

STATE OF NORTH CAROLINA
WAKE COUNTY

DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
FOR RIVERBEND AT LAKESIDE

THIS DECLARATION, made on the date hereinafter set forth, by COMPASS DEVELOPMENT CORPORATION, a North Carolina Corporation, having its principal office and place of business in Wake County, North Carolina, hereinafter referred to as "Declarant";

W I T N E S S E T H:

WHEREAS, Declarant is the owner of certain property in St. Matthews Township, Wake County, North Carolina which is more particularly described as:

See Exhibit A attached hereto and incorporated herein by reference.

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

NOW THEREFORE, Declarant hereby declares that all of the property described above shall be held, sold and conveyed subject to the following easements, restrictions, covenants, and conditions, all of which are for purpose of enhancing and protecting the value, desirability, and attractiveness of the real property, and which shall run with the real property and shall be binding on all parties having or acquiring any right, title, or interest in the described properties or any part thereof, and shall inure to the benefit of each owner thereof.

PRESENTED
FOR
REGISTRATION
JUN 4 3 15 PM '88
REGISTERED
WAKE COUNTY, N.C.

ARTICLE I
DEFINITIONS

SECTION 1. "Association" shall mean and refer to RIVERBEND AT LAKESIDE ASSOCIATION, a North Carolina non-profit corporation, its successors and assigns.

SECTION 2. "Properties" shall mean and refer to that certain real property hereinbefore described, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

SECTION 3. "Common Area" shall mean real property owned by the Association for the common use and enjoyment of all members or designated classes of members of the Association, including private streets, greenways and recreation areas.

SECTION 4. "Private streets" shall mean those portions of the common area which are designated as street area, whether or not constructed or opened, but which are not dedicated as a public street and are not publicly maintained.

SECTION 5. "Limited Common Area" shall mean those portions of the common area that serve only a limited number of lots and which may include, but specifically is not limited to, driveways and walkways serving townhouse lots and other detached homes, garages and walkways serving townhouse lots and other detached homes, garages or areas serving only specified lots, and such other similar areas as may be designated by the Association. Limited common areas shall be maintained at the expense of the owners of lots served thereby and not at the expense of the Association.

SECTION 6. "Lot" shall mean and refer to any plot of land shown upon the last recorded subdivision map of the properties on which such plot appears, with the exception of public rights-of-way, common area and limited common area.

SECTION 7. "Townhouse Lot" shall mean and refer to

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any lot upon which single family attached residences may be constructed, the designation of which is not changed before improvements are constructed thereon.

SECTION 8. "Detached House Lot" shall mean and refer to any lot other than lots as defined by Section 7 hereof.

SECTION 9. "Townhouse parking areas" shall mean those parking areas and driveways which are constructed on lots or on limited common areas but are for the benefit of the owners of townhouse lots.

SECTION 10. "Member" shall mean and refer to every person who holds membership in the Association.

SECTION 11. "Owner" shall mean and refer to the record owner, whether one or more persons of a fee simple title to any lot which is a part of the properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

SECTION 12. "Declarant" shall mean and refer to COMPASS DEVELOPMENT CORPORATION, a North Carolina Corporation, its successors and assigns to whom the rights of Declarant are expressly transferred, or if such successors or assigns should acquire more than one undeveloped lot or undeveloped acreage for the purpose of development, or acquire title to the property under a deed in lieu of foreclosure, judicial foreclosure, or foreclosure under power of sale contained in any deed of trust or one otherwise denominated a "Declarant" hereby. The rights of Declarant may be assigned or transferred in whole or in part, and subject to such terms and conditions as the Declarant may impose, by a written declaration recorded in the Wake County Registry.

SECTION 13. "Amenities" shall mean the facilities constructed, erected, or installed on the common area for the use, benefit and enjoyment of members.

SECTION 14. "Person" shall mean and refer to any individual, corporation, partnership, association, trustee, or other legal entity.

ARTICLE II
ANNEXATION OF ADDITIONAL PROPERTIES

SECTION 1. Annexation Of Property. Prusuant to the procedures as hereinafter required, additional lands may be added and annexed to the properties only after said annexations have been reviewed and approved by the City of Raleigh and have satisfied all size restrictions and limitations required by the Raleigh City Code at the time of said annexation.

