NORTH CAROLINA

AMENDED RESTRICTIVE COVENANTS
OF McLENDON HILLS SUBDIVISION

MOORE COUNTY

KNOW ALL MEN BY THESE PRESENTS that Equestrian Lakes, LLC, a North Carolina limited liability company, the Developer of McLendon Hills Subdivision Phase I, and Equestrian Lakes, LLC, a North Carolina limited liability company, Fred Cloninger, III and wife, Lisa Cloninger, John Dawkins and wife, Carolyn Dawkins, Terry Jordan (Single), Eugene McLaurin and wife, Donna McLaurin, Kenneth Robinette and wife, Claudia Robinette, David Gannon and wife, Beth Gannon, collectively the Owners of McLendon Hills Subdivision Phase I, do hereby Amend those Restrictive Covenants as recorded at Book 1309, Page 437, in the Moore County Registry by declaring these Amended Restrictive Covenants, replacing those earlier recorded Restrictive Covenants in their entirety, and such Developer and Owners hereby specifically covenant and agree to and with each other and all other persons, firms, or corporations now owning or hereafter acquiring all parcels, as shown on the plat of McLendon Hills Subdivision Phase I which is recorded in the office of the Register of Deeds for Moore County, North Carolina, on Plat Slide 6-698, that said parcels are hereby subjected to the following restrictions as to the use and ownership thereof, running with the parcels by whomsoever owned.

Statement of Purpose

Developer and Owners desire to ensure the attractiveness of McLendon Hills Subdivision Phase I and to prevent any future impairment thereof, to prevent nuisances, to preserve, protect and enhance the values and amenities of all properties within McLendon Hills Subdivision, to regulate and supervise all improvements to be built within the subdivision, and to provide for the maintenance and upkeep of all common areas in McLendon Hills Subdivision.

To this end, the Developer and the Owners desire to subject the real property described herein, together with such additions as may hereafter be made thereto, to the covenants, conditions, restrictions, easements, charges and liens herein set forth, each and all of which is and are for the benefit of said property and each owner thereof.

Developer and Owners further desire to create an organization to which will eventually be delegated and assigned the powers of owning, maintaining and administering the common areas in McLendon Hills Subdivision, administering and enforcing the covenants and restrictions contained herein, regulating and supervising all improvements to be built within the subdivision, and collecting and disbursing the assessments and charges hereinafter created in order to efficiently preserve, protect and enhance the values and amenities in McLendon Hills Subdivision, all to ensure the owners and residents' enjoyment of the specific rights, privileges and easements in the common areas, and to provide for the maintenance and upkeep of the common areas.

To this end, the Developer will within the next ten (10) years cause to be incorporated under North Carolina law "McLendon Hills Subdivision Property Owner's Association" as a non-profit corporation for the purpose of exercising and performing the aforesaid functions.

ARTICLE I
DEFINITIONS

Section 1. "Architectural Review Board" shall mean and refer initially to the Developer, and later to any board or committee established by the Developer or the Association for the purpose of serving as an architectural review board as referred to herein.

Section 2. "Association" shall mean and refer initially to the Developer, and later, upon its incorporation, to McLendon Hills Subdivision Property Owner's Association, its successors and assigns.

Section 3. "Common Area" shall mean all real property (including the improvements thereon) labeled as "Common Area" on the Maps, and including, but not limited to, lakes, access areas, dams, foot paths, bridle paths and all roads and streets shown thereon whether labeled "Common Area" or not.

Section 4. "Declarant" shall refer to the Developer and the Owners in their capacity of declaring and establishing these restrictive covenants.

Section 5. "Developer" shall mean and refer to Equestrian Lakes, LLC, a North Carolina limited liability company, its successors and assigns.

Section 6. "Development" shall mean and refer to McLendon Hills Subdivision, a residential development and lake proposed to be developed on the properties of the Developer.

Section 7. "Lot" shall mean and refer to any plot or parcel of land with delineated boundary lines described in the deeds of conveyance or appearing on the Maps, with the exception of the Common Areas.

Section 8. "Maps" shall mean and refer to the maps of the Properties as recorded (either now or hereafter) in the Moore County, North Carolina, Public Registry.

Section 9. "Member" shall mean and refer to the Members of the Association.

Section 10. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, according to the public records of the Moore County, North Carolina, Public Registry, of a fee simple title to any Lot, but shall not include any person or entity having an interest merely as security for the performance of an obligation.

Section 11. "Properties" shall mean and refer to the properties which are now or may hereafter be made subject to these Restrictive Covenants and brought within the jurisdiction of the Association.

ARTICLE II
WETLANDS, MITIGATION AND CONSERVATION AREA

Section 1. Wetlands. A portion of many parcels has been determined to meet the requirements for designation as a regulatory wetland. Any subsequent fill or alteration of this wetland shall conform to the requirements of State wetland rules adopted by the State of North Carolina and the requirements of the United States of America in force at the time of the proposed alteration. The intent of this deed restriction is to prevent additional wetland fill, so the property owner should not assume that a future application for fill will be approved. Should the property owner make application, he shall report the fact that such parcels are located in McLendon Hills Subdivision,

developed by Equestrian Lakes, LLC, and the existence of these deed restrictions, in any application pertaining to said wetland rules. This covenant is intended to ensure continued compliance with wetland rules adopted by the State of North Carolina and the United States of America and therefore benefits may be enforced by the State of North Carolina and by the United State of America. This covenant is to run with the land and shall be binding on all parties and all persons claiming under them.

Section 2. Mitigation/Conservation Area. That certain 10.2 acre parcel identified on the recorded plat as a "Mitigation/Conservation Area" shall be maintained in perpetuity in its natural condition, as modified by work performed pursuant to that certain mitigation plan as approved by the State of North Carolina and the United States of America. Said Mitigation/-Conservation Area may not be sold or otherwise conveyed at any time without first advising the U.S. Army Corps of Engineers, Wilmington District, in writing, and transferring permit number 19954573, together with the conditions, to such third party, and then only in a manner acceptable to the Corps of Engineers as confirmed in writing. This covenant is intended to ensure continued compliance with the mitigation condition of authorizations issued by the State of North Carolina and the United States of America, and therefore may be enforced by the State of North Carolina and by the United States of America. This covenant is to run with the land and shall be binding on all parties and all persons claiming under them.

