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DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR THE
SOMERSET FARM HOMEOWNERS ASSOCIATION, INC.

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This DECLARATION, made on the day hereinafter set forth by **South Atlantic Residential Properties, L.L.C.**, a North Carolina Limited Liability Company (hereinafter referred to as "Declarant"):

W I T N E S S E T H

WHEREAS, Declarant is the owner of that 82.908 acre tract of land located in Holly Springs Township, Wake County, North Carolina, and more particularly identified and described in the deed recorded in Book 6351, page 122, Wake County Registry;

WHEREAS, Declarant desires to create on such property an exclusive residential community of single-family homes to be known as Somerset Farm (hereinafter referred to as "Somerset Farm" or as the "Subdivision");

WHEREAS, Declarant has deemed it advisable to create an organization to own, maintain and administer the Common Area, to administer and enforce covenants and restrictions exclusively applicable to the Subdivision, and to collect and disburse the assessments and charges hereinafter created, and Declarant has therefor incorporated under North Carolina law as a non-profit corporation, **Somerset Farm Homeowners Association, Inc.**, for the purpose of exercising aforesaid functions;

NOW, THEREFORE, Declarant declares that the real property described in Section 1 of Article II of this Declaration and such additions thereto as may hereafter be made pursuant to Article II hereof, is and shall be owned, held, transferred, sold, conveyed, and occupied subject to the covenants, conditions, restrictions, easements, charges and liens set forth in this Declaration, which shall run with the real property and be binding on all parties owning any right, title or interest in said real property or any part thereof, their heirs, personal representatives, successors and assigns, and shall inure to the benefit of each owner thereof.

Article I

DEFINITIONS

Section 1. "Association" shall mean and referred to the **Somerset Farm Homeowners Association, Inc.**, North Carolina non-profit corporation, its successors and assigns.

Section 2. "Properties" shall mean and refer to the "Existing Property" described in Article II of this Declaration and any additional property annexed pursuant to Section 2 of Article II of this Declaration.

Section 3. "Lot" shall mean and refer to any plot of land, with delineated boundary lines, shown on any subdivision map of the Properties recorded in the office of the Register of Deeds for Wake County, with the exception of any Common Area owned in fee by the Association and any street rights-of-way shown on such recorded map. In the event that any Lot is increased or decreased in size by recombination or re-subdivision through recordation of new subdivision plats, any newly platted Lot shall thereafter constitute a Lot.

Section 4. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, a fee simple title to any Lot which is a part of the Properties, including contract sellers and owners of an equity of redemption, but excluding those having an interest in a Lot solely as security for the performance of an obligation.

Section 5. "Common Area" shall mean and refer to the real property, together with any improvements thereon, owned by the Association, whether in fee, by easement or otherwise, for the common use and benefit of the Owners of Lots within the Properties. The Common Area shall be maintained by the Association or its successors in interest unless dedicated to public use as set forth herein.

Section 6. "Declarant" shall mean and refer to **South Atlantic Residential Properties, L.L.C.**, A North Carolina Limited Liability Company. It shall also mean and refer to any person, firm or corporation to whom or which South Atlantic Residential Properties, L.L.C., shall assign or delegate the rights and obligations of the Declarant by an assignment of the Declarant's rights recorded in the Wake County Registry.

Section 7. "Member" shall mean and referred to every person or entity who holds membership in the Association.

Article II

PROPERTY SUBJECT TO THIS DECLARATION AND WITHIN THE JURISDICTION OF THE SOMERSET FARM HOMEOWNERS ASSOCIATION, INC.

Section 1. Existing Property. The real property which is and shall be held, transferred, sold, conveyed, and occupied subject to this Declaration, and which is within the jurisdiction of the Association, is described on Exhibit A attached hereto.

Section 2. Additions to Existing Property. At any time prior to December 31, 2002, additional lands within the property described in Exhibit B to this Declaration may be annexed by the Declaration without the consent of the members and therefore become subject to this Declaration by the recording by Declarant of a plat showing such property to be annexed and of a supplementary Declaration extending the operation and effect of this Declaration to the property to be annexed, provided however, that (if required) the Federal Housing Administration and/or Veterans Administration determines that the annexation is in accordance with the general plan heretofore approved by them, and provided further that such annexation shall be approved by the Town of Holly Springs. Any or all of the Exhibit B property may be annexed and subjected to this Declaration as one parcel or as several parcels at different times. The addition of such property pursuant to this section may increase the cumulative number of Lots within the Properties and, therefore, may alter the relative maximum voting strength of the various types of Members of the Association.

