying Activity. No obnoxious or offensive activity shall be carried on in or upon SUNSET RIDGE NORTH, nor shall anything be done which may be or may become a nuisance or annoyance to any owner or tenant within SUNSET RIDGE NORTH. In addition, no owner shall store or keep, or permit to be stored or kept, a trailbike, motorcycle, motorized 3-wheel bike, tractor, truck, or other such motorized riding vehicle except one pick-up truck and one or

more operational automobiles without specific written approval of the Association. In granting such approval, the Association may attach specific conditions which shall be binding on the owner and occupants of the lot.

Section 7. Parking. The Association may regulate the parking of boats, campers, and trailers, and the placing of tents and other such items on the Common Area or Limited Common Area, including the provision of special facilities for which a reasonable charge may be made. No tractors, boats, campers, or trailers shall be regularly parked within the right-of-way of any street in or adjacent to SUNSET RIDGE NORTH.

Section 8. Antennae. The erection of antennae or other structures designed for the receipt or transmission of television, radio, or other communication signals on any lot is specifically prohibited without the approval of the Architectural Review Board, except in the case of certain permitted commercial uses which might require such antennae, but in no event without the express written permission of the Architectural Review Board.

Section 9. Accessory Dwelling Units. It is Declarant's intent that SUNSET RIDGE NORTH contain a mix of uses, including various residential types as well as various commercial and civic applications. However, no lot having less than fifty (50) feet of frontage on a public street shall be permitted to contain an accessory dwelling unit, whether such lot be primarily used for residential or commercial purposes. Any lot containing an accessory dwelling unit must also contain two additional parking spaces beyond those provided for the primary use.

Section 10. Signs. No sign of any kind shall be displayed to the public view on any lot, except in the case of a lot containing a permitted commercial or civic use, and except further as follows:

- (a) one non-illuminated ground sign no larger than six square feet;
- (b) one non-illuminated attached or projecting wall sign no larger than six square feet; or,
- (c) one non-illuminated dropped awning sign projecting no further than six feet from the front wall of the building.

The foregoing shall not be construed to prohibit a building contractor from erecting a temporary sign to advertise construction on that lot, nor shall a licensed real estate broker be prohibited from erecting a temporary sign

to advertise the property for sale or rent. Neither of such temporary signs shall be larger than six square feet, and each shall be removed immediately upon completion of improvements or the sale or lease of the property. Declarant shall not be prohibited from erecting signage to identify SUNSET RIDGE NORTH or any section or phase thereof. No signage of any character shall be constructed, erected, or installed on any lot, Common Area, or Limited Common Area without the prior approval of the Architectural Review Board in accordance with the provisions hereinafter set out.

Section 11. Animals. No animals, livestock, or poultry shall be raised, bred, or kept on any lot, except that dogs, cats, and other household pets may be kept, but not for any commercial purposes, provided that, in the sole judgment of the Board of Directors, such pets do not create a nuisance, such as by noise, odor, damage, or destruction of any property.

Section 12. Waste. No lot shall be used or maintained as a dumping ground for rubbish, trash, or garbage. No waste of any nature shall be kept on any lot except on a temporary basis in sanitary containers. Provided, however, that Declarant or the Association may designate one or more lots as a community yard waste/compost site, which site shall be designated as Common Area.

Section 13. New Construction. Construction of new buildings only shall be permitted on any lot, it being the intent of Declarant to prohibit the moving of any existing building onto any lot. The foregoing shall not prohibit the Architectural Review Board from approving the use of certain pre-existing architectural components should said Board determine, in its sole discretion, that such components are in keeping with and do not impact negatively on the general development scheme and appearance of SUNSET RIDGE NORTH.

Section 14. Temporary Structures. No structure of a temporary character, such as a trailer, basement, tent, or shack, but in any event as such shall be defined in the discretion of the Architectural Review Board, shall be used at any time as a dwelling unit.

Section 15. Alleys. All alleys designated on recorded plats as "Private Access, Utility & Drainage Easement" shall be used primarily for access to the lots served thereby and for the installation and maintenance of certain dry utilities. All such private alleys shall function as and be maintained in the same manner as Limited Common Areas, whether or not such designation shall appear on the recorded plat of same.

Section 16. Refuse and Recyclables Collection. Collection of refuse and recyclables shall, except as hereinbelow provided, be via curbside or alley pickup as appropriate and/or as approved by the Town of Holly Springs. Some lots may be served by private or shared dumpsters, compactors, or other such receptacles, in which case curbside or alley pickup shall not apply. All rollcarts, bins, and other receptacles shall be stored on a lot in an area suitably screened from public view as determined by the Architectural Review Board.

Section 17. Diligent Construction. All construction, landscaping, or other work which has been commenced on any lot must be continued with reasonable diligence to completion. No partially completed house, garage, building, or other improvement shall be allowed to exist on any lot, except during such reasonable period as is necessary for the completion of same.