ARTICLE III
RESERVATION OF RIGHTS

Section 1. Reservation of Rights. Except as provided in Article II of these Restrictive Covenants, Developer expressly reserves unto itself, and its successors and assigns, the right to develop commercially, or to otherwise exclude property, by statement contained in a deed or by statement recorded in the Moore County Registry, from the operation of these Restrictive Covenants, in whole or in part, and the right to grant or convey to the Owner of such property the nonexclusive right to use the Common Areas of the Development.

ARTICLE IV
USE RESTRICTIONS

Section 1. Residential Use. All Lots shall be used only for single-family residential purposes and common recreational purposes auxiliary thereto and for no other purpose. Only one family may occupy a Lot as a residence at any one time. No Lot, and no structure at any time constructed on any Lot, shall be used at any time, or in any way, for any business or business pursuit or for any activity normally conducted as business, and nor may any Owner conduct, or permit any other person to conduct, any business, commercial, manufacturing, or mercantile activity of any sort upon any Lot or Common Area. No structure, except hereinafter provided, shall be erected, altered, placed or permitted to remain on any residential lot other than a detached single family dwelling. However, a garage or ancillary structures including, but not limited to, pools, poolhouses, servants' quarters, barns, sheds, workshops, freestanding decking, greenhouses, gazebos, guest facilities or other outbuildings are permitted. No such ancillary building may be constructed prior to construction of the main building. No construction of any dwelling, garage, or ancillary structure shall be commenced unless construction plans are first approved in writing by the Architectural Review Board, as provided in Article V herein. Building construction on the Lots is also subject to the following general construction criteria as follows:

(a) Dwellings on Type I Lots (Lot Numbers in the 300 series):

Size. All single floor dwellings shall have a heated, enclosed ground floor area of at least 1800 square feet, not including basements, porches, screened porches, garages or stoops.

All split level or multi-level dwellings (not including two story dwellings) shall have a heated, enclosed floor area of at least 1900 square feet not including porches, screened porches, garages, stoops, or basements unless approved in writing by the Developer.

Dwellings of two stories must have a heated, enclosed floor area of at least 2000 square feet; having not less than 1100 square feet of heated area on the bottom floor, not including basements, porches, screened porches, garages or stoops.

(b) Dwellings on Type II Lots (Lot Numbers in the 200 series):

Size. All single floor dwellings shall have a heated, enclosed ground floor area of at least 1900 square feet, not including basements, porches, screened porches, garages or stoops.

All split level or multi-level dwellings (not including two story dwellings) shall have a heated, enclosed floor area of at least 2000 square feet not including porches, screened porches, garages, stoops, or basements unless approved in writing by the Developer.

Dwellings of two stories must have a heated, enclosed floor area of at least 2000 square feet; having not less than 1100 square feet of heated area on the bottom floor, not including basements, porches, screened porches, garages or stoops.

(c) Dwellings on Type III Lots (Lot Numbers in the 100 series):

Size. All single floor dwellings shall have a heated, enclosed ground floor area of at least 2200 square feet, not including basements, porches, screened porches, garages or stoops.

All split level or multi-level dwellings (not including two story dwellings) shall have a heated, enclosed floor area of at least 2200 square feet not including porches, screened porches, garages, stoops, or basements unless approved in writing by the Developer.

Dwellings of two stories must have a heated, enclosed floor area of at least 2000 square feet; having not less than 1200 square feet of heated area on the bottom floor, not including basements, porches, screened porches, garages or stoops.

(d) Enclosed Garage. All dwellings on any lot type are required to have an enclosed garage for a minimum of two cars (attached or unattached to the residence) constructed on the side or rear of the dwelling and such garage shall have only a rear or side entrance unless approved otherwise in writing by the Developer. All garages shall be constructed in substantial architectural conformity with the construction of the dwelling.

(e) Ancillary Structures. No ancillary structure on any lot type may be located closer to the "front lot line" (the lot line which the dwelling "faces") than the dwelling.

Ancillary structures must architecturally match the dwelling and must be maintained by the lot owner so as to preserve the appearance and structural integrity of the structure.

No trailer, "mobile home", "manufactured home", "factory-built home", or any structure constructed otherwise than on the Lot shall be placed on any Lot, except as allowed under Section 5, entitled Temporary Structures.

No above-ground swimming pools are permitted.

(f) Location. No dwelling, garage, or ancillary structure on any lot type shall be located nearer than fifty (50) feet to any "front street", "front easement", or "front bridle path" (the street, easement, or bridle path "faced" by the dwelling) right-of-way, twenty-five (25) feet to any "side or back street" (the streets not "faced" by the dwelling) right-of-way, fifteen (15) feet to each "side lot line" (the lot line adjacent to the line "faced" by the dwelling) and not closer than thirty (30) feet to the "rear lot line" (the lot line opposite the line "faced" by the dwelling). In order to assure that dwellings will be located with regard to the topography of each Lot, the Architectural Review Board reserves unto itself the right to absolutely and solely decide the precise site and location of any structure upon any Lot provided, however, that such location shall be determined only after reasonable opportunity is afforded the Owner to recommend a specific site. Architectural Review Board's right to control the precise site and location of any structure shall specifically include the right to waive the above-stated setback or sideline requirements without obtaining the permission of any other Owner, excepting any setback or sideline required by a governmental agency.

Section 2. Nuisances. No noxious or offensive activity shall be carried out, allowed, or permitted on any Lot or on any part of the Development, nor

shall anything be done thereon which may be or may become an annoyance or nuisance to the neighborhood. There shall not be maintained any exterior lights or lighting, or device or thing of any sort whose normal activities or existence is in any way noxious, dangerous, unsightly, unpleasant, or of a nature as may diminish or destroy the enjoyment of other property in the neighborhood by the owners thereof. There shall be no discharging of firearms, guns or pistols, of any kind, caliber, type or method of propulsion. No hunting or trapping of any kind shall be carried on or conducted in the Development.

