

RESERVATIONS AND RESTRICTIONS

KNOW ALL MEN BY THESE PRESENTS, that Carolina Lakes Corporation, Box 2250, Sanford, North Carolina, the owner/developer of Carolina Lakes, Phase Three, in Harnett County, North Carolina, approximately 14 miles Southeast of Sanford, North Carolina, and more fully represented and delineated on a plat dated February 1980, and recorded in Plat Cabinet 1, Slide 274, in the office of the Register of Deeds of Harnett County, North Carolina, hereby covenants and agrees on behalf of itself, its successors and assigns, with persons who shall hereafter purchase their lots as shown on the aforesaid plat of Carolina Lakes Subdivision, Phase Three, their heirs and assigns, as follows:

1. ARCHITECTURAL CONTROL: The architecture of Carolina Lakes, Phase Three, homes and/or improvements to and on each of the lots subject to these protective covenants will be controlled in the following manner by the "Architectural Committee". The Architectural Committee will be composed of three persons designated and appointed by the developer for a period of one year from the date of the first sale. After this period of time members of the Architectural Committee will be appointed by the Board of Directors of Carolina Lakes, Phase Three, Property Owners Association. In the event the Architectural Committee fails to approve or disapprove plans or locations of home on a lot within thirty (30) days after said plans and specifications have been submitted to it, or in any event, if no suit to enjoin the erection of such building or the making of such alterations has been commenced prior to the completion thereof, such approval will not be required, and this covenant will be deemed to have been fully complied with. Members of such Architectural Committee shall not be entitled to any compensation for services performed pursuant to this covenant. The Architectural Committee shall have the right to hire an outside consultant and charge the property owner for the consultant's fee and necessary administrative expenses incurred.
2. APPROVAL OF BUILDING: No house, building, garage, carport, playhouse, outbuilding, fence, mail box, outside lighting, newspaper box, screen planting, decks, wall or other above-ground structure shall be commenced, erected, or maintained upon any property subject to this Declaration, nor shall any exterior addition to, change in or alteration of any said structures be made until complete final plans and specifications showing the nature, kind, shape, height, materials, basic exterior finishes and colors, location and floor plan thereof, and showing front, side, and rear elevations thereof and the name of the builder, have been submitted to and approved by the Architectural Committee, its agents, successors and/or assigns, as to conformity and harmony of exterior design and general quality with the existing structures of the neighborhood and as to location in relation to surrounding structures and topography.
3. APPROVAL OF BUILDERS: Any builder of any home upon any property subject to this Declaration must, before beginning construction of each such home be approved by the Architectural Committee as to financial stability, building experience and ability to build homes or other structures of the class and type of those which are to be built on the property subject to this Declaration. No person shall be approved as a builder by the Architectural Committee unless such person obtains his income primarily from construction of residences. No lot owner will be permitted to act as his own builder or contractor except where such owner obtains his income primarily from the construction of residences and otherwise meets the qualifications for approval by the Architectural Committee as hereinabove set forth.
4. BUILDING SETBACK LINES: All building setback lines and other dimensional requirements shall be regulated by the County's zoning regulations and all such requirements shall conform to the zoning

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CLYDE L. ROSS
REGISTER OF DEEDS
HARNETT COUNTY, N.C.

district in which the subdivision is located. In cases where zoning regulations are not in effect, the following setbacks shall apply. Distance of structure from front property line or street right-of-way (whichever is greater) thirty-five (35) feet; Distance of structure from side property line, Ten (10) feet, except on corner lots which shall require fifteen (15) feet; Distance of structure from rear property lines, twenty (20) feet except where such line adjoins a Lake or Canal, which in such case a distance of forty (40) feet is required.

5. USE OF PROPERTY: All lots shall be used for residential purposes exclusively. No structure, except as hereinafter provided, shall be erected, altered, placed, or permitted to remain on any lot other than one (1) detached single family dwelling not to exceed two (2) stories in height not including basement, and one (1) small one-story accessory building which may include a detached private garage and provided the use of such dwelling or accessory building does not overcrowd the site and, provided that such building is not used for any activity normally conducted as a business. Such accessory building may not be constructed prior to the construction of the main building. Provided further that no structure shall be a used structure moved onto the lot.

6. HOUSE SIZE REQUIREMENTS: The enclosed, heated, living area (exclusive of garages, carports, porches, terraces, private yards, bulk storage and basements) of one story, two story and split level dwellings shall cover a ground area of not less than 1,000 square feet.

The term "enclosed heated living area" as used in these minimum size requirements shall mean the total enclosed area within a dwelling provided, however, that such term does not include garages, boat sheds, terraces, decks, open porches, and like areas.