Section 18. Lot Subdivision and Consolidation. No lot shown on any recorded plat of SUNSET RIDGE NORTH may be subdivided by sale, lease, or otherwise without prior written consent of Declarant. Lot consolidation may be permitted by Declarant in its sole discretion.

Section 19. Utilities. All water, gas, sewer, electrical, telephone, television, and other utility lines, and all connections between the main utility line and the unit or other structures on the lot, shall be located underground and concealed so as not to be visible.

Section 20. Outdoor Structures. No outside clotheslines, tree houses, playhouses, swing sets and other play equipment, gazebos and other yard decorations, refuse/recyclables receptacles, transformers, or air conditioning and other mechanical equipment shall be erected or allowed to remain on any lot unless concealed behind approved screening or integrated into the building design so as to be inconspicuous, or as otherwise approved by the Architectural Review Board as compatible and harmonious with the surroundings. For example, any permitted solar equipment shall be roof-mounted on the rear of the structure, flush with the roof surface, with all appurtenances recessed into the structure's attic. The provisions of this section shall not be construed to prohibit Declarant from establishing certain

Common Areas or Limited Areas as neighborhood parks or playgrounds with appropriate equipment, structures, and other improvements installed thereon.

Section 21. Window Screens. Window screens are specifically prohibited on all windows facing any public street within SUNSET RIDGE NORTH.

Section 22. Recreational Facilities. No pool, tennis court, or other recreational facility shall be constructed on any lot without the prior written approval of Declarant.

Section 23. Governmental Approval. Nothing contained herein shall be deemed to be a waiver of any applicable governmental requirements or restrictions relative to the constructions of improvements on and/or the use of any lot.

ARTICLE IV

ARCHITECTURAL REVIEW

Section 1. Architectural Review Board. An Architectural Review Board ("ARB") consisting of at least three (3) persons, who are not except as provided hereinbelow required to be members of the Association, shall be appointed by Declarant at or prior to the conveyance of the first lot. At such time as Declarant conveys its last remaining lot, the ARB shall be appointed by the Board of Directors of the Association. Declarant or Board of Directors of the Association, as appropriate, may elect at its option to increase the number of members of the ARB from time to time. In the event of the death or resignation of any ARB member, the authority which appointed that member shall designate and appoint a successor to serve the remainder of the departing member's term. Members of the ARB may be removed or replaced at any time, with or without cause and without prior notice, by the controlling authority (meaning the Declarant or Board of Directors of the Association, as appropriate). No member of the ARB shall be liable for claims, causes of action, or damages, except where occasioned by such member's negligence or wilful misconduct, arising out of services performed pursuant to this Master Declaration.

Section 2. Plan or Design Approval. No site preparation or initial construction, erection, or installation of any improvements, or any changes thereto, including but not limited to, dwelling or other units, outbuildings, garages, fences, walls, signs, excavation, or changes in grades shall be undertaken on any lot unless the plans and specifications therefor, showing the nature, kind, shape, height, materials

and location of the proposed improvements shall have been submitted to the ARB and expressly approved in writing. No subsequent alteration or modification of any existing improvements or construction, erection, or installation of additional improvements may be undertaken or allowed to remain on any lot without the review and express written approval of the ARB. The ARB may refuse approval of any plans, in whole or in part, for any reason, including purely aesthetic reasons, which shall in the sole and uncontrolled discretion of the ARB be deemed sufficient. The ARB shall establish minimum requirements for submission for approval, but shall have the authority to request such additional information at it may determine is necessary in order to make its decision. All rules, regulations, procedures, restrictions, and standards promulgated by the ARB shall supplement this Master Declaration and any Supplemental Declaration, and are incorporated herein by reference. The ARB shall at all times endeavor to be fair, reasonable, and uniform in its application of such rules, regulations, procedures, restrictions, and standards, and shall be responsive to technological advances and general changes in architecture, construction, and related conditions, and shall use its best efforts to balance the equities between matters of taste and design and the use of private property.

Section 3. Effect of Failure to Approve or Disapprove. In the event that the ARB fails to approve or disapprove the design of any proposed improvements within thirty (30) days after plans and specifications for same have been submitted to and received by it, approval will not be required and the provisions of this Article will be deemed to have been complied with fully; provided, however, that the plans and specifications required to be submitted shall not be deemed to have been received by the ARB if they contain erroneous data or fail to present adequate information upon which the ARB can base its decision.