Each Lot and the structures thereon shall be kept in good order and repair and free of debris; lawns shall be seeded and mowed, shrubbery trimmed, and painted exterior surfaces painted, all in a manner and with such frequency as is consistent with good property management. During construction or repair, the Owner is responsible to see that the contractor at all times maintains the lot in a reasonably tidy condition.

No business, commercial, manufacturing, or mercantile activity or retail sales will be allowed to operate from a private residence or at any time upon any Lot, other than an individual office within a dwelling where retail customers do not enter and exit the premises.

Section 3. Animals, Birds and Fowl: No animals, birds or fowl shall be kept or maintained on any part of the property except dogs, cats, pet birds and horses (as well as naturally existing wildlife). The dogs, cats, and pet birds may be kept in reasonable numbers as pets for pleasure or for the use of the occupants, but shall not be kept for any commercial use. All pets must be kept under control at all times, and must not become a nuisance by barking or other acts.

Section 4. Horses: In keeping with the intention of the Declarant to create an equestrian community with observance of good environmental practices, horses shall be permitted only on Lot numbers that end with the Letter H (for example 106H and 107H) and all 300 series Lots (for example 301, 302, etc.), and only in conjunction with a residence maintained on that Lot or any adjacent lot. The number of horses regularly kept on any Lot shall be limited to one (1) horse per two (2) acres, plus one (1) horse for each additional one (1) acre, of contiguous Lot or Lots owned by the same Owner. The Owner

shall be responsible for controlling odor, insects, animal waste and runoff as it relates to the keeping of horses on said Lot and the Owner is responsible for providing adequate pasture area for the horses. Should the Owner fail to comply with these strict standards, complaints may be issued to the Developer or the Association, if it has been formed, and the Developer or Association shall have the right to enter said property and bring it up to suitable standards at the Owner's expense. Should said Owner have more than three complaints lodged against him at different times during a one year period, the Developer or Association reserves the right to determine whether said Owner shall lose his right to keep horses upon his property. Horse stables, paddocks or facilities located on individual Lots shall not be used or maintained for any commercial purpose. Horse pastures shall be no closer at any point than twenty-five (25) feet from the high water mark of the lake. Horses must stay within bridle paths or other designated areas of use, and horses shall not otherwise use common areas, walking paths, roadways (except for crossings) or road shoulders for any purpose. Use of the bridle paths is specifically restricted as provided at Articles VI and IX.

Section 5. Temporary Structures. No structure of a temporary character shall be placed upon any Lot except port-a-johns, shelters or trailers used by a contractor during the construction of the dwelling or any ancillary structure; provided further that such permitted temporary structures may not be used as residences or permitted to remain on the Lot after completion of construction or in any event for more than twelve (12) months from the commencement of construction; and provided further that the Developer may maintain such a structure for a temporary real estate office.

Section 6. Antennas and Utility Service Lines. No television or radio receiver or transmitter or other antennas, which are visible from any Common Area, street, or adjoining Lot will be permitted without written approval from Developer. All utility service lines of all kinds, including but not limited to electric, telephone, cable, water and sewage, must be installed underground except with the prior written approval of the Developer.

Section 7. Fuel Tanks/Garbage Containers. All fuel tanks and similar storage receptacles must be installed within the dwelling garage, ancillary structures, or underground. All outdoor receptacles for ashes, trash, rubbish or garbage shall either be installed underground or screened or placed so as not to

be visible from any street or any other Lot or any Common Area, but such receptacles must also be convenient for collection and in accordance with reasonable health laws or standards. Any containers for storage of any substance which would be hazardous to the environment, such as, but not limited to oil, gas, propane, or other petroleum or similar environmentally hazardous materials, shall be placed in such a manner so as to not create a hazard to the environment, a hazard to other Owners, or a nuisance to other Owners.

Section 8. Signs. No sign or device shall be displayed indicating the profession, business or trade of any person or advertising in any way. No commercial signs shall be erected or maintained on any Lot or on any structure on any Lot except in connection with the sale of a vacant or improved Lot, and such sign shall not exceed two (2) feet by three (3) feet in size, or except as may be permitted in writing by the Developer, or except as may be required by legal proceedings. The entrance sign naming the Development, road signs, and a temporary sign installed by the Developer announcing the Lots in the Development for sale shall, however, be excepted from this restriction.

Section 9. Vehicles. Trucks and trailers owned by property owners for their own personal use to transport horses, as well as "pickup trucks", are allowed. However, commercial vehicles of any sort, and other trucks of any sort, are not allowed at any time upon the streets or upon any Lot except for the limited purpose of making a delivery or during active construction. No 4 wheelers, 3 wheelers, go-carts, dirtbikes, or motorized recreational vehicles of any sort are permitted on any bridle path or any Common Area. Exceptions to this section may be approved from time to time by the Developer or the Association for use of such vehicles; for example, in the management or maintenance of the Common Areas and for transportation to and from the McLendon Hills Equestrian Center or such other facilities as may be established by Developer.

Section 10. Parking. No on-street vehicular parking shall be permitted except in accordance with reasonable standards which may be established by the Developer. Each Owner shall provide off-street parking space for at least two vehicles prior to the occupancy of any dwelling constructed on said Lot in accordance with reasonable standards established by the Developer. All boats, motorcycles, trailers, travel trailers, campers, or other recreational vehicles

parked on any Lot shall be parked behind the dwelling and located such that they are not visible from any street, any other Lot, or any Common Area. No more than one vehicle that is required to be registered with the North Carolina Department of Motor Vehicles, which is not so registered, may be kept on any Lot, and such vehicle shall be stored in an enclosed garage. Non-operating vehicles, equipment, unused objects or apparatus, or any portion thereof, shall not be permitted to remain on any lot.

Section 11. Maintenance. It shall be the responsibility of each Owner to prevent the development of any unclean, unsightly or unkept conditions of his buildings or grounds. All driveways shall be paved for a minimum of the first seventy-five (75) feet from the edge of the paved street, and driveways crossing bridle trails shall be of concrete for the entire width of the bridle trail.

Section 12. Removal of Trees. No trees may be removed from any Lot without the written consent of Developer until the Owner is ready to begin construction. Unless approved by the Developer, there shall be no more than sixty percent (60%) of the trees cut and removed from the Lot. "Trees" in this section refer to those trees six (6) inches or more in diameter as measured six (6) inches above ground level.