7. TEMPORARY STRUCTURES: No structure of a temporary character shall be placed upon any lot at any time, provided, however that this prohibition shall not apply to shelters used by the contractor during the construction of the main dwelling house. The design and color of structures temporarily placed on a lot by a contractor or subcontractor shall be subject to the reasonable aesthetic control of the Architectural Committee. No trailer, tent, barn, tree house or other similar out-building or structure shall be placed on any lot at any time, either temporarily or permanently.

8. PROHIBITED USAGE: No noxious or offensive trade or activity shall be carried on upon any building site, nor shall anything be done thereon which may be or become any annoyance or nuisance to the neighborhood.

9. OCCUPANCY: No more than one (1) family can occupy the property for a period of more than thirty (30) days. Family is defined as persons related by blood or marriage.

10. PROPERTY OWNERS ASSOCIATION: Every person or entity who purchases any lot in Carolina Lakes, Phase Three, Subdivision by acceptance of title shall become a member of the Carolina Lakes, Phase Three, Property Owners Association, provided that any such person or entity who holds such ownership or interest merely as security for the performance of an obligation shall not be a member. Carolina Lakes Corporation will appoint the initial Board of Directors of the Property Owners Association, which shall consist of three (3) directors. One year from date of the first sale Carolina Lakes Corporation will relinquish control of the Property Owners Association. At that time, an election will be held to elect a new Board of Directors. Each lot owner will be entitled to

one vote, will be given 30-day notice of meetings, and a majority of the property owners voting in person or by proxy shall determine the outcome of any election. The developer's vote in the election shall be at least one less than the number needed to decide the outcome of the election, regardless of the number of lots the developer still owns at the time the control is to be relinquished.

The purpose of the Carolina Lakes, Phase Three, Property Owners Association is for it to preserve the value of common areas of the subdivision, promote the recreation, health, safety and welfare of the property owners and engage in such other activity as may be to the mutual benefit of the property owners, and further, for the improvement, maintenance, administration and upkeep of the various areas reserved for the use of the property owners, as well as all private roads, lake basin and dam area, irrespective of whether the privileges of using such areas are exercised or not.

Each lot owner in the subdivision shall be subject to an annual assessment. The initial annual assessment is \$96.00 per unimproved lot and \$144.00 per improved lot. The amount of the assessment may after consideration of current maintenance cost and future needs be increased by majority vote as hereinbefore set out. If such assessments are not paid when due, then such assessment shall become delinquent and shall, together with interest thereon and costs of collection thereof, become a continuing lien on the property enforceable by the Carolina Lakes, Phase Three, Property Owners Association.

11. GENERAL REQUIREMENT: The shape, style, compatibility, size and materials used and type of construction of homes shall be approved by the Architectural Committee in accordance with the following:

A. All houses will be built according to the basic plans and specifications provided by Carolina Lakes Corporation and any and all changes to the exterior of the houses must be approved by the Architectural Committee prior to construction.

B. Before any house may be occupied it must be completely finished on the exterior; all of the yard must be planted with grass or have other ground cover approved by the Architectural Committee. All houses must be completed within one year of commencement of construction of the house.

C. No commercial sign, including "For Rent" or "For Sale" and other similar signs, shall be erected or maintained on any lot by anyone.

D. Each owner shall keep his building site or lot free of tall grass, undergrowth, dead trees, trash and rubbish and property maintained so as to present a pleasing appearance. In the event an owner of any lot does not properly maintain his building site or lot, as above provided, in the opinion of the Architectural Committee, then the Architectural Committee may have the required work done and the costs thus incurred in performing the work shall be paid by the owner. The Architectural Committee must give the lot owner ten (10) days to correct the maintenance problem prior to having the work done.

E. Each lot owner shall provide a screened area to serve as a service yard and an area for the storage of garbage receptacles, clothes lines, and fuel tanks or similar storage receptacles. Plans for such screen delineating the size, design, texture, appearance and location must be approved by the Architectural Committee prior to construction. Garbage receptacle and fuel tanks may be located outside of such screened area only if located underground. Garbage and trash receptacles shall be in complete conformity with sanitary regulations.

F. Each lot owner shall provide space for parking two licensed motor vehicles, including pick-ups, 4-wheel drive vehicles, and/or boats

permitted to be used on property, but not including other trucks, motor homes or recreation vehicles, off the street prior to occupancy of any dwelling constructed on said lot. No trucks, buses, camping trailers, motor homes, or tractors may be stored or regularly parked on the premises except in garages or well screened enclosures. No vehicle or boats may be parked or stored on unimproved lots.

G. No trade materials or inventories may be stored upon any premises.

H. No trailer, basement (unless said basement is part of a residence erected at the time), tent, shack, barn or other outbuilding shall be erected or placed on any building site covered by these covenants, except as specifically permitted herein.

I. No animals or poultry of any kind, other than house pets, shall be kept or maintained in any part of said property. Kennel operations will not be permitted. A kennel is defined as housing for three (3) or more animals.

J. Only one antenna mast will be permitted not to exceed 15 feet above the highest ridge of the house to which it is attached. All such antennas must be attached to the house. No towers shall be allowed.