SECTION 2. Annexation By Members. Except as provided in Section 2 of this Article, additional lands may be added and annexed to the properties only if both two-thirds (2/3) of all of the votes entitled to be cast, in the aggregate, by Class A members and also two-thirds (2/3) of all the votes entitled to be cast by Class B members, if any, are cast in favor of annexation. A meeting shall be duly called for this purpose, written notice of which shall be sent to all members of the Association, setting forth the time, place and purpose of the meeting, not less than thirty (30) days nor more than sixty (60) days in advance of the meeting.

For the purposes of such meeting, the presence thereat of members or proxies entitled to cast sixty percent (60%) of the votes of the Class A members and sixty percent (60%) of the votes of the Class B members, if any, shall constitute a quorum. If the required quorum is not forthcoming at any meeting, another meeting may be called within sixty (60) days thereafter, subject to the notice requirement set forth above, and the required quorum of such subsequent meeting shall be one-half (1/2) of the required quorum of the preceding meeting.

If a quorum is present and the majority of the votes are cast in favor of the annexation, but the majority is less than the two-thirds (2/3) majority, either of the Class A or of the Class B votes, or both, required for approval of the annexation, and it appears that the required two-thirds (2/3) majority of either class may be achieved if the members not present or voting by proxy assent to the annexation, then and in that event, the members not present or voting by proxy may assent or dissent from the proposed annexation in writing within 120 days following the date of the meeting at which the vote was taken. Each member so assenting or dissenting shall be deemed to have cast, respectively, all of the votes to which he is entitled under Article IV of this Declaration either in favor of or against the annexation. If the number of votes cast at the meeting in favor of the annexation, together with the votes deemed to have been cast by the members assenting to the annexation, shall constitute the requisite two-thirds (2/3) majority of all votes entitled to be cast by the Class A members, in the aggregate, and by the Class B members, the annexation shall stand approved.

SECTION 3. Annexation By Declarant. The Declarant may annex additional lands to the properties in the following manner:

(a) If, within ten (10) years of the date of incorporation of the Association, the Declarant should develop additional lands within the boundaries shown on the general plan of this development heretofore submitted to the City of Raleigh, such additional lands may be annexed to said properties without the assent of the Class A members. Detailed plans for the development of additional lands may be submitted to the City of Raleigh prior to such development if such submission is required by ordinances of the City of Raleigh.

(b) If, within ten (10) years of the date of incorporation of the Association, the Declarant should

develop, from time to time, an additional tract or additional tracts of land, other than as set forth in subsection (a) above, consisting of any property outside of the boundaries of the General Plan of RIVERBEND AT LAKESIDE submitted to the City of Raleigh, such additional lands shall be annexed to said properties only with the assent of two-thirds (2/3) of the Class A and Class B members, provided, however, that such annexation shall be approved by the City of Raleigh if such approval is required by ordinances of the City of Raleigh and, provided further, that the development of the additional lands described in this Section shall include amenities, equivalent in replacement cost (computed at the time that construction of the additional amenities is commenced and on the basis of the number of dwelling units being served), to those constructed on the properties.

(c) The Declarant may annex to the properties the additional lands described in subsections (a) and (b) of this Section 2 by recording in the Wake County Registry a declaration of annexation, duly executed by Declarant, describing the lands annexed and incorporating the provisions of this Declaration, either by reference or by fully setting out said provisions therein. The additional land shall be deemed annexed to the properties on the date of recordation of the declaration of annexation, and no action or consent on the part of the Association or any other person or entity shall be necessary to accomplish the annexation except as required in Article XII, Section 6 and by the City of Raleigh as provided in subsections (a) and (b) of this Article.

(d) Subsequent to recordation of any subsequent declaration of annexation by the Declarant and prior to the conveyance of the first lot within said newly annexed lands, the Declarant shall deliver to the Association one or more deeds conveying any common area or limited common area within the lands annexed as such common area or limited

common area is developed. It is understood, however, that the amenities which have been planned for inclusion within the general plan of this development referred to in this Section 2 are intended for the use of the occupants of fifty-seven (57) dwellings. Notwithstanding any provision in this instrument to the contrary, if less than fifty-seven (57) dwelling units are constructed within the boundaries shown on the general plan of this development referred to in subsection (a) of this Section 2, no additional amenities shall be required on account of the annexation of additional properties outside the boundaries shown on the general plan of this development until the number of dwelling units within and outside said boundaries exceeds fifty-seven (57).