Section 4. Right of Inspection. The ARB shall have the right, at its election, to enter upon any of the lots during preparation, construction, erection or installation of any improvements in order to determine that such work is in accordance with the approved plans and specifications. The ARB is authorized and empowered to inspect and review any and all aspects of the construction of any improvements on any lot which may, in its reasonable opinion, adversely affect the living enjoyment of other owners or the general value and appearance of SUNSET RIDGE NORTH. If any improvement is found to be in violation of the provisions contained herein, the ARB may require that owner to restore such non-conforming or unapproved improvements to the condition existing prior to such construction, including without limi-

tation, the demolition and removal thereof. The ARB may undertake such demolition, removal, and/or restoration itself and shall then levy the cost thereof as a special assessment against the subject lot.

Section 5. Exterior Maintenance. The exterior maintenance of the unit and other improvements constructed upon the lot shall be the duty of the owner of such unit or lot, except as specifically provided otherwise in this Master Declaration or any Supplementary Declaration, and shall not normally be interfered with by the Association. The Owner shall be responsible for the maintenance, repair or replacement of any defective plumbing, water heaters, heating equipment, air conditioning equipment, lighting fixtures, and all other equipment and improvements located on his lot. If, however, in the opinion of the Association, any owner shall fail to maintain any unit, lot or equipment as specified in a reasonably neat and orderly manner, or shall fail to keep same in a state of repair so as not to be unsightly, the Association, at its discretion and after ten (10) days written notice to such owner, may enter upon and make or cause to be made any necessary repairs and maintenance to such unit or lot, including but not limited to removal of trash, cutting of grass, pruning of shrubbery, and seeding for erosion control. The Association, or its agents shall have an easement for the accomplishment of the foregoing. Any costs incurred by the Association in the making of such repairs and maintenance, plus a service charge in the amount of twenty (20%) percent of such costs, shall be added to and become a part of such other assessments to which the unit or lot is subject.

ARTICLE V

MEMBERSHIP AND VOTING RIGHTS IN THE ASSOCIATION; ANNUAL AND SPECIAL ASSESSMENTS

Section 1. Membership in the Association. Each and every owner of a lot, including contract sellers, shall be a member of the Association. The foregoing does not include persons or entities who hold an interest merely as security for the performance of an obligation. Membership shall be appurtenant to and shall not be separated from any lot which is subject to assessment by the Association. The Board of Directors may make reasonable rules relating to the proof of ownership of a lot in SUNSET RIDGE NORTH. In addition, for so long as Declarant owns any part of SUNSET RIDGE NORTH, Declarant shall also be a member of the Association. Further, the owner of any Apartment District shall be a member

of the Association and shall be subject to the same regulations and charges as all other owners relative to membership in the Association.

Section 2. Right of Declarant to Representation on Board of Directors of the Association. Notwithstanding anything contained herein to the contrary, until December 31, 2017, or until Declarant shall have conveyed seventy-five percent (75%) of the lots contained within SUNSET RIDGE NORTH, Declarant or its express assignee shall have the right to designate a two-thirds (2/3) majority of the Board of Directors of the Association. Whenever Declarant shall be entitled to designate and select any person(s) to serve on the Board of Directors, the manner in which such person(s) shall be designated shall be as provided in the Supplementary Declaration, Articles of Incorporation, and/or Bylaws for the Association. Declarant shall have the right to remove any person(s) so selected by it and to replace such person(s) so removed with another person(s) selected as herein provided. Any Director designated by Declarant need not be an owner. Declarant, as a member of the Association, or any representative of Declarant serving on a Board of Directors, shall not be required to disqualify himself from the vote upon or entrance into any contract or matter between Declarant and the Association in which Declarant may have a pecuniary or other interest.

Section 3. Association Member Classes and Voting Rights. The Association shall have two (2) classes of voting members:

Class A. Class A members shall be each owner and shall not include Declarant. Class A members shall be entitled to one (1) vote for each lot owned. The vote for each Class A member shall be exercised as that member's representatives among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Class A member and no fractional vote may be cast with respect to same.

Class B. The Class B member shall be the Declarant. The Class B member shall be entitled to seven (7) votes for each lot in which it holds the required ownership interest and seven (7) votes for each full \$50,000 of assessed valuation of all undeveloped acreage subject to this Declaration, as such assessed valuation is determined by the appropriate governmental authority for ad valorem tax purposes as of January 1 of the applicable year; provided, however, that the Class B membership shall cease and be converted to Class A membership on the happening of the earlier of the following events:

- (a) The total votes outstanding in Class A membership equals the total votes outstanding in Class B membership; provided, however, that the Class B membership shall be reinstated with all the rights, privileges, responsibilities and voting power if, after the conversion of Class B membership to Class A membership as hereinabove provided, additional land is annexed to the properties without the assent of the members on account of development of such additional land by Declarant, all in accordance with Article VII, Section 2, of this Master Declaration; or

- (b) December 31, 2017.