Article III

MEMBERSHIP AND VOTING RIGHTS

Section 1. Membership. Every owner of a Lot which is subject to assessment by the Association shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment.

Section 2. Voting Rights. The voting rights of the membership shall be appurtenant to the ownership of the Lots. There shall be two classes of Lots with respect to voting rights:

(a) Class A Lots. Class A Lots shall be all Lots except Class B Lots as hereinafter defined. Ownership of a Class A Lot shall entitle the owner(s) of such Lot to (1) one vote. When more than one person owns an interest (other than a leasehold or security interest) in any Lot, all such persons shall be Members and the voting rights appurtenant to their Lot shall be exercised as they, among themselves, determine; but fractional voting shall not be allowed, and in no event shall more than one vote be cast for each Lot.

(b) Class B Lots. Class B Lot shall be all Lots owned by Declarant which have not been converted to Class A Lot as provided in subparagraphs (1) or (2) below. Declarant shall be entitled to three (3) votes for each Class B Lot.

The Class B Lots shall cease to exist and shall be converted to Class A Lots upon the earlier of the following to occur:

(1) When the total number of votes appurtenant to the Class A Lot equals the total number of votes appurtenant to the Class B Lots; provided, however, that all Lots owned by Declarant shall revert to Class B Lots and thereby be reinstated with all rights, privileges, and responsibilities of such class if, after the conversion of Class B Lots to Class A Lots, additional Lots within the Properties are formed by the recording in the Wake County Registry of a new map of Lot as set forth in Article II of this Declaration, thus making Declarant the owner, by virtue of the newly-recorded Lots and of other Lots owned by Declarant, of a sufficient number of Class B Lots to cast a majority of votes (it being hereby stipulated that the conversion and reconversion shall occur automatically as often as the foregoing fact shall occur); or

(2) On December 31, 2002.

When the Class B Lots cease to exist and are converted to Class A Lots, Declarant shall have the same voting rights as other owners of Class A Lots; however, such Lots shall continue to be treated as Class B Lots for assessment purposes.

Section 3. Vacant/Leased Residences. If the Owners of any Lot seems to occupy the dwelling constructed thereon as their own personal living quarters or if any dwelling is leased for rental purposes to tenants, the vote as expressed by the Owners of all such vacant and rental units, if voted in a block, shall not be entitled to any weight greater than forty-nine (49%) percent on any matter pending before the Association.

Article IV

PROPERTY RIGHTS

Section 1. Owners' Easements of Enjoyment and Access. Except as limited by Section 2 of this Article IV, every Owner shall have a right and easement of enjoyment in and access to, from, and over the Common Area, which right and easement shall be appurtenant to and shall pass with title to every Lot, subject to:

(a) The right of the Association to charge a reasonable admission and other fees for the use of any facilities situated or constructed on the Common Area and to limit the use of such facilities to Owners who occupy a residence on the Properties and to their families, tenants and guests, as provided in Section 2 of this Article IV;

(b) The right of the Association to suspend the voting rights of an Owner for any period during which any assessment against his Lot remains unpaid, or for a period not to exceed sixty (60) days for any infraction of the published rules and regulations of the Association.

(C) The right of the Association to dedicate or transfer all or any part of the Common Area to any public agency, authority, or utility for such a purpose and subject to such conditions as may be agreed upon by the Members. No such dedication or transfer shall be effective unless the Members entitled to at least three-fourths (3/4) of the votes appurtenant to Class A and Class B Lots agree to such dedication for transfer and signify their agreement by a signed and recorded document, provided that this subsection shall not preclude the Board of Directors of the Association for granting easements for the installation and maintenance of sewage, utility (including CATV), and drainage facilities upon, over, under and across the Common Area without the assent of the Members when such easements, in the opinion of the Board, are necessary for the convenient use and enjoyment of the Properties. Notwithstanding anything herein to the contrary, the Common Area shall be preserved to the perpetual benefit of the Owners or of the public in general and shall not be conveyed except to the Town of Holly Springs or other appropriate governmental entity, or to another nonprofit corporation organized for similar purposes;

(D) the right of the Association, with the assent of Members entitled to at least two-thirds (2/3) of the votes appurtenant to the Class A and Class B Lots, to mortgage, pledge, deed in trust, or otherwise hypothecate any or all of its real or personal property as security for money borrowed or debts incurred, subject to the property rights of the Owners as set forth herein.