ARTICLE III
MEMBERSHIP

Every person who is record owner of a fee or undivided fee interest in any lot which is subject by covenants of record to assessment by the Association, including contract sellers, but excluding persons who hold an interest merely as security for the performance of any obligations, shall be a member of the Association. Ownership of such interest shall be the sole qualification for such membership; no owner shall have more than one membership in each Association and there shall be only one vote per lot in such Association. Membership shall be appurtenant to and may not be separated from ownership of any lot which is subject to assessment. The Board of Directors may make reasonable rules regarding proof of ownership.

ARTICLE IV
VOTING RIGHTS

SECTION 1. The Association shall have two (2) classes of voting membership:

(a) Class A. Class A members shall be all owners, other than Declarant; however, Declarant shall be a Class A member to the extent provided in (b) hereinafter. Class A members shall be entitled to one (1) vote for each lot owned. When more than one (1) person holds an interest in any lot all such persons shall be members. The vote for such lot shall be exercised as the owners thereof determine, but in no event shall more than one (1) vote be cast with respect to any lot, and no fractional vote may be cast with respect to any lot.

(b) Class B. The Class B member shall be the Declarant, and it shall be entitled to three (3) votes for each lot in which it holds a fee or undivided fee interest, provided that the Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

- (1) When the total votes outstanding in Class A membership equal the total votes outstanding in Class B membership; provided, however, that the Class B membership shall be reinstated with all rights, privileges, and responsibilities if, after conversion of the Class B membership to Class A membership as herein provided, additional lands are annexed to the property by the Declarant in the manner provided in Article II of this Declaration, or
- (2) Ten Years from the date of incorporation of the Association.

SECTION 2. The right of any member to vote may be suspended by the Board of Directors for just cause pursuant to its rules and regulations and according to the provisions of Article V, Section 1(c).

ARTICLE V
PROPERTY RIGHTS

SECTION 1. Members' Easements of Enjoyment. Every member shall have a right and easement of enjoyment in and to the common area and a right of access, ingress, egress and regress over and through the common areas, which shall be appurtenant to and shall pass with the title to every assessed lot, subject to each of the following provisions:

(a) The right of the Association to charge reasonable admission and other fees for the use of any recreational facility situated upon the common area;

(b) The right of the Association, in accordance with its Articles and Bylaws, to borrow money for the purpose of improving the common area and facilities and in aid thereof to mortgage the common area, or any portion thereof, except private streets, and the rights of such mortgagee in said properties shall be subordinate to the rights of the homeowners hereunder; provided, however, that the execution of such mortgage shall require the same approval of the membership which is required for special assessments for capital improvements as set forth in Article VI, Section 4 of this Declaration.

(c) The right of the Association to suspend the voting rights and right to the use of any recreational facilities by a member or any person to whom he has delegated his right of enjoyment for any 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;

(d) The right of the Association to dedicate or transfer all or any part of the common area or limited common area to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the members; provided, however, that no conveyance of the limited common area to any public agency,

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authority or utility shall deprive any member, otherwise entitled, of the full use thereof. No such dedication or transfer shall be effective unless approved by members entitled to cast two-thirds (2/3) of the votes of the Class A membership and two-thirds (2/3) of the votes of the Class B membership, if any, and unless written notice of the proposed action is sent to every member not less than thirty (30) days nor more than sixty (60) days in advance of the vote. The instrument affecting such dedication, transfer or conveyance shall be sufficient if it is executed by appropriate officers of the Association, and contains a recital of the approval of the members;

(e) The right of members to the exclusive use of parking spaces as provided in this Article;

(f) The right of the Association to formulate, amend, publish and enforce rules and regulations as provided in Article IX.

SECTION 2. Delegation of Use. Any member may delegate, in accordance with the Bylaws, his right of enjoyment to the common area and facilities to the members of his family, his tenants or contract purchasers who reside on the property, subject to such general regulations as may be established from time to time by the Association.

SECTION 3. Title to the Common Area and Limited Common Area. The Declarant hereby covenants for itself, its successors and assigns, that it will convey fee simple title to the common area and limited common area shown on the aforementioned recorded maps to the Association, free and clear of all encumbrances and liens, prior to the conveyance of the first lot, except utility, antenna and drainage easements and easements to governmental authorities. Similarly, Declarant will convey to the Association common areas and limited common areas which are parts of this development as those portions are annexed in the future.