Section 4. Voting, Quorum, and Notice Requirements for the Association. Except as may be otherwise specifically set forth in this Master Declaration or in the Articles of Incorporation and/or Bylaws of the Association, the vote of the majority of the aggregate votes entitled to be cast by all classes of members of the Association, present or represented by legitimate proxy at a legally constituted meeting at which a quorum is present, shall be the act of the Association. The number of votes present at an Association meeting that is properly called and that will constitute a quorum shall be as set forth herein or in the Association Bylaws.

Section 5. Voting Rights Suspension. The right of any Class A member to vote may be suspended by the Board of Directors of the Association for just cause pursuant to its rules and regulations and according to the provisions of Article II, Section 7, of this Master Declaration.

Section 6. Covenant for Assessments. The Declarant, for each portion or parcel of SUNSET RIDGE NORTH owned by it, hereby covenants, and every other owner of any lot covered by this Master Declaration, including the owner of any Apartment District, by acceptance of a deed therefor, whether or not expressed in any such deed or other covenant, is deemed to covenant and agree to pay to the Association, each of which shall be fixed, established, and collected from time to time as hereinafter provided:

- (a) annual assessments or charges;
- (b) special assessments for capital improvements and/or other purposes; and,
- (c) individual special assessments levied against individual owners to reimburse the Association

for extra costs for maintenance or repairs as set out in Article V, Section 12, of this Master Declaration.

Each such assessment on a lot, together with interest thereon and the costs of collection thereof, including attorney's fees, as hereinafter provided, shall be a charge on the land and shall be a continuing lien upon the property against which the assessment is made. Each such assessment, together with interest, costs, and reasonable attorney's fees incurred by the Association in collecting delinquent assessments, shall also be the personal obligation of the person or entity who was the owner of such lot at the time the assessment became due. No owner may escape liability for any assessment through nonuse of the Common Area or Limited Common Area or through abandonment of his property. The obligation of an owner for delinquent assessments shall pass to his successors or assigns in title unless expressly excused by the Association, except that such personal obligation shall not pass to mortgagees or trustees under Deeds of Trust of such successor owner or assignee.

Section 7. Purpose of Association Assessments. The assessments levied by the Association shall be used exclusively for the purpose of promoting the beautification of SUNSET RIDGE NORTH, the recreation, health, safety and welfare of the owners in SUNSET RIDGE NORTH, the enforcement of this Master Declaration, any Supplementary Declaration, and the rules of the Association, and, in particular, the improvement and maintenance of the services and facilities of the Common Area, Limited Common Area, Landscape Easements, and Maintenance Easements. Anything contained in this Master Declaration to the contrary notwithstanding, until such time as the Class B membership shall cease and be converted to Class A membership, any costs associated with the initial construction and installation of improvements not provided by Declarant which are located in the Common Area, Limited Common Area, Landscape Easements, or Maintenance Easements shall be incurred by the Association only after such initial improvements costs are approved by the majority of the votes of Class A members present or represented by proxy at a duly constituted meeting of Class A members at which a quorum is present.

Section 8. Annual Assessments. Each owner shall pay to the Association the annual assessment pursuant to this Master Declaration. On or before December 31 of each year, the Board of Directors of the Association shall set the amount of the annual assessment applicable to each Assessment Class as hereinafter defined for the ensuing year, taking into consideration, among other things, the then

current development and/or maintenance costs to be borne by the Association, estimated increases in development and/or maintenance costs, and the future needs of the Association, which may include a reasonable contingency fund. Written notice of the Association assessment shall be provided to each owner no later than January 15 of the ensuing year. The assessment(s) as applicable to each owner shall be as follows:

(1) Assessment Class 1: All owners of single-family detached homes for which no exterior maintenance is provided by the Association are required to pay Class 1 assessments.

(2) Assessment Class 1A: All owners of lots subject to Class 1 assessments and whose lots also contain an accessory dwelling unit are required to pay Class 1A assessments in addition to Class 1 assessments.

(3) Assessment Class 2: All owners of single-family detached homes for which exterior maintenance is provided by the Association are required to pay Class 2 assessments.

(4) Assessment Class 2A: All owners of lots subject to Class 2 assessments and whose lots also contain an accessory dwelling unit are required to pay Class 2A assessments in addition to Class 2 assessments.

(5) Assessment Class 3: All owners of attached town-home lots are required to pay Class 3 assessments.

(6) Assessment Class 4. All owners of lots located outside the Market District whose use is non-residential are required to pay Class 4 assessments. Class 4 assessments do not apply to owners who operate what is defined by the applicable municipal regulations as a "Home Occupation". Those owners will pay Class 1, 1A, 2, 2A or 3 assessments only, as appropriate hereunder.

(7) Assessment Class 4A. All owners of lots subject to Class 4 assessments and whose lot also contains an accessory dwelling unit are required to pay Class 4A assessments in addition to Class 4 assessments.

(8) Assessment Class 5. All owners of lots located within the Market District are required to pay Class 5 assessments.