Section 2. Delegation of Use.

(a) Family. The right and easement of enjoyment and access granted to every Owner by Section 1 of this Article may be exercised by members of the Owner's family who occupy the residence of the Owner within the Properties as their principal residence in Wake County, North Carolina.

(b) Tenants. The right and easement of enjoyment and access granted to every Owner by Section 1 of this Article may be delegated by such Owner to his tenants or contract purchasers who occupy a residence within the Properties, or a portion of said residence, as their principal residence in Wake County, North Carolina.

(c) Guests. The right and easement of enjoyment and access granted to every Owner by Section 1 of this Article may be delegated to guests of such Owners, tenants or contract purchasers, subject to such rules and regulations as may be established by the Board of Directors.

Section 3. Conveyance of Title To The Association. Declarant covenants, for itself, its successors and assigns, that it will convey fee simple title to the Common Area within each phase or section of Somerset Farm to the Association prior to the conveyance of the first Lot within such phase or section to an Owner. Declarant reserves an easement over and across the Common Area so long as it owns any Lots within the Properties for the purpose of constructing any improvements on the Common Area as it deems necessary or advisable. Except as otherwise stated herein, all conveyances by Declarant to the Association shall be free and clear of all encumbrances and liens, except utility and drainage easements of record or shown on the recorded plats of the subdivision. Any improvements placed on the Common Area by Declarant shall become the property of the Association upon completion of such improvements.

Section 4. Easements for Governmental Access. An easement is hereby established over the Common Area and any Lot for benefit of the applicable governmental agencies for setting, removing and reading water meters, maintaining and replacing water, sewer and storm water drainage facilities, firefighting, law-enforcement, garbage collection and the delivery of mail.

Section 5. Regulation and Maintenance of Common Area. It is the intent of the Declarant that the Common Area be preserved to the perpetual benefit of the Owners within Somerset Farm. To that end, Declarant will, prior to the conveyance of the first Lot to an Owner, reserve on a recorded plat or grant to the Association an easement over and across that portion of any Lot on which a Common Area easement lies. It is the intent of the Declarant that the easement area shall be maintained in the same state as when the Lot upon which such easement lies was conveyed to the Owner.

(a) Rights and Responsibilities of the Lot Owners. Each owner of the Lot upon which Common Area lies shall pay all property taxes and other assessments levied against his Lot, including that portion of such tax or assessment as is attributable to such Common Area. Notwithstanding any other provision of this Declaration, no Owner or other person shall, without the prior written consent of the Association: (1) remove any trees or vegetation within the Common Area; (2) erect gates, fences, or other structures on the Common Area; (3) place any garbage receptacles on or in the Common Area; (4) fill or excavate the Common Area or any part thereof; or (5) plant vegetation or otherwise restrict or interfere with the used, maintenance, and preservation of the Common Area.

(b) Rights and Responsibilities of the Association. The Association shall have the right and obligation to ensure that the Common Area is preserved to the perpetual benefit of the Owners within the subdivision and, to that end, shall: (1) maintain the Common Area in its natural or improved state and keep it free of impediments to its free use by the Owners within Somerset Farm; and (2) procure and maintain adequate liability insurance covering the Association and its Members against any loss or damage suffered by any person, including the Owner of the Lot upon which Common Area lies, resulting from use of the Common Area.

Article V

COVENANT FOR MAINTENANCE ASSESSMENT

Section 1. Creation of the Lien and Personal Obligation of Assessments. Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner of any Lot, by acceptance of the deed therefore, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association annual assessments and special assessments, such assessments to be established and collected as hereinafter provided. Any such assessment which is unpaid when due, together interest and late charges set forth in Section 8 of this Article V and all costs of collection, including reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the Lot against which such assessment is made. Each such assessment or charge, together with interest and costs of collection, including reasonable attorney's fees, shall also be the personal obligation of the person(s), firm(s) or corporation(s) owning such Lot at the time when the assessment fell due, but such personal obligation shall not be imposed upon such Owner's successors in title unless expressly assumed by them. Although unpaid assessments and charges are not the personal obligation of such Owner's successors in title unless expressly assumed by them, the unpaid assessments and charges shall continue to be a lien upon the Lot against which the assessment was made.