SECTION 4. Parking Rights. Ownership of each lot on which a dwelling is constructed shall entitle the owner

or owners thereof to one assigned automobile parking space and to the use of at least one additional parking space (provided, the Association, in its discretion, may permit the use of more than one additional space), and the assigned space shall be as near and convenient to said lot as reasonably possible, together with the right of ingress and egress in and upon said parking areas; provided, however, that the foregoing shall not be applicable if parking is provided on the lot or limited common area. The Association may regulate the parking of boats, trailers, and other such items on the property (including the provision of special facilities for which a reasonable charge may be made). No boats or trailers shall be parked within the right of way of any private street in or adjacent to this development. Members and their guests shall be prohibited from parking boats and trailers within the right-of-way of any public streets.

SECTION 5. Antennas and Cablevision. The Association may provide cablevision or central television antennas provided that the cost shall be borne by those who subscribe to the service and not be included in annual or special assessments. The Association may regulate or prohibit the erection of antennas on individual lots. No satellite discs shall be erected without prior approval of the Association.

ARTICLE VI
COVENANT FOR ASSESSMENTS

SECTION 1. Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each lot owned within the properties, hereby covenants, and every other owner of any lot by acceptance of a deed therefor, whether or not it shall be so expressed in any such deed or other conveyance, is deemed to covenant and agree to pay to the Association:

- (a) Annual assessments or charges;
- (b) Special assessments for capital improvements.

Such assessments shall be fixed, established, and collected from time to time as hereinafter provided.

The annual and special assessments, together with such interest thereon and costs of collection shall be a charge on the land and shall be a continuing lien upon the lot and improvements against which each such assessment is made. Each such assessment, together with such interest, costs, and attorney fees shall also be the personal obligation of the person who was the owner of the lot at the time the assessment fell due. The personal obligation of an owner for delinquent assessments shall not pass to his successors in title unless expressly assumed by them. All assessments relating to common area other than limited common area shall be shared equally by the owners of each lot. All assessments which are for the maintenance or improvements of limited common areas shall be shared equally by the owners of lots served by such limited common area. All assessments which are for the maintenance and improvements of dwellings shall be shared equally by the owners of lots upon which such dwellings are situated.

SECTION 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively for promoting the recreation, health, safety, and welfare of the residents and the properties; enforcing these covenants and the rules of the Association; improving and maintaining the properties and the homes situated thereon; providing the services and facilities for purposes of and related to the use and enjoyment of the common area and facilities, including but not limited to use, enjoyment and maintenance of a pool facility. Payment of liability insures premiums and payment of taxes and public assessments levied against the common areas.

SECTION 3. Amount of Assessment.

(a) Maximum Annual Assessment. To and including December 31, 1986, the maximum annual assessment shall not

be in excess of \$150.00 for each lot, the exact amount of which shall be determined from time to time as provided in subsection (d) of this Section 3.

(b) Increase by Association. From and after December 31, 1986, the maximum annual assessment may be increased effective January 1 of each year by the Board of Directors, without a vote of the membership, by a percentage which may not exceed the percentage increase reflected in the U.S. City Average, Consumer Price Index - United States and Selected Areas for Urban Wage Earners and Clerical Workers, All Items Most Recent Index and Percentage Changes from Selected Dates (published by the U.S. Bureau of Labor Statistics, Washington, D.C.), or such other Index as may succeed the Consumer Price Index, for the twelve-month period ending the immediately preceding July 1. However, in no event shall such increase be greater than twelve percent (12%) in any one year.

(c) Increase by Members. From and after December 31, 1986, the annual assessment may be increased by a percentage greater than that established by the Consumer Price Index formula by an affirmative vote of two-thirds (2/3) of each class of members who are voting in person or by proxy, at a meeting duly called for such purpose, written notice of which, setting forth the purpose of the meeting, shall be sent to all members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. The limitations herein set forth shall not apply to any increase in assessments undertaken as an incident to a merger or consolidation in which the Association is authorized to participate under its Articles of Incorporation.

(d) Criteria for Establishing Annual Assessment. In establishing the annual assessment for any assessment year, the Board of Directors shall consider all current costs and expenses of the Association, any accrued debts, and reserves for future needs, but it may not fix the annual assessment in an amount in excess of the sums derived by application of

the Consumer Price Index formula provided in subsection (b) without the consent of members required by subsection (c) of this Section 3.

(e) Lots Owned by Declarant. Notwithstanding anything in this Article VI to the contrary, and excepting lots upon which a dwelling is completed and for which a certificate of occupancy has been issued, all lots owned by Declarant and held for sale shall be assessed at an amount equal to twenty-five percent (25%) of the actual assessments paid by owners.