(9) Assessment Class 5A. All owners of lots subject to Class 5 assessments and whose lots also contain one or more accessory dwelling units are required to pay Class 5A assessments in addition to Class 5 assessments.

(10) Apartment District Assessment. The Board of Directors of the Association shall fix the amount of the assessment due from the owner of any Apartment District in accordance with the provisions of this section at the time such assessment becomes due on account of the existence or creation of an Apartment District.

Beginning with assessment year 1999 and thereafter, the maximum annual assessment shall be established by the Board of Directors and may be increased without approval of the members by an amount not to exceed fifteen percent (15%) of the maximum annual assessment allowable in the year immediately preceeding. The maximum annual assessment may be increased without limit by the affirmative vote of two-thirds (2/3) of each class of members who are voting in person or by proxy at a meeting duly called for this purpose. The Board of Directors may at any time fix the annual assessment at an amount not exceeding the maximum.

Section 9. Special Assessment. In addition to the annual assessments as authorized hereinabove, the Association may levy one or more special assessments applicable to that year only for the purpose of defraying the costs of construction or reconstruction, unexpected repair or replacement of any improvements located upon their respective Common Areas, Limited Common Areas, Landscape Easements, or Maintenance Easements, including the necessary fixtures and personal property related thereto, provided that any such special assessment shall have the assent of two-thirds (2/3) of the votes of each class of the members who are voting in person or by proxy at a meeting duly called for this purpose, with notice of said meeting having been sent to all members at least thirty (30) days in advance. Any such special assessment shall be assessed against the appropriate owners in the same manner and according to the same allocation formula as the regular annual assessments.

Section 10. Special Individual Assessments. The Association may levy special assessments against individual owners for reimbursement to the Association for repairs to the Common Areas, Limited Common Areas, Landscape Easements, or Maintenance Easements or any improvements thereto which are occasioned by the willful or negligent acts of such owner(s) and not the result of ordinary wear and tear, or

for payment of fines, penalties, or other charges imposed against an owner relative to such owner's failure to comply with the terms of this Master Declaration, any Supplementary Declaration, and/or the Association Articles of Incorporation and/or Bylaws, including without limitation, reimbursement to the Master Association for expenses incurred in connection with the enforcement of the provisions of Article VI of this Master Declaration.

Section 11. Initial Contributions. Each owner, except the owner of any Apartment District and as further limited hereinbelow, who is the initial purchaser of a lot shall contribute to the Association the sum of \$50.00 payable at the closing of such purchase, which initial contribution shall be deposited into the Association's regular operating account. The owner of any Apartment District shall, at the time of the issuance of a Certificate of Occupancy by the Town of Holly Springs for a building or buildings, pay to the Association the sum of \$5.00 for each dwelling unit contained therein as an initial contribution. Further, such initial contributions shall not be due from builder-owners who purchase a lot on which to construct a dwelling unit for sale. Initial contributions shall not be considered to be advance payment of annual assessments, special assessments, or special individual assessments. Initial contributions are not payable by second or subsequent purchasers of a given lot, it being the intention of Declarant to collect such payments one time only.

Section 12. Date of Commencement of Annual Assessments; Due Dates. The annual assessments as herein provided shall commence as to all units or lots with the year 1998 and shall continue thereafter from year to year. Annual assessments shall be due and payable on or before the 15th day of February of each and every year. Any special assessments or special individual assessments shall be payable in accordance with the Board of Director's resolution authorizing same. Each owner shall be liable for the payment of all assessments beginning with the assessment next due after the closing of the purchase of his lot. Nothing contained herein shall prohibit any contract seller from arranging with his contract purchaser for the pro-rata reimbursement of any pre-paid assessments, but Association shall not be liable to any party for such reimbursement. The Association shall, upon demand, furnish a written certificate setting forth the status of assessments applicable to a specified lot, and may make a reasonable charge for the issuance of such certificate. Such certificate shall be conclusive evidence of the status of the payment of assessments.

Section 13. Remedies for Non-Payment of Assessments. Any assessment which is not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days of the specified due date, the assessment shall bear interest from the date of delinquency at the rate of eighteen (18%) percent per annum. The Association may bring an action at law against the owner personally obligated to pay such assessment or may foreclose the lien created herein in the same manner prescribed by the laws of the State of North Carolina for foreclosure of Deeds of Trust. Costs, interest, and reasonable attorney's fees as hereinabove provided shall be added to the amount of such assessment. No owner may waive or otherwise escape liability for assessments by the nonuse of the Common Area or Limited Common Area or the abandonment of his lot. In the event of such action at law or in the event of the entrance of judgment against the owner in favor of the Association, the Association shall be further empowered to execute on such judgment in such manner and to the extent permitted by the laws of the State of North Carolina.