Section 2. Purposes of Assessments. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety, and welfare of the residents of the Properties and, in particular, for: (i) acquisition, improvement and maintenance of the Common Area and for Properties, services and facilities related to the use and enjoyment of the Common Area; (ii) repair and reconstruction of improvements on the Common Area, including but not limited to, the cost of repair, replacement and additions thereto, the cost of labor, equipment, materials, management and supervision thereof, (iii) payment of taxes and public assessments levied against the Common Area; (iv) procurement and maintenance for insurance in accordance with the By-Laws of the Association; (v) employment of attorneys to represent the Association when necessary; (vi) payment of principal and interest on funds borrowed for Association purposes; and (vii) such other needs as may arise.

Section 3. Maximum Annual Assessment. Until January 1, 1996, the Maximum Annual Assessment shall be \$300.00 per Class A Lot (\$25.00 per month) and \$75.00 per Class B Lot (\$6.25 per month).

(a) From and after January 1, 1996, the Maximum Annual Assessment may be increased by the Board of Directors effective January 1 of each year, without a vote of the membership, but subject to the limitations that the percentage of any such increase shall not exceed 10% of the Maximum Annual Assessment for the previous year unless such increase is approved by the Members as provided in subparagraph (b), below.

(b) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the Maximum Annual Assessment may be increased above the 10% annual limit if such increase is approved at a meeting duly called for that purpose by the affirmative vote of not less than two-thirds (2/3) of the votes cast at such meeting, in person or by proxy, appurtenant to each Class of Lots, i.e., such action must be approved by two-thirds (2/3) of the Class A Members who vote at such meeting and by the Class B Member (if there is, at that time, Class B membership).

(c) The Board of Directors may fix the annual assessment at any amount not in excess of the Maximum Annual Assessment; provided, however, that the assessment established for each Class B Lot shall always be one-fourth (1/4) of the assessment for a Class A Lot and further provided that no Lot shall be assessed as a Class A Lot until the dwelling constructed thereon is occupied as a residence pursuant to a certificate of occupancy issued by the appropriate governmental agency (thus any Lot containing a dwelling used as a model or sale center and not as a resident shall be assessed as a Class B Lot).

(d) If a dwelling constructed on a Class B Lot is rented by Declarant to any other persons for use as a residence, such Lot shall be treated as a Class A Lot for assessment purposes for the period during which the dwelling is so rented. Such Lot shall remain a Class B Lot for all other purposes.

(e) Any annual assessment established by the Board of Directors shall continue thereafter from year to year as the annual assessment until changed by the board.

Section 4. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, special assessment(s) for the purpose of defraying, in whole or in part, the cost of any construction, repair, or replacement of capital improvement upon property owned by the Association, including fixtures and personal property related thereto, or for repayment of indebtedness and interest thereon, provided that any such assessment shall have the same assent of the Members as provided in Section 3(b) of this Article and shall be in the ratios provided in section 3(c) of this Article.

Section 5. Assessment Rate; Collection Period. The annual and special assessments shall be fixed at a uniform rate for all Lots with in each Class and may be collected on a yearly, quarterly or monthly basis, as determined by the Board of Directors.

Section 6. Notice and Quorum for any Action Authorized Under Sections 3 and 4. Written notice of any meeting called for the purpose of taking any action authorized under Section 3 or 4 shall be sent to all Members not less than thirty (30) days nor more than sixty (60) days prior to the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast sixty (60%) percent of all the votes appurtenant to each Class of Lots shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice or requirement, and if the same is called for a date no later than sixty (60) days after the date of the first meeting, the required quorum at the subsequent meeting shall be one half (1/2) of the required quorum at the preceding meeting.

Section 7. Date of Commencement of Annual Assessments; Amount of Initial and Subsequent Annual Assessments; Certificate of Payment. The annual assessments provided for herein shall commence as to all Lots in any phase on the first day of the month following the recording in the Wake County Registry of a plat of that phase. Unless a lower amount is set by the Board of Directors, the initial annual assessment shall be the "Maximum Annual Assessment" set forth in Section 3 of this Article and shall be prorated according to the number of months remaining in the calendar year.

At least thirty (30) days before January 1 of each year, the Board of Directors shall fix the amount of the annual assessment against each Lot. At least fifteen (15) days before January 1 of each year, the Board of Directors shall send written notice of such assessment to every owner subject thereto. The due dates for the payment of annual and special assessments shall be established by the Board of Directors.