Section 13. Subdivision. No Lot shall be subdivided, or its boundary lines changed, unless each part of the subdivided Lot becomes a part of an adjacent whole Lot, and the total number of Lots is not increased or decreased without the written consent of the Developer. Each resulting modified Lot shall thereafter constitute one Lot. The restrictions and covenants herein shall apply to the modified Lots resulting from said subdivision and addition. However, the Developer hereby expressly reserves to itself the right to re-plat or re-subdivide any Lots shown on the Maps.

Section 14. Reconstruction. Any structure on any Lot, which is destroyed in whole or in part by fire, windstorm, flood or other Act of God, or otherwise, must be rebuilt, or all debris from such structure removed and the Lot returned to the condition it was in prior to commencement of construction of such structure with reasonable promptness; provided, however, that any such reconstruction must be commenced within six (6) months from the date of such destruction or if no reconstruction is to occur, then all such debris must be removed and the Lot restored to its prior condition within six (6) months of

such destruction. Any reconstruction must be approved by the Architectural Review Board in the same manner as new construction.

Section 15. Utilities. All plumbing fixtures, dishwashers, toilets and sewage disposal systems shall be connected to a septic tank sewage system and approved by the appropriate governmental public health authority, or shall be connected to a central sewer system wherever such system is available. No septic tank system shall be used unless the design, location, construction and maintenance is in all respects approved by the appropriate governmental public health authority. Each Lot shall connect to the central water distribution system of the Development.

Section 16. Drainage. It shall be the obligation of the Owner to provide, install, and maintain adequate culvert and drainage pipe under all driveways as needed in order that the natural flow of surface water will not at any time be blocked along the roadway drainage ditch. The culvert or drainage pipe must be of sufficient size to accommodate the flow of surface water in the ditch and in no instance shall the drainage pipe be less than twelve (12) inches in diameter. Driveway connections must be approved in advance by the Architectural Review Board. The natural flow or drainage of any creek, spring or stream shall not be interfered with or diverted.

Section 17. Fences, Gates, Walls, Bulkheads and Piers. No fence, gate, wall, bulkhead or pier shall be erected until after the plans and specifications showing the nature, shape, height, materials, construction, and location of said fence, gate, wall, bulkhead or pier shall have been approved in writing by the Architectural Review Board.

Section 18. Mail Boxes and Paper Boxes. Any mail box or paper box shall be erected only after the plans and specifications showing the nature, shape, height, materials, and location of said mail boxes and paper boxes shall have been approved in writing by the Architectural Review Board.

Section 19. Lake Use. The use of the lake for any purpose is restricted to Owners and guests accompanied by an Owner. No motor boats or any type of vehicle driven by gasoline motor are permitted on the lake. Boats driven by electric motors, sail boats and other nonmotorized boats are permitted on the lake. The construction of any piers, boat houses, or other structures on the lake

shore or extending out into the lake must have prior written approval by the Architectural Review Board.

Section 20. Divided Ownership. No Lot, or dwelling thereon, shall be leased, purchased, sold, conveyed, owned, used or operated so as to constitute or create a time-share estate.

Section 21. Rules and Regulations. The Association may promulgate additional rules and regulations governing the use of any Common Areas. All such rules and regulations shall be mailed to all Owners via first class mail, postage prepaid.

Section 22. Compliance. In the event that any Owner fails to comply with any of the restrictions set forth in this instrument or the rules or any regulations subsequently promulgated by the Association, the Association or the authorized agents of the Association shall have the right, but not the obligation, to enter any Lot and undertake any necessary action in order to cure such Owner's default. All expense and cost incurred by the Association or its authorized agents in curing such default shall be charged to the defaulting Owner and shall be payable by such Owner to the Association immediately upon demand. The Association and its authorized agents shall not be liable for any damage which may result from such entry unless such damage results from the willful misconduct of the Association or its authorized agents.

ARTICLE V
ARCHITECTURAL CONTROL

Section 1. Architectural Review. The Developer, or any board or committee established by the Developer for such purpose, shall function as the Architectural Review Board until the McLendon Hills Property Owners' Association is formed as set forth in Article VIII, and thereafter the Association, or any board or committee established by the Association for such purpose, shall function as the Architectural Review Board. After the Association has been formed, the Association's Board of Directors shall appoint the members of the committee to carry out the functions of the Architectural Review Board.

Section 2. Required Architectural Approval. No improvement or

structure of any kind, including, without limitation, any building, fence, gate, wall, bulkhead, pier, pool, poolhouse, servants' quarters, barns, sheds, workshops, freestanding decking, greenhouses, gazebos, guest facilities, screen enclosure, sewer, drain, disposal system, landscaping, recreational structure, external lighting, other outbuilding, or other improvement shall be commenced, erected, placed or maintained upon any Lot, nor shall any addition, change or alteration to any of the foregoing be made, unless and until the plans, specifications and location of the same, shall have been submitted to, evaluated, and approved in writing by the Architectural Review Board as to harmony of external design and location in relation with the architectural and landscape standards of the Architectural Review Board.

Section 3. Approval of Plans, Specification and Construction. Prior to commencement of any construction, all proposed building plans, specifications, exterior color or finish, facade, roofing material, roof pitch, plot plans (showing the proposed location of such building or structure, dives and parking areas), and construction schedule shall be approved in writing by the Architectural Review Board. Upon written request by an Owner for approval of plans, the Architectural Review Board shall have thirty (30) days from receipt to approve or disapprove the plans. If such plans are not disapproved within said thirty (30) day period, they shall be deemed to have been approved. Garages and other ancillary structures on any Lot must be constructed of the same or compatible materials as specified for the dwelling constructed thereon. No alterations may be made in such plans after approval by the Architectural Review Board except with the written consent of the Architectural Review Board. No alterations in the exterior appearance of any building or structure shall be made without the written consent of the Architectural Review Board. One copy of all plans and related data shall be retained by the Architectural Review Board for its records. The exterior of all structures must be completed within one year after construction is commenced, except where such completion is delayed by strikes, fires, national emergencies or natural calamities.