SECTION 4. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the costs of construction or reconstruction, unexpected repair, or replacement of a described capital improvement upon the common area, including the necessary fixtures and personal property related thereto, provided that any such assessment shall have the assent of two-thirds (2/3) of the votes of each class of members who are voting in person or by proxy at a meeting duly called for this purpose, written notice of which, setting forth the purpose of the meeting, shall be sent to all members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting.

SECTION 5. Uniform and Non-Uniform Rates of Assessment. Special assessments must be fixed at a uniform rate for all lots, on a per lot basis, and may be collected on a monthly basis. Annual assessments shall be fixed at non-uniform rate with the rate for detached homes being 25% of the rate for cluster homes on a per lot basis.

SECTION 6. Quorum for any Action Authorized Under Sections 3 and 4. At the first meeting called, as provided in Sections 3 and 4 hereof, the presence at the meeting of members or of proxies entitled to cast sixty percent (60%) of all the votes of each class of membership shall constitute a quorum. If the required quorum is not forthcoming at any meeting, another meeting may be called

subject to the notice requirement set forth in Sections 3 and 4, and the required quorum at any such subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such meeting shall be held more than sixty (60) days following the preceding meeting.

SECTION 7. Date of Commencement of Annual Assessments: Due Dates. The annual assessments provided for herein may be collected in equal installments or on an annual basis and the payment of such shall commence as to each lot on the first day of the month following the recordation of the Declaration for each Section. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board of Directors shall fix the amount of the annual assessment against each lot at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every owner subject thereto. The due dates shall be established by the Board of Directors. The Association, upon demand at any time, shall furnish a certificate in writing signed by an officer of the Association setting forth whether the assessments on a specified lot have been paid. A properly executed certificate of the Association as to the status of assessments on a lot is binding upon the Association as of the date of its issuance.

SECTION 8. Effect of Nonpayment of Assessments: Remedies of the Association. Any assessments or portion thereof which are not paid when due shall be delinquent. If the assessment or portion thereof is not paid within thirty (30) days after the due date, the same shall bear interest from the date of delinquency at the rate of twelve percent (12%) per annum. The Association may bring an action against the owner personally obligated to pay the same, or foreclose the lien against the property, and, in either event, interest, attorney fees and costs of any such action shall be added to the amount of such assessment. No owner

may waive or otherwise escape liability for the assessment provided for herein by non-use of the common area or abandonment of his lot.

SECTION 9. Subordination of the Lien to Mortgages and Ad Valorem Taxes. The lien of the assessments provided for herein on any lot shall be subordinate to the lien of any first mortgage and ad valorem taxes on such lot. Sale or transfer of any lot shall not affect the assessment lien; however, the sale or transfer of any lot pursuant to mortgage foreclosure or any proceeding in lieu thereof, shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such lot from liability for any assessments thereafter becoming due or from the lien thereof.

SECTION 10. Exempt Property. Any portion of the property dedicated to, and accepted by, a local public authority and all properties owned by a charitable or non-profit organization exempt from taxation by the laws of the State of North Carolina shall be exempt from the assessments created herein, and except as herein provided, no land or improvements devoted to dwelling use shall be exempt from said assessments.

ARTICLE VII

ARCHITECTURAL CONTROL AND INSPECTION

No site preparation or initial construction, erection, or installation of any improvements, including, but not limited to, residences, outbuildings, fences, walls, signs, antennas, clotheslines and other structures, shall be undertaken upon the properties unless the plans and specifications therefor, showing the nature, kind, shape, height, colors, materials and location of the proposed improvements shall have been submitted to the Declarant or its agent and expressly approved in writing. No subsequent alteration or modification of any existing improvements nor

construction, erection, or installation of additional improvements may be undertaken on any of the properties without the prior review and express written approval of the Board of Directors of the Association, or by an architectural committee composed of three (3) or more representatives appointed by the Board.

In the event that the Declarant or the Association, as the case may be, fails to approve or disapprove the site or design of any proposed improvements within thirty (30) days after plans and specifications therefor have been submitted and received, approval will not be required, and the requirements of this Article will be deemed to have been fully met; provided, that the plans and specifications required to be submitted shall not be deemed to have been received by the Declarant or the Association if they contain erroneous data or fail to present adequate information upon which the Declarant or the Association, as the case may be, can arrive at a decision.

The Declarant or the Association shall have the right, at their election to enter upon any of the properties during site preparation or construction, erection or installation of improvements to inspect the work being undertaken and to determine that such work is being performed in conformity with the approved plans and specifications and in a good and workmanlike manner, utilizing approved methods and good quality materials.