The Association shall, upon demand, and for such a reasonable charge as the Board of Directors may determine, furnish a certificate signed by an officer of the Association setting forth whether the assessment on a specified Lot has been paid. If such certificate states that an assessment has been paid, such certificate shall be conclusive evidence of payment.

Section 8. Effect of Nonpayment of Assessments; Remedies. Any assessment not paid within ten (10) days after the due date shall incur a late charge in the amount of \$10.00 or such other amount as the Board of Directors may from time to time established, and, if not paid within thirty (30) days after the due date, shall also bear interest from the due date at the rate of twelve percent (12%) per annum or the highest rate allowed by law, whichever is less. The Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property. Interest, late payment charges, cost and reasonable attorney's fees of such action or foreclosure shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provide for herein by nonuse of the Common Area or by abandonment of his Lot.

Section 9. Subordination of the Lien to Mortgages. The liens provided for herein shall be subordinate to the lien of any first mortgage or first deed of trust on a Lot. Sale or transfer of any Lot shall not affect any assessment lien. However, the sale or transfer of a block pursuant to a foreclosure of a mortgage or deed of trust, or any proceeding in lieu of foreclosure thereof, shall extinguish the lien of such assessments as to any amounts which became due prior to such sale or transfer. No such sale or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof, but the liens provided for herein shall continue to be subordinate to the lien of any first mortgage or deed of trust.

Section 10. Exempt Property. All property dedicated to and accepted by a public authority and all property owned by a charitable or nonprofit organization exempt from taxation by the laws of the state of North Carolina shall be exempt from the assessments created herein. Notwithstanding the foregoing, no land or improvements devoted to dwelling use shall be exempt from assessment.

Section 11. Working Capital Fund. At the time of closing of the initial and each subsequent sale of the dwelling constructed on each Lot, a sum equal to two (2) months assessment for Class A Lots (based on the annual assessment in effect at the time of such sale) shall be collected from the purchaser of such dwelling and transferred to the Association as part of its working capital. The purpose of the working capital fund is to ensure that the Association will have adequate cash available to meet unforeseen expenditures or to acquire additional equipment or services deemed by the Board of Directors to be necessary or desirable. Amounts paid to pursuant to this Section shall not be considered as an advance payment of any regular assessment.

Article VI

RIGHTS OF LENDERS

Section 1. Books and Records. Any Owner or holder of the first deed of trust on any Lot, or its agent or agents, shall have the right, during normal business hours, to examine copies of this Declaration, the Articles of Incorporation, By-Laws, books and records of the Association and, upon written request to the Association, to receive a copy of the financial statement for the immediately preceding fiscal year.

Section 2. Notice to Lenders. Upon written request to the Association, the Owner or holder of a first deed of trust on any Lot shall be entitled to timely written notice of:

(a) Any 60-day delinquency in the payment of assessments or charges owned by the Owner of the Lot securing its loan.

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

(c) Any proposed action that requires the consent of a specified percentage of Owners or holders of first mortgages on the Lots.

Section 3. Approval of Owners and Holders of First Deeds of Trust. Unless at least seventy-five percent (75%) of the Owners and holders of the first deeds of trust on Lots located within the Properties have given their prior written approval, the Association shall not:

(a) By act or omission seek to abandon, partition, subdivide, encumber, sell, or transfer any real estate or improvements thereon which are owned, directly or indirectly, by the Association. The granting of easements for utilities or other purposes shall not be deemed a transfer within the meaning of this subsection. Notwithstanding anything herein to the contrary, the property owned by the Association, whether in fee, by easement, or otherwise, shall be preserved to the perpetual benefit of the Owners or of the public in general and shall not be conveyed except to the Town of Holly Springs or other appropriate governmental entity, or to another nonprofit corporation organized for similar purposes.

(b) Change the method of determining the obligations, assessments, dues or other charges which may be levied against a Lot;

(c) Fail to maintain hazard insurance on insurable improvements on the Common Area on a current replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value; or

(d) Use the proceeds of any hazard insurance policy covering the losses to any part of the Common Area for other than the repair, replacement, or reconstruction of the damaged improvements.