Section 4. Architectural Standards. In addition to standards and considerations set forth elsewhere herein, the Architectural Review Board may establish informal standards for the design, location, size, style, structure, color, mode of architecture, mode of landscaping, and relevant criteria deemed important to the Board for the construction of any improvements. Disapproval

of plans, location or specifications may be based upon any ground, including purely aesthetic considerations, which the Board, in its discretion, deems sufficient.

Section 5. Non-liability For Approval of Plans. The Architectural Review Board's approval of plans shall not constitute a representation, warranty or guaranty, whether express or implied, that such plans and specifications comply with good engineering design or with zoning or building ordinances, or other governmental regulations or restrictions. By approving such plans and specifications, neither the Architectural Review Board, the Members thereof, the Association, any Member thereof, nor the Developer, assumes any liability or responsibility therefore, or for any defect in the structure constructed from such plans or specifications. By disapproving such plans and specifications, neither the Architectural Review Board, the Members thereof, the Association, any Member thereof, nor the Developer, assumes any liability or responsibility for the cost of such disapproved plans and specifications, or for the re-preparation thereof.

ARTICLE VI
EASEMENTS

Section 1. Easements Reserved by Developer. The Developer reserves unto itself a perpetual easement over, upon, across, and under each road right-of-way for the purpose of the erection, maintenance, installation, and use of street signs and signs denoting the development, and installation, maintenance, and use of electrical and telephone wire, cables, conduits, sewers, electric, and telephone equipment, gas, sewer, water, or other public conveniences or utilities, and other facilities located, or to be located thereon. Further, the Developer reserves unto itself a perpetual easement over, upon, across, and under each road right-of-way, each bridle path, and each other Common Area, and an additional area on each side of each road right-of-way, each bridle path, and each other Common Area as necessary for the maintenance of such roadways, bridle paths, and Common Areas, including, but not limited to, cutting and maintain drainways for surface water wherever and whenever such action may appear to the Developer to ensure proper drainage of surface water while maintaining the overall appearance of the Development, cutting any trees, bushes, or shrubbery, making any grading of the soil, or taking any other similar action reasonably necessary to ensure that such roadways, bridle paths,

and Common Areas are maintained in a fashion suitable for their intended uses. This reservation shall not be considered an obligation of the Developer to provide and maintain any such roadway, bridle path, or Common Area, or any utility or service or facility located upon such roadway, bridle path, or Common Area. Further, the Developer expressly reserves unto itself, and its successors and assigns, the continuing and perpetual right to use, and to allow or license the use of, the streets, bridle paths and other Common Areas for any purpose it deems appropriate, including, but not limited to, commercial use, and the use by other properties and the owners of other properties, including, but not limited to, McLendon Hills Equestrian Center. Specifically, the Developer reserves unto itself, and to McLendon Hills Equestrian Center, the unlimited right to use and to license the use of the bridle paths, including, but not limited to, the exclusive right to charge a fee for the use of the bridle paths, or otherwise, and to require a liability release to be executed as a condition to the use of the bridle paths, or to otherwise restrict the use of the bridle paths, except that Owners and resident family members of Owners will not be charged a fee for the use of the bridle paths (except as provided in Article VII, Covenants for Maintenance Dues).

Section 2. Easements for Ingress and Egress. Easements are hereby reserved and granted across all streets reserved on the deeds of conveyance or shown on the Maps for ingress and egress of the Developer, its licensees, public safety personnel and any authorized agents, employees, or assigns of any of the foregoing for the purpose of constructing, maintaining, inspecting and repairing the streets and the utilities and drainage areas. In addition, the Developer, and such other entities shall have a continuing easement to enter the Lots and Properties in order to maintain, inspect and repair all utilities facilities and drainage areas located on the Lots and Properties. This easement includes the right to disturb the structures located on each Lot and Properties in order to inspect, maintain and repair any utility facility located within or beneath such structures or land.

Section 3. Obstruction. Within any easement, no structure, fence, planting or other material shall be placed or permitted to remain which may interfere with the uses for which such easement is intended, and specifically, concerning drainage easements, which may change the direction of flow, or which may obstruct or retard the flow of water through the drainage channels.

Section 4. Bridle Paths. Bridle Paths shall be reserved for equine use exclusively including, but not limited to, the riding and walking of horses, and the use of equine-drawn conveyances. Use of Bridle Paths and other Common Areas shall be as protected by the North Carolina Landowner Liability Act (Chapter 38A of the North Carolina General Statutes), as amended from time to time, or any successor provision thereto. No hedge, fence, or mass planting or other obstruction shall be placed in any Bridle Path so as to interfere with the uses for which such easements are intended, provided however, that obstacles such as walls, hedgerows, jumps, water, or other similar or related amenities, and other equestrian sporting jumps shall be permitted, constructed either by Owner with prior permission of the Architectural Review Board, or by the Association or McLendon Hills Equestrian Center, so long as at least twelve (12) feet of a path remains unobstructed for use around such obstacles by equine-drawn conveyances.

ARTICLE VII
COVENANTS FOR MAINTENANCE DUES

Section 1. Responsibility for Maintenance Services. Prior to the creation of the McLendon Hills Property Owners Association as hereinafter provided, the Developer shall be responsible for collecting the dues and assessments set forth in this Article. Upon creation of the Association, the Association shall thereafter collect the dues and assessments set forth in this Article.

Section 2. Purpose of Annual Dues. The annual dues levied shall be used as follows:

(a) to maintain and repair all common roads constructed within the Development to at least the standard that such roads were in at the time of their completion, and to maintain the entrance and road signs and all street lights and landscaping adjacent to such roads in a manner consistent with the overall appearance of the Development;

(b) to maintain lakes, dams, drainage structures and drainage easements.

(c) to provide garbage removal services for all Lots, if the Association elects to provide said service;

(d) to upgrade and maintain the Common Areas, foot paths, lakes and bridle paths;

(e) to pay all ad valorem taxes levied against the Common Areas and any property owned by the Association.

(f) to pay the premiums on all hazard insurance carried by the owner of the Common Areas and all public liability or other insurance carried by the Association.

(g) to pay all legal, accounting and other professional fees incurred in carrying out the duties as set forth herein or in the Bylaws of the Association.

Section 3. Assessment Rate.