K. No trees measuring six (6) inches or more in diameter at a point two (2) feet above ground level may be removed without written approval of the Architectural Committee. Approval for the removal of trees located within ten (10) feet of the main dwelling or accessory building or within ten (10) feet of the approved site for such building will be granted unless such removal will substantially decrease the beauty of the property.

L. In order to implement effective insect and fire control, the Architectural Committee has the right to enter upon abutting and neighboring properties adjacent to such forests, wildlife preserves, natural reservations or sanctuaries or other open areas and open spaces, and such entrance shall not be deemed a trespass.

M. In order to retrieve an errant golf ball, a golfer lawfully using the Golf Course in the subdivision has the right to enter a private lot in the subdivision to retrieve the golfer's ball. Such entrance for the purpose of retrieving the golf ball shall not be deemed a trespass, provided such golf ball may be retrieved without damaging any flowers, shrubbery or other property in general of the owner of any such lot. The golfer must pick up his ball and return to the designated boundaries of the golf course before playing a shot. The golfer is prohibited from playing a shot off a private lot.

N. For the purpose of avoiding an unsightly or undesirable waterfront, no boathouse, bathhouse, private dock, pier, raft, or landing site or other structure shall be erected or maintained at or upon the shoreline of any building site having water frontage or upon land under water in front of such building site, excepting where special written permission is granted by the Architectural Committee. The Architectural Committee will only give permission for such structure if the structure does not in any way detract from the natural beauty of the lake.

12. A ten (10) foot easement is reserved perpetually along any lot line to construct, maintain and use telephone, electrical, water, sewer and other utility lines and connections. Central Water and sewer will be provided for all lots in accordance with North Carolina State Laws. No private water and sewer systems may be used.

13. Declarant expressly reserves to itself, its successors and assigns, the right to re-plat any two (2) lots in any section of the subdivision prior to their sale in order to create a modified building lot or lots, provided that no lot originally shown on the recorded plat be reduced more than twenty (20) per cent from its original size.

14. LIEN: Should the owner of any lot fail to pay the Carolina Lakes, Phase Three, Property Owners Association for any of the costs or fees within sixty (60) days of the accrual of any such costs or fee, the right to file a notice of lien in the Office of the Clerk of Court of Harnett County, North Carolina, and process the same as provided by North Carolina Law, is given to the Property Owners Association.

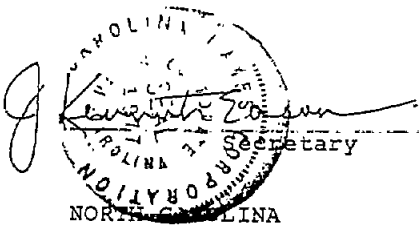
15. TERM: These covenants are to run with the land and shall be binding on all parties and all persons claiming under them until December 1, 2008, at which time said covenants shall be automatically extended for successive periods of ten (10) years unless by vote of a majority of the then owners of the residential building sites covered by these or substantially identical covenants, it is agreed to change said covenants in whole or in part.

If the parties hereto, or any of them, or their heirs, successors or assigns, shall violate or attempt to violate any of the covenants herein, it shall be lawful for any other person or persons owning any real property situated in Carolina Lakes, Phase Three, and which is subject to these or substantially identical covenants to prosecute any proceedings at law or in equity against the person or persons violating or attempting to violate any such covenants, and either to prevent it, her, him, or them from so doing or to recover damages or other dues for such violation.

IN TESTIMONY WHEREOF, Carolina Lakes Corporation has caused this instrument to be executed in its corporate name, by its Vice-President attested by its Secretary, with its corporate seal hereunto affixed, all by authority duly given of its Board of Directors.

CAROLINA LAKES CORPORATION

By: Bill Bridges
Vice-President

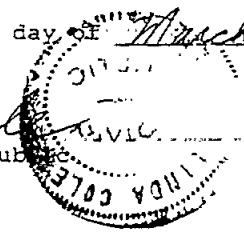


LEE COUNTY

This 9th day of March, 1982, personally came before me, Linda Cole, a Notary Public, in and for said County and State, J. Kenneth Eason, who, being by me duly sworn, says that he knows the common seal of Carolina Lakes Corporation and is acquainted with Bill Bridges, who is the Vice-President of said Corporation; and that he, the said J. Kenneth Eason is the Secretary of said Corporation and saw the said Bill Bridges, Vice-President, sign the foregoing instrument, and saw the said common seal of said Corporation affixed to said instrument by the said Bill Bridges, Vice-President, and that he, the said J. Kenneth Eason, Secretary, signed his name in attestation of the execution of said instrument in the presence of said Bill Bridges, Vice-President of said Corporation.

Witness my hand and notarial seal this 9th day of March, 1982.

Linda Cole
Notary Public



My Commission Expires:

August 31, 1986