Section 4. Payment of Taxes and Insurance Premiums. The Owners or holders of first deeds of trust on Lots, jointly or singly, may pay taxes or other charges which are in default and which have or may become a charge or lien against any of the Common Area and may pay the overdue premiums on hazard insurance policies or secure new hazard insurance coverage upon the lapse of a policy covering property owned by the Association. The persons, firms or corporations making such payments shall be owed immediately reimbursement therefor by the Association.

Article VII

EASEMENTS

Section 1. Access and Utility Easements. Easements for the installation and maintenance of driveway, walkway, waterline, gas line, telephone, Cable television, electric power transmission lines, sanitary sewer and storm water drain facilities and for other public utility installations are reserved as shown on the recorded plat of the Properties. The Association may reserve and grant easements over the Common Area as provided an Article IV, Section 1(c) of this Declaration. Within any such easement herein provided, no structure, planting or other material shall be placed or permitted to remain which may interfere with the installation or maintenance of the utilities installed thereon, or which may change the direction of flow or drainage of water through drainage pipes or channels constructed in such easements.

For a period of ten (10) years from the date hereof, Declarant reserves an easement and right of ingress, egress and regress on, over and under the Properties to maintain and correct drainage or surface water runoff in order to maintain reasonable standards of health, safety and appearance. Such right expressly includes the right to cut any trees, bushes or shrubbery, make any grading of the soil, or take any other similar action that it deems reasonably necessary or appropriate. After such action has been completed, Declarant shall grade and seed the affected property and restore the affected property to its original condition to the extent practicable, but shall not be required to replace any trees, bushes or shrubbery necessarily removed. Declarant shall give reasonable notice of intent to take such action to all affected Owners.

Section 2. Easements for Governmental Access. An easement is hereby established over the Common Area and every Lot within the Properties for the benefit of applicable governmental agencies for setting, removing and reading water meters; maintaining and replacing water, sewer and drainage facilities; and acting for other purposes consistent with public safety and welfare, including, without limitation, law-enforcement, fire protection, garbage collection, and the delivery of mail.

Section 3. Easement and Right of Entry for Repair, Maintenance and Reconstruction. If any dwelling is located closer than five (5) feet from its Lot line the Owner thereof shall have a perpetual access easement over the adjoining Lot to the extent reasonably necessary to perform repair, maintenance or reconstruction of such dwelling. Such work shall be done expeditiously and, upon completion of the work, the Owner shall restore the adjoining Lot to as nearly the same condition as that which prevailed prior to the commencement of the work as is reasonably practicable.

Article VIII

ARCHITECTURAL CONTROL

After a house constructed on a Lot within the Properties is occupied as a residence pursuant to a certificate of occupancy issued by the appropriate governmental entity, no building, fence, wall or other structure shall be commenced, erected or maintained upon such Lot, or shall any exterior addition to or change or alteration therein be made, nor shall a building permit for such improvement or change be made, nor shall any major landscaping or re-landscaping of any Lot be commenced or made (such construction, alteration and landscaping are hereinafter referred to as the "Improvements") until plans and specifications showing the nature, kind, shape, height, materials, color and location of same shall have been submitted to and approved in writing by the Board of Directors of the Association or by an Architectural Committee composed of three (3) or more persons appointed by the Board. If the Association or designated committee fails to approve or disapprove of such proposed improvements within thirty (30) days after the plans and specifications have been received by it, approval will not be required, and this Article shall be deemed to have been complied with. The Association shall have the right to charge a reasonable fee, not to exceed \$75.00, for receiving and processing each application. The Association shall not approve any improvements which it determines, in its discretion, not to be in harmony of external design, construction and or location in relation to the surrounding structures, topography or the general plan of development of the subdivision. Nothing herein shall be construed to permit interference with the development of the Lots by Declarant in accordance with its general plan of development.

Prior to occupancy of the house on a Lot as a residence pursuant to a certificate of occupancy issued by the appropriate governmental entity, Declarant shall have and exercise the review and approval

authority set forth in this Article VIII as to such Lot. Any use of the terms "Association" or "Architectural Committee" in this Article VIII shall, when appropriate, be deemed to mean and apply to the Declarant. Declarant may, at any time and its discretion, assign the review and approval authority reserved to the client by this paragraph to the Board of Directors of the Association. Such assignment shall be effected by recording in the Wake County Registry an Assignment of Declarant's Rights.