Section 14. 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 first mortgage Deed of Trust and to ad valorem taxes. Sale or transfer of any lot shall not affect the assessment lien; provided, however, that the sale or transfer of any lot pursuant to an order of foreclosure of a mortgage thereon, or any procedure in lieu of foreclosure, shall extinguish the lien of assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve a lot from liability or liens arising from assessments which become due thereafter.

Section 15. Exempt Property. Any portion of SUNSET RIDGE NORTH dedicated to and accepted by a local public authority shall be exempt from assessments herein created; provided, however, that no land or improvements devoted to any private use as permitted hereunder shall be exempt from assessments.

Section 16. Annual Budget. By majority vote of the Directors, the Master Association and Sub-Association Boards of Directors shall each adopt an annual budget for the subsequent operational year which shall provide for the allocation of expenses in such manner that the obligations imposed by this Master Declaration and by any and all Supplementary Declarations will be met, subject, however, to the limitations on amounts of assessments and provisions regarding the

increase in same as contained in this Master Declaration, any Supplementary Declaration, and/or the Bylaws of the Association.

Section 17. Additional Associations. Nothing contained herein shall prohibit or affect Declarant's rights to establish one or more additional associations to govern a specific section or sections of SUNSET RIDGE NORTH. For example, Declarant may elect to establish an association to oversee the Market District. In the event any separate association is established, the annual assessment appropriate to the owners of the lots within that section shall be remitted to that separate association rather than to Sunset Ridge North Association, Inc.

ARTICLE VI

EASEMENTS

Section 1. Walks, Drives, Parking Areas, Utilities, Etc. SUNSET RIDGE NORTH, including all lots, Common Areas, Limited Common Areas, Landscape Easements, and Maintenance Easements, shall be subject to such easements for driveways, walkways, parking areas, water lines, sanitary sewers, storm drainage, gas lines, telephone lines, electric power lines, television antennae lines, any other utilities, ingress, egress, regress, and otherwise, as shall be established by the Declarant or by its predecessors in title prior to the conveyance of the Common Areas and Limited Common Areas to the Association. After such conveyance, the Association shall have the power and authority to grant and establish further easements upon, over, under, and across the Common Areas and Limited Common Areas.

Section 2. Landscape Easements; Maintenance Easements. As shown on the recorded or to be recorded plats of SUNSET RIDGE NORTH, certain areas which are not Common Areas or Limited Common Areas may be designated as Landscape Easements or Maintenance Easements, including without limitation all trees, grass and other landscaping contained within the tree lawns behind the curbs, even though such tree lawns lie within the public rights-of-way of the adjacent streets. Declarant hereby reserves for itself, its successors and assigns, and then, without further assignment required, for the Association, an easement over, under, and across each of those areas so designated for the purposes of the installation, operation, maintenance, and repair of improvements located or to be located thereon, including all personal property which may be associated with such improvements, except for any such improvements or personal property for

which a public utility or other public authority shall be responsible.

Section 3. Encroachments; Declarant's Easement to Correct Drainage. All lots, Common Areas, and Limited Common Areas shall be subject to easements for the encroachment of initial improvements constructed on adjacent lots by Declarant to the extent that such initial improvements actually encroach, including but not limited to, overhanging eaves, gutters, downspouts, exterior storage rooms, bay windows, steps, and walls. If such encroachment is a result of settling or shifting of any building or of any permissible repair, construction, reconstruction, or alteration, there is hereby created a valid easement for such encroachment for the maintenance of same. For a period of twenty-five (25) years from the date of the first conveyance of a lot in any parcel, phase, or section of SUNSET RIDGE NORTH, Declarant reserves a blanket easement on, over, and under the ground within that parcel, phase, or section for the maintenance and correction of drainage or surface water in order to maintain reasonable standards of health, safety, and appearance. Such easement expressly includes the right to cut any trees, bushes, or shrubbery, make any gradings of the soil, or take any other similar action as may be reasonably necessary. After such action has been completed, Declarant shall restore the affected area to its original condition to the extent practicable. Declarant shall give reasonable notice of its intent to take such action to the affected owner. These rights, easements and reservations are assignable by the Declarant.

Section 4. Private Alleys and Limited Common Areas. Private alleys and other Limited Common Areas may be created to serve the needs of units thereon. Such private alleys and other Limited Common Areas shall be subject to an easement in favor of every lot to which they are adjacent or which they are designed to serve and shall be deemed appurtenant to each lot whereby the owner of such lot shall be entitled to use them as a means of ingress, egress, and regress and for such other uses as may have been designated.

Section 5. Easement to the Governmental Authority. An easement is hereby established for municipal, state or other public utilities serving the area, and for their agents and employees, over all Common Areas and Limited Common Areas hereby or hereafter established for setting, removing and reading utility meters, maintaining or replacing utility or drainage connections, collection of trash and recyclables, and acting with other purposes consistent with the public safety and welfare, including without limitation, police, fire, and rescue protection.