(a) The amount of the aggregate annual dues for each year shall be the amount necessary to fund the expenses described in Section 2 of this Article. The Developer or, after creation of the Association, the Board of Directors of the Association shall fix the amount of the annual dues against each Lot and dwelling at least thirty (30) days in advance of each annual dues period, subject to the limitations set forth in this Section.

(b) Two (2) contiguous Lots owned by the same Owner may, at the option of such Owner, be combined and considered to be only one Lot for purpose of the assessment of dues, provided:
(i) no more than one dwelling is located on the two (2) Lots,
(ii) such combined Lot is considered to be only one (1) Lot for voting purposes, and,

(iii) at such time as such combined Lot is again separated into two (2) lots, the dues which were not charged, but which would otherwise have been charged over the preceding five (5) year

period had the Lots been considered to be two (2) lots, shall be promptly paid, and the obligation to pay such dues shall be the joint and several obligation of the Owners of each of such Lots, and shall further be a lien against each of such Lots until paid in full.

(c) Both annual dues and special assessments must be fixed at a uniform rate for all Lots and dwellings and shall initially be $480.00 per annual for each developed Lot and $240.00 per annual for each undeveloped Lot, commencing and becoming due and payable on January 1, 2004 for 2004. Thereafter, except as provided at subsection (c) hereof, the annual dues may not be increased annually by more than twenty percent (20%) of the prior year's dues.

(d) Any increase in the annual dues above the annual maximum increase as set forth in the preceding subsection must have the written consent of at least 51% of the owners of the aggregate number of Lots then subject to this Declaration.

(e) Due to the cost of development of McLendon Hills Subdivision, the Developer shall be exempt from the payment of any annual dues or special assessments.

Section 4. Special Assessments for Capital Improvements and Emergencies. In addition to the annual dues authorized above, the Association may levy, in any year, a special assessment applicable to that year for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including but not limited to the common roadways, foot paths, lakes, and bridle paths serving the Development, or for the purpose of meeting any unanticipated expenses related to the Common Areas. Such special assessments may be levied only after obtaining the written consent of the Owners of at least 51% of the aggregate number of Lots then subject to this Declaration.

Section 5. Assessments of Lots and Dwellings. All annual dues and special assessments on the Lots shall be billed to and collected from the Owner

by remitting same to the Developer or, after creation of the Association, to the Association.

Section 6. Creation of the Lien and Personal Obligation for Dues and Assessments. The Declarant hereby covenants, for each Lot and for each Owner of each Lot, and each Owner, by acceptance of a deed whether or not it shall be so expressed in such deed, is deemed to covenant and agree that each Owner shall hereafter promptly pay the annual dues assessed for and against each Lot owned from time to time by Owner, in such amounts as are necessary to pay for the services set forth in Section 2 of this Article and for the charges and special assessments for capital improvements established and collected as hereinafter provided. Any such assessment or charge, together with interest, costs and reasonable attorney's fees, shall be a charge and continuing lien upon the Lot against which each such assessment or charge is made. Each such assessment or charge, together with interest, costs and reasonable attorney's fees, shall also be the personal obligation of the Owner of such Lot at the time the assessment or charge fell due. The personal obligation for delinquent assessments or charges shall not pass to an Owner's successors in title unless expressly assumed by them, but shall remain a lien upon the Lot or Lots involved.

Section 7. Date of Commencement of Annual Dues; Due Dates. The annual dues provided for herein shall commence for each Lot upon the completion of the street on which such Lot fronts and for each dwelling upon commencement of foundation construction. The first annual dues shall be adjusted according to the number of months remaining in the calendar year. Written notice of the annual dues shall be sent to every Owner. The due dates shall be established in such written notice.

Section 8. Effect of Nonpayment of Dues or Assessments; Remedies of the Association. Any assessment or dues not paid within thirty (30) days after the due date shall bear interest from the due date at the maximum legal rate allowable under North Carolina Law at the time of default, or eighteen percent (18%) per annum if the maximum legal rate is unlimited by law. In addition to such interest charge, the delinquent Owner shall also pay such late charge as may have been theretofore established by the Developer or the Association to defray the costs arising because of late payment. The Developer or the Association may bring an action at law against the delinquent Owner, or

foreclose the lien against the Lot, or both. All interest, late payment charges, costs and reasonable attorney's fees of such actions or foreclosures shall be added to the amount of such charge or assessment. No Owner may waive or otherwise escape liability for the charge and assessment provided for herein by not using the Common Areas or by abandoning his Lot.

Section 9. Subordination of the Lien to Mortgages. The lien of the charges and assessments provided for herein shall be subordinate to the lien of any first mortgage or deed of trust to the Developer. Sale or transfer of any Lot shall not affect the assessed lien. However, the sale or transfer of any Lot pursuant to the foreclosure or any proceeding in lieu thereof of such mortgage or deed of trust shall extinguish the lien of such dues and assessments as to payments which became due prior to such sale or transfer; provided, however, that the Developer or the Association may in its sole discretion determine such unpaid dues and assessments to be an annual or a special assessment, as applicable, collectable pro-rata from all Owners. Such prorata portions are payable by all Owners notwithstanding the fact that such proration may cause the annual assessment to be in excess of the maximum permitted under Section 5 of this Article. No sale or transfer shall relieve the purchaser of such Lot from liability for any assessments thereafter becoming due or from the lien thereof, but the lien provided for herein shall continue to be subordinate to the lien of any mortgage or deed of trust as above provided.

ARTICLE VIII
ASSOCIATION

Section 1. Membership. Every Owner shall be a member of the Association. Membership of an Owner shall be appurtenant to and may not be separated from the ownership of his Lot. Upon termination of ownership, an Owner's Membership shall automatically terminate and be automatically transferred to the new Owner of the Lot. When more than one person owns an interest (other than a leasehold or security interest) in any Lot all such persons shall collectively be considered one Owner and one Member.

Section 2. Voting. All Owners (including the Developer) shall be entitled to one (1) vote for each Lot owned. When more than one person owns an interest (other than a leasehold or security interest) in any Lot all such persons shall collectively be considered one Member and voting rights

appurtenant to said Lot may be exercised as they, among themselves, determine, but in no event shall more than one (1) vote be cast with respect to any Lot.