Declarant shall have the right to promulgate and from time to time amend written architectural standards and construction specifications (hereinafter the "Architectural Guidelines") which may establish, define and expressly limit the standards and specifications which will be approved, including, but not limited to, architectural style, exterior color or finish, roofing material, siding material, driveway material, landscape design and construction technique. After Declarant no longer has the right to exercise the review and approval authority set forth in this Article VIII, i.e., after all Lots within the Properties have been occupied as residences pursuant to a certificate of occupancy issued by the appropriate governmental entity or after Declarant has assigned its rights as set forth herein, whichever is earlier, the Board of Directors of the Association shall have and exercise the rights set forth in this paragraph.

Article IX

GENERAL PROVISIONS

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

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

Section 3. Amendment. The covenants and restrictions of this Declaration shall run and bind the land, for a term of twenty-five (25) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years unless terminated or altered by a vote of the owners as set forth below. This Declaration may be amended during the first twenty-five (25) year period by an instrument signed by the Owners of not less than seventy-five percent (75%) of the Lots, and thereafter by an instrument signed by the Owners of not less than two thirds (2/3) of the Lots. No amendment shall be effective unless it has been approved, if required, by the Town of Holly Springs and, if required by Section 4 of this Article IX, by the Federal Housing Administration or Veterans Administration, and is recorded in the office of the Register of Deeds of Wake County.

Section 4. FHA/VA Approval. In the event that Declarant has arranged for and provided a purchasers of Lots with FHA or VA insured mortgage loans, then as long as any Class B Lot exists, as provided in Article III hereof, the following actions will require the prior approval of the Federal Housing Administration or the Veterans Administration; annexation of additional properties, mortgaging of real property owned by the Association, deeding of such real property to persons other than the Association, and amendment of this Declaration.

Section 5. Non-Liability of Governmental Entities. No governmental entity shall be responsible for failing to provide any emergency or regular fire, police, or other public service to the Properties, any Lot, or any Owner or occupant thereof when such failure is due to lack of access to the Properties or any Lot thereof due to inadequate design or construction of such access, blocking of access routes, or any other factor within the control of the Declarant, The Association, an Owner, or an occupant of any Lot.

Section 6. Gender. Any use of the masculine gender in this Declaration shall be construed to include the feminine gender. Any use of the singular shall be construed, as appropriate, to include the plural.

IN WITNESS WHEREOF, Declarant has caused this instrument to be executed on this the 1 day of August 1995.

SOUTH ATLANTIC RESIDENTIAL PROPERTIES, L.L.C. (Seal)

By: Steve M. Simpson (SEAL)
Steve M. Simpson
Manager

STATE OF NORTH CAROLINA - WAKE COUNTY

I, CATHERINE T. SIX, a Notary Public for Wake County, North Carolina, certify that STEVE M. SIMPSON, Manager of SOUTH ATLANTIC RESIDENTIAL PROPERTIES, L.L.C., a North Carolina Limited Liability Company, personally appeared before me this day and acknowledged the due execution of the foregoing instrument on and behalf of said Company.

Witness my hand and official stamp or seal, this the 1 day of August 1995.



Catherine T. Six
Notary Public
My commission expires: 3-11-96

NORTH CAROLINA — WAKE COUNTY

The foregoing certificate of _____
Catherine T. Six

Notary Public is

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

KENNETH C. WILKINS, Register of Deeds

By: Meta N. Harris
Asst. Deputy Register of Deeds

EXHIBIT A

Lying and being in Holly Springs Township, Wake County, North Carolina, and being more particularly described as follows:

Tract 1: Somerset Farm, Phase 1

BEING all of Lots 1-17, 43-65 and 189-194 in SOMERSET FARM, Phase 1, as shown on a plat thereof recorded in **Book of Maps 1995, Page 1052**, Wake County Registry, to which plat reference is hereby made for a more particular description of same.

Tract 2: Somerset Farm Recreation Area

BEING all of the property, containing 4.615 acres, more or less, shown and identified as "PRIVATE RECREATION AREA, 4.615 ACRES" on that certain plat entitled "Final Plat, SOMERSET FARM RECREATION AREA", recorded in **Book of Maps 1995, Page 1053**, Wake County Registry, to which plat reference is hereby made for a more particular description of same.