ARTICLE VIII
EXTERIOR MAINTENANCE

The maintenance of lots and improvements constructed thereon shall be the duty of the owners of such lots or any association required to maintain such lots (except where specifically provided otherwise) and shall not normally be interfered with by the Association or any person. If, however, in the opinion of the Association any owner or any

association required to maintain such lots shall fail to maintain any lot owned by him or it in a manner which is reasonably neat and orderly or shall fail to keep improvements constructed thereon in a state of repair so as not to be unsightly, all in the opinion of the Association, the Association in its discretion, by the affirmative vote of two-thirds (2/3) of the members of the Board of Directors, and following ten (10) days written notice to the owner or any association required to maintain such lots, may enter upon and make or cause to be made repairs to such improvement and perform such maintenance on the lot as the removal of trash, cutting of grass, pruning of shrubbery, seeding and items of erosion control. The Association shall have an easement for the purpose of accomplishing the foregoing. The cost incurred by the Association in rendering all such services, plus a service charge of fifteen percent (15%) of such cost, shall be added to and become a part of such other assessment to which such lot is subject.

ARTICLE IX
USE RESTRICTIONS

SECTION 1. Rules and Regulations. The Board of Directors of the Association shall have the power to formulate amend, publish and enforce reasonable rules and regulations concerning the use and enjoyment of the common area. Such rules and regulations, along with all policy resolutions and policy actions taken by the Board of Directors, shall be recorded in a Book of Resolutions, which shall be maintained in a place convenient to the owners and available to them for inspection during normal business hours.

SECTION 2. Use of property. Each lot, the limited common area, common area and facilities shall be for the following uses and subject to the following restrictions, and, in addition, to those set forth in the Bylaws:

(a) No immoral, improper, offensive or unlawful use shall be made of the properties, or any part thereof, and all valid laws, ordinances, and regulations of all governmental agencies having jurisdiction thereof shall be observed. All laws, orders, rules, regulations, or requirements of any governmental agency having jurisdiction thereof, relating to any portion of the property, shall be complied with, by and at the sole expense of the owner or the Association, whichever shall have the obligation to maintain or repair such portion of the property.

(b) No person shall undertake, cause, or allow any alteration or construction in or upon any portion of the common area and facilities except at the direction of or with the express written consent of the Declarant or the Association.

(c) No power boats shall be used on any lakes located within the properties.

SECTION 3. Quiet Enjoyment. No obnoxious or offensive activity shall be carried on upon the property, nor shall anything be done which may be or may become a nuisance or annoyance to any residents within the property.

ARTICLE X
EASEMENTS

SECTION 1. Walks, Drives, Parking Areas, and Utilities. All of the properties, including lots, common area and limited common area shall be subject to such easements for driveways, walkways, parking areas, waterlines, sanitary sewers, storm drainage facilities, gas lines, telephone and electric power lines, television antenna lines, and other public utilities as shall be established prior to subjecting the properties to this Declaration by the Declarant or its predecessors in title; and the Association shall have the power and authority to grant and to establish in, over, upon and across the common area conveyed to it such further easements as are requisite for the convenient use and enjoyment of the properties.

SECTION 2. Encroachments. All lots, the limited common area and the common area shall be subject to easements for the encroachment of initial improvements constructed on adjacent lots by the Declarant to the extent that such initial improvements actually encroach, including, without limitation, such items as overhanging eaves, gutters, downspouts, exterior storage rooms, bay windows, steps and walls. If any encroachment shall occur subsequent to subjecting the properties to this Declaration as a result of settling or shifting of any building or as a result of any permissible repair, construction, reconstruction, or alteration, there is hereby created and shall be a valid easement for such encroachment and for the maintenance of the same. Every lot shall be subject to an easement for entry and encroachment by the Declarant for a period not to exceed eighteen (18) months following conveyance of a lot to an owner for the purpose of correcting any problems that may arise regarding grading and drainage. The Declarant, upon making entry for such purpose, shall restore the affected lot or lots to as near the original condition as practicable.

SECTION 3. Private Street and Limited Common Areas. All private streets and limited common areas shall be subject to an easement in favor of every lot to which they are adjacent or which they are designated to serve and shall be deemed appurtenant to each lot, whereby the owner of such lot shall be entitled to use them as a means of ingress, egress and regress and such other uses as shall have been designated. Such easement shall be superior to every easement of whatever nature to which any of the common area may be subjected.

SECTION 4. 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 his dwelling. Such repair, maintenance or reconstruction shall be done expeditiously and, upon completion