ARTICLE VIIANNEXATION OF ADDITIONAL PROPERTIES

Section 1. Annexation by Association. Except as provided in Section 2 of this Article VII, additional lands may be annexed to SUNSET RIDGE NORTH by the Association only if two-thirds (2/3) of the aggregate votes in each class of members are cast in favor of such annexation. In this particular case, the Class B member shall be entitled to only one vote for each unit or lot owned and only one vote for each full \$50,000 of assessed valuation (as defined in Article V, Section 3, of this Master Declaration) of the undeveloped acreage subject to this Master Declaration. Written notice of the meeting duly called for this purpose shall be given to all members at least thirty (30) days in advance of the meeting date. The presence at such meeting of the members or authorized proxies entitled to cast, in the aggregate, sixty (60%) percent of the votes shall constitute a quorum. If the required quorum is not met, another meeting shall be called within sixty (60) days thereafter, subject to the same rules of notice as herein-above set forth, with the required quorum at that meeting being one-half (1/2) of that required for the first meeting. If a quorum is present and a majority of votes is cast in favor of annexation, but the majority is less than the two-thirds (2/3) majority required for approval and it appears that the required two-thirds (2/3) majority would be met if the members not present or voting by proxy would assent to the annexation, the members not present or voting by proxy may assent to or dissent from the proposed annexation in writing within one hundred twenty (120) days following the meeting date. At that time, if the number of votes actually cast at the meeting in favor of annexation together with the votes deemed to have been cast by members assenting to same shall constitute the required two-thirds (2/3) majority, the annexation shall stand approved.

Section 2. Annexation by Declarant. Declarant may annex additional land to SUNSET RIDGE NORTH in the following manner:

- (a) If within twenty (20) years of the date of incorporation of the Association Declarant should develop additional land within the boundaries as shown on the Master Land Use Plan for SUNSET RIDGE NORTH as approved by the Town of Holly Springs as of the date hereof, or submitted to VA or HUD, such additional land

may be annexed to SUNSET RIDGE NORTH without the assent of the members.

- (b) If within twenty (20) years of the date of incorporation of the Association Declarant should develop from time to time an additional tract or tracts other than as described in sub-section 2(a) above but contiguous to such boundaries, such additional land may be annexed to SUNSET RIDGE NORTH without the assent of the members; provided, however, that such annexation shall be approved by the Town of Holly Springs if so required.
- (c) Declarant may annex to SUNSET RIDGE NORTH additional land as described in subsections 2(a) and 2(b) above by the recordation in Wake County Registry of a Supplementary Declaration describing the land to be annexed and incorporating the provisions of this Master Declaration. The additional land will be deemed annexed to SUNSET RIDGE NORTH as of the date of such recordation and no other action or consent by the members shall be required.
- (d) Subsequent to recordation of such Supplementary Declaration, Declarant shall deliver to the Association a deed conveying any Common Area or Limited Common Area on the annexed land to the Association, as appropriate.

ARTICLE VIII

GENERAL PROVISIONS

Section 1. Enforcement. The Association or any owner shall have the right to enforce, by any proceeding at law or in equity, including without limitation the right to impose a fine or fines against the offending owner, all restrictions, conditions, covenants, reservations, liens, and charges now or hereafter imposed by this Master Declaration. Failure by the Association or any owner to enforce any covenant or restriction herein contained shall in no way be deemed a waiver of the right to do so thereafter.

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

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

Section 3. Duration of Covenants; Amendment by Owners.
The covenants, conditions and restrictions of this Master Declaration shall run with and bind the land and shall inure to the benefit of and be enforceable by the Association or the owner of any lot subject hereto, their respective legal representatives, heirs, successors and assigns, for a term of forty (40) years from the date of recordation of this Master Declaration, after which time said covenants shall be automatically extended for successive periods of ten (10) years. This Master Declaration may be amended during the first forty (40) year period or thereafter by an instrument executed by not less than seventy-five (75%) percent of the members of the Association; provided, however, that the Board of Directors of the Association may amend this Master Declaration to correct any obvious error or inconsistency in drafting, typing or reproduction, or to make any amendment requested by VA, HUD or Federal National Mortgage Association, without action or consent of the members, and such amendment shall be certified as an official act of the Association Board of Directors and recorded in Wake County Registry.

Section 4. Declarant's Consent to Amendment. Notwithstanding anything contained hereinabove, the written consent of Declarant to any amendment or modification to this Master Declaration or to any Supplementary Declaration must be obtained for any such amendment or modification made prior to December 31, 2016.

Section 5. Amendment to Achieve Tax-Exempt Status.
Declarant, for so long as it controls the Board of Directors of the Association, and thereafter the Association Board of Directors, may amend this Master Declaration as shall be

necessary in its opinion, without the consent of any owner and with the consent of VA or HUD, to qualify the Association, or SUNSET RIDGE NORTH, or any portion thereof, for tax-exempt status. Such amendment shall become effective at the time of its recordation in the Wake County Registry.