EXHIBIT B

All of the following described real property located in Holly Springs Township, Wake County, North Carolina:

Commencing at a Point of Beginning marked by a PK Nail in the center line of North Carolina Highway 55, a 60 foot public right-of-way, said Point of Beginning being South 31° 36' 21" East 1103.20 feet from North Carolina Grid Monument "Pond" N-687208.69 and E-2050089.00 and running thence along southeastern boundary line of the lands owned, now or formerly, by William V. Mangum and Frank L. Arnold, North 69° 10' 15" East 46.53 feet to an iron pipe; thence North 69° 10' 15" East 399.64 feet to an iron pipe; thence North 80° 50' 00" East 229.83 feet to an iron pipe; thence North 58° 17' 08" East 478.01 feet to an iron pipe; and thence North 56° 52' 25" East 268.98 feet to an iron pipe; thence leaving the southeastern boundary line of said lands of Mangum and Arnold, and running along the southeastern boundary line of the lands owned, now or formerly, by R. A. Collins, South 57° 09' 07" East 200.96 feet to an iron pipe; and thence South 50° 45' 50" East 119.70 feet to an iron pipe; running thence along the center line run of Poley Branch the following courses and distances: North 86° 01' 58" East 260.47 feet to an iron pipe; South 00° 09' 48" West 60.43 feet to an iron pipe; North 68° 18' 31" East 129.43 feet to an iron pipe; South 72° 35' 41" East 308.56 feet to an iron pipe; North 19° 18' 18" East 29.94 feet to an iron pipe; and South 73° 56' 44" East 147.38 feet to an iron pipe; thence leaving the center line run of Poley Branch and running South 09° 07' 35" West 85.87 feet to an iron pipe; thence North 83° 00' 52" East 137.79 feet to an iron pipe; thence South 31° 32' 50" East 47.05 feet to an iron pipe; thence North 65° 41' 37" East 136.28 feet to an iron pipe; thence South 58° 17' 40" East 121.72 feet to an iron pipe; thence South 02° 01' 25" West 572.07 feet to an iron pipe; thence following along the western boundary line of the lands owned, now or formerly, by Vannie Utley, South 01° 59' 46" West 529.19 feet to an iron pipe; thence along the western boundary line of the lands owned, now or formerly, by Jewel Adams Parker, South 02° 00' 35" West 305.47 feet to an iron pipe; and South 02° 00' 08" West 155.03 feet to an iron pipe; runs thence along the northern boundary line of the lands owned, now or formerly, by Linwood Clark, North 87° 38' 16" West 641.01 feet to an iron pipe; and North 87° 38' 32" West 109.02 feet to an iron pipe; thence leaving said northern boundary line and running North 55° 25' 19" East 44.86 feet to an iron pipe; thence North 49° 20' 05" East 42.89 feet to an iron pipe; thence North 45° 36' 02" West 120.02 feet to an iron pipe; thence North 61° 01' 20" West 181.71 feet to an iron pipe; thence North 85° 38' 43" West 255.41 feet to an iron pipe; thence North 57° 38' 30" West 160.61 feet to an iron pipe; thence North 24° 50' 47" West 71.78 feet to an iron pipe; thence South 82° 49' 45" West 113.34 feet to an iron pipe; thence North 55° 16' 16" West 28.53 feet to an iron pipe; thence South 02° 37' 31" West 138.43 feet to an iron pipe; thence South 83° 16' 56" West 245.21 feet to an iron pipe; thence North 81° 42' 33" West 212.45 feet to an iron pipe on the eastern right-of-way line of North Carolina Highway 55; thence North 81° 52' 33" West 40 feet to an iron pipe in the center line of said North Carolina Highway 55; thence running along the center line of North Carolina Highway 55 the following courses and distances: North 35° 05' 14" West 292.42 feet to a PK Nail; thence North 35° 24' 58" West 181.39 feet to a PK Nail; thence North 34° 49' 43" West 99.94 feet to a PK Nail; thence North 33° 48' 47" West 99.88 feet to a PK Nail; thence North 32° 46' 41" West 99.96 feet to a PK Nail; thence North 31° 45' 46" West 99.90 feet to a PK Nail; and thence North 30° 55' 28" West 404.66 feet to a PK Nail marking the Point of Beginning; said premises containing in all 82.908 acres, of which .894 acres is in the right-of-way of North Carolina Highway 55; all as shown on that unrecorded survey map entitled "Survey for South Atlantic Residential Properties, L.L.C., prepared by Bass, Nixon & Kennedy, Inc. and dated August 25, 1994, revised September 9, 1994.

BEING the same property acquired by South Atlantic Residential Properties, L.L.C., by deed recorded Book 6351, Page 122, Wake County Registry.