Section 3. Board of Directors. The Association shall be governed by a Board of Directors in accordance with its Bylaws.

Section 4. Formation of the Association. At the election of the Developer, the Developer shall create and form the Association no later than ten (10) years from the date of the filing of this Declaration.

Section 5. Conveyance of Common Areas to the Association. At the election of the Developer, the Developer may convey any or all of the Common Areas to the Association.

ARTICLE IX
PROPERTY RIGHTS

Section 1. Use of Common Areas. Notwithstanding any recordation of any map or any other action by Developer or the Association, all Common Areas (excluding public roads) shall remain private property and shall not be construed as dedicated to the use or enjoyment of the general public. The Developer hereby reserves to itself the right to grade, re-grade, and improve the streets, avenues, roads and any open spaces as the same may be designated on any Map, including the creation or extension of slopes, banks, or excavation in connection therewith and in the construction of and installation of drainage structures therein.

Section 2. Owners' Rights to Use and Enjoy Common Areas. Each Owner shall have the right to use and enjoy the Common Areas, as limited by these restrictions, which shall be appurtenant to and shall pass with the title to his Lot, and further specifically subject to the following:

(a) The right of the Developer, or the Association if the Common Area is deeded to the Association, to promulgate any and enforce reasonable regulations governing the use of the Common Areas to ensure the safety and rights of all Owners;

(b) The right of the Developer, or the Association if the Common Area is deeded to the Association, to suspend the right to use the Common Areas by any Owner for a period during which any assessment against his Lot remains unpaid and for a period not to exceed sixty (60) days for any infraction of its published rules and regulations;

(c) The right of the Developer, or the Association if the Common Area is deeded to the Association, to grant utility, drainage or other easements across the Common Areas;

(d) The use by the Owner of all Common Areas other than the bridle paths shall include the right of resident family members of the Owner to also use such areas and shall also include the right of guests accompanied by the Owner to use such areas. The use by the Owner of the bridle paths shall include the right of resident family members of the Owner to also use such areas. Provided, however, the right of the Owner and resident family members to use the bridle paths is specifically conditioned upon the Owner and each resident family member (and parents or guardians of minors) executing a liability release as referenced in Article VI hereof. Provided further, the right of the Owner and resident family members to make use of the bridle paths does not extend to guests, and all guests or others wishing to use the bridle paths must execute the liability release and pay the fee assessed by the McLendon Hills Equestrian Center, or its successors.

(e) The right of the Developer to grant other easements and the right to use and to grant to others the right to use the bridle paths and other Common Areas for any purpose it deems appropriate, including, but not limited to, commercial use, and the use by other properties and the owners of other properties including, but not limited to, McLendon Hills Equestrian Center; and

(f) Any Owner who rents or leases his Lot to a tenant shall not be entitled to use and enjoy the Common Areas during the period of the tenancy, but the right to use and enjoy such shall enure to the tenant.

Section 3. Owners' Easements for Ingress and Egress. Every Lot is hereby conveyed a perpetual, nonexclusive right to use any common roadway which forms a part of the Development for the purpose of providing access to and from each Lot, and for underground utility easements. It is understood and agreed, however, that the easement for ingress and egress and for underground utility easements provided herein shall not be used for access to, or to service, any property outside the McLendon Hills Subdivision Development. Furthermore, no Owner shall construct or allow to be constructed any roadway for vehicular traffic, or allow any easement for access or utilities, from his Lot or from any Common Area to any property outside the Development without the prior written consent of Developer.

ARTICLE X
GENERAL PROVISIONS

Section 1. Enforcement. The Developer, the Association, the Architectural Review Committee, or any non-breaching Owner, or any of them jointly or severally, shall have the right to proceed at law or in equity to compel compliance with the terms hereof or to prevent the violation or breach of such terms by any Owner or other person. The prevailing party or parties shall be entitled to recover the costs and expenses of such action, including reasonable attorneys fees, from the losing party or parties, in the discretion of the court. In addition to the foregoing, the Developer and the Association shall have the right, but not the obligation, whenever there shall have been built on any Lot any structure which is in violation of these restrictions or without the prior approval of the Architectural Review Board, to enter upon such Lot and correct or remove such violating structure at the expense of the Owner. Any such entry and abatement or removal shall not be deemed a trespass. The failure to enforce any such right, reservation, restriction or condition shall not be deemed a waiver of the right to do so thereafter as to the same or another breach, and shall not bar or affect such later enforcement.

Section 2. Notices. Notices shall be in writing and shall be addressed as follows: (i) If to an Owner, to the address of his lot; (ii) if to Developer, to Equestrian Lakes, LLC, 223 South Hancock Street, Rockingham, North Carolina 28380; (ii) if to the Association, to the address of the Development. The Developer may designate a different address for notices by giving written

notice of such change of address to all Owners and to the Association. The Association may designate a different address for notices by giving written notice of such change of address to all Owners and to the Developer. Any Owner may designate a different address for notices by giving written notice of such change of address to the Developer and to the Association.

Section 3. Headings. The headings used in these Restrictive Covenants are for convenience and reference only and the words contained therein shall not be held to expand, modify, or aid in the interpretation, construction, or meaning of these Restrictive Covenants.

Section 4. Severability. The invalidation by any Court of any restriction or covenant contained in these Declarations shall in no way affect any of the other restrictions or covenants, but they shall remain in full force and effect.

Section 5. Supplemental Declaration. Developer reserves the right to subject any property now hereafter owned by Developer to the provisions of this Declaration.

Such addition(s) shall be made by Developer, its successors or assigns, filing of record a Supplementary Declaration of Covenants and Restrictions, which shall identify the property to be included and which shall incorporate this Declaration by reference.

However, no other land within the vicinity of the Development shall be subject to this Declaration unless the provisions of this section are complied with, it being intended that this Declaration may not be construed or considered as a scheme for the development of any land other than that shown on the presently existing and recorded Map and additional properties for which a Supplementary Declaration of Covenants and Restrictions may hereafter be filed as provided in this section.

In addition the Developer reserves the right to file separate and unrelated declarations concerning other properties now or hereafter owned by Developer.