Section 6. Certification and Recordation of Amendment. Any instrument amending this Master Declaration, other than an amendment to correct an obvious error or inconsistency in drafting, typing or reproduction, shall be delivered, following approval by the members, to the Association Board of Directors. Thereupon, the Association Board of Directors shall, within thirty (30) days of delivery, do the following:

- (a) Reasonably assure itself that the amendment has been duly approved by the members as provided in Section 3 of this Article. For this purpose, the Board may rely on its roster of members without causing any title to be searched;
- (b) Attach to the amendment a certification as to its validity which shall be executed by the Association; and,
- (c) Cause the instrument to be recorded in the Wake County Registry.

Section 7. Effect and Validity of Amendments. All amendments shall be effective from the date of recordation in the Wake County Registry. Upon such recordation and certification by the Association Board of Directors, it shall be conclusively presumed that such instrument constitutes a valid amendment as to the owners of all lots in SUNSET RIDGE NORTH.

Section 8. Exchange of Common Area or Limited Common Area. Notwithstanding any provision contained herein to the contrary, it is expressly provided that the Association may convey to Declarant, as well as to any other member, for fair market value, any portion of the Common Area or Limited Common Area previously conveyed to the Association as provided in the Articles of Incorporation of the Association. If required, any such conveyance shall be subject to the prior approval of VA or HUD. Upon such conveyance, the area conveyed shall cease to be subject to the provisions of this Master Declaration as it relates to Common Area and Limited Common. Any area so purchased by the Association pursuant to these terms shall become Common Area or Limited Common Area, as appropriate, and shall be subject to the provisions of this Master Declaration as it relates to

Common Area and Limited Common Area. The following hypothetical situation is by way of illustration only and not of limitation: Due to a surveying error, an area of undesirable drainage is designated as a dwelling unit lot. Pursuant to these terms, Declarant may convey to the Association said lot which will then become Common Area.

Section 9. Insurance Proceeds. The Association shall use the proceeds realized from any casualty insurance recovery to replace and/or repair the damage or destruction of any property, real or personal, which is covered by such insurance. Any balance remaining from those proceeds after satisfactory restoration of the affected property shall be retained by the Association as a part of its general operating funds to be used for the purposes as delineated in this Master Declaration and any Supplementary Declaration. If such insurance proceeds should be insufficient to repair or replace any casualty loss or damage to covered property, the Association may levy a special assessment as hereinabove provided to cover the deficiency.

Section 10. Protective Covenants for Multi-Unit Dwellings and Other Permitted Uses. Nothing contained herein shall affect Declarant's right to establish, from time to time, appropriate specific additional covenants for the development and use of lots for attached or detached units or for any other permitted use within SUNSET RIDGE NORTH.

Section 11. Conflicts. In the event of any irreconcilable conflict between this Master Declaration and the Bylaws of the Association, the provisions of this Master Declaration shall control. In the event of an irreconcilable conflict between this Master Declaration or the Bylaws of the Association and the Articles of Incorporation of same, the provisions of the Articles of Incorporation shall control.

Section 12. Severability. Invalidity of any one of the provisions of this Master Declaration by judgment or court order shall in no way affect any other provisions of this Master Declaration, which shall remain in full force and effect.

ARTICLE IX

DISSOLUTION OR INSOLVENCY OF THE ASSOCIATION

The Association may be dissolved with the assent given in writing and executed by not less than two-thirds (2/3) of

each class of its members. Upon dissolution other than incident to a merger or consolidation, the assets of the Association shall be dedicated to an appropriate public agency to be used for purposes similar to those intended by the Association. If such dedication is refused, the assets shall be granted, conveyed and assigned to any non-profit corporation, association, or trust or any other organization devoted to similar purposes.

IN WITNESS WHEREOF, Declarant has caused this instrument to be executed and its seal affixed hereto, the day and year first above written.

SUNSET FOREST, LLC

(SEAL)

by: _____

Manager

NORTH CAROLINA, WAKE COUNTY

I, S. Elaine Hudspeth, Notary Public, do hereby certify that D.B. BRYAN, JR., MANAGER OF SUNSET FOREST, LLC, personally appeared before me this day and acknowledged the execution of the foregoing instrument. Witness my hand and official seal, this the 21 day of January, 1997.

OFFICIAL SEAL
North Carolina Wake County
S. ELAINE HUDSPETH
Notary Public

My Commission Expires November 3, 2001

Notary Public

My commission expires: 11-3-01

NORTH CAROLINA — WAKE COUNTY

The foregoing certificate of S. Elaine Hudspeth

Notary(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 _____

Deputy Register of Deeds