Section 6. Duration. All Owners, by accepting the deed to his Lot, accepts the same subject to these Restrictive Covenants, and all covenants,

restrictions and servitudes contained therein, and agrees for himself, his heirs, legal representatives, administrators, and assigns, to be bound by each of said covenants, restrictions, and servitudes, jointly, separately, and severally, without limitation for the terms set forth herein:

> Article II of these Restrictive Covenants shall continue into perpetuity, unless earlier amended with the specific and written approval of the U.S. Army Corps of Engineers, Wilmington District, and then only in a manner acceptable to the Corps of Engineers as confirmed in writing;
>
> The balance of these Restrictive Covenants shall be in effect until January 1, 2027, and shall be automatically extended for successive periods of ten (10) years each unless the Owners of not less than two-thirds (2/3) of the Lots agree in a writing signed and recorded in Moore County, North Carolina, Public Registry, at any time prior to the expiration of the said term or any succeeding ten-year period, to terminate or modify the same.

Section 7. Amendment. Article II of these Restrictive Covenants may not be amended at any time, in any way, without the specific and written approval of the U.S. Army Corps of Engineers, Wilmington District, and then only in a manner acceptable to the Corps of Engineers as confirmed in writing and by an instrument signed by the Owners of not less than fifty-one percent (51%) of the Lots then subject to these Covenants.

The balance of these Restrictive Covenants may be amended by an instrument signed by the Owners of not less than fifty-one percent (51%) of the Lots then subject to these Covenants.

IN WITNESS WHEREOF, the Owners have hereunto set their hands and seals, and the limited liability companies have caused this instrument to be signed in the corporate names, by the duly authorized officers, the day and year first above written.

EQUESTRIAN LAKES, LLC
a North Carolina Limited Liability Company

By:_____(SEAL)

Craig S. McNeill, Member-Manager

By:_____(SEAL)
Thomas T. Carr, Member-Manager

Wetlands Revisions for All Phases Subsequent to Phase I

ARTICLE XI
WETLANDS, MITIGATION AND CONSERVATION AREA

Section 1. Wetlands in Phase II. That certain area, more particularly described in Plat Cabinet 7, Slide 868 incorporated hereby by reference (the "Wetland Area") has been determined to meet the requirements for designation as a regulatory wetland. Portions of many parcels located in Phase 2 are located within the boundaries of the Wetland Area. The Wetland Area shall remain in its natural and open condition in perpetuity and any activities, which would directly and significantly damage the nature of the Wetland Area are prohibited. Dredging, ditching and filling of the Wetland Area shall be deemed activities which significantly damage its nature and shall be prohibited. Notwithstanding the foregoing, the installation and maintenance of driveways, utility lines, road crossings and pedestrian and equestrian trails are permitted within the Wetland Area in accordance with all applicable federal and state regulatory requirements. Normal or customary residential activities, including the planting and maintenance of grass, shrubs and gardens, shall not be prohibited on areas adjacent to the Wetland Area.

Section 2. Enforcement of the Wetland Area Covenants. The covenants set forth in this Article II are in consideration for, and required as a condition of, Section 401 Water Quality Certification, No. 3209, dated April 6, 1999 issued by the North Carolina Division of Water Quality, Department of Environment and Natural Resources, for activities impacting wetlands in McLendon Hills Subdivision, including mitigation therefor, and are intended to ensure in perpetuity preservation of the Wetland Area and continued compliance with wetland rules adopted by the State of North Carolina and the United States of America. Therefore, these covenants are for the benefit of and may be enforced by the State of North Carolina and the United States of America. The State of North Carolina and the United States of America may, after reasonable notice to the owner of the parcel, which includes the relevant portion of the Wetland Area, conduct a visual inspection of the Wetland Area at reasonable times to determine compliance with these covenants. In the event a violation of these covenants is found to exist, the State of North Carolina and the United States of America may institute suit to enjoin by ex parte, temporary or permanent injunction such violation and require restoration of the Wetland

Area to the condition in which it existed immediately prior to the violation. No failure on the part of the State of North Carolina or the United States of America to enforce any covenant contained in this Article II shall discharge or invalidate such covenant or their respective rights to enforce the same in the event of a subsequent breach. The covenants set forth in this Article II run with the land and shall be binding upon the Developer and any future owner of a parcel which includes any portion of the Wetland Area. These provisions will affect all phases of McLendon Hills Subdivision except for the initial phase, concerning which Amended Restrictive Covenants are recorded at Book 1434, Page 108 in the Moore County Registry.

Dwelling Square Footage Requirements For All Phases Subsequent to Phase I

ARTICLE XII
USE RESTRICTIONS

(a) Dwellings on Type I Lots (Lot Numbers in the 300 series):

Size. All single floor dwellings shall have a heated, enclosed ground floor area of at least 2000 square feet, not including basements, porches, screened porches, garages or stoops.

All split-level or multi-level dwellings (not including two story dwellings) shall have a heated, enclosed floor area of at least 2100 square feet not including porches, screened porches, garages, stoops, or basements unless approved in writing by the Developer.

Dwellings of two stories must have a heated, enclosed floor area of at least 2200 square feet; not including basements, porches, screened porches, garages or stoops.

(b) Dwellings on Type II Lots (Lot Numbers in the 200 series):

Size. All single floor dwellings shall have a heated, enclosed ground floor area of at least 2200 square feet, not including basements, porches, screened porches, garages or stoops.

All split-level or multi-level dwellings (not including two story dwellings) shall have a heated, enclosed floor area of at least 2300 square feet not including porches, screened porches, garages, stoops, or basements unless approved in writing by the Developer.

Dwellings of two stories must have a heated, enclosed floor area of at least 2400 square feet; not including basements, porches, screened porches, garages or stoops.

(c) Dwellings on Type III Lots (Lot Numbers in the 100 series):

Size. All single floor dwellings shall have a heated, enclosed ground floor area of at least 2500 square feet, not including basements, porches, screened porches, garages or stoops.

All split-level or multi-level dwellings (not including two story dwellings) shall have a heated, enclosed floor area of at least 2600 square feet not including porches, screened porches, garages, stoops, or basements unless approved in writing by the Developer.

Dwellings of two stories must have a heated, enclosed floor area of at least 2700 square feet; not including basements, porches, screened porches, garages or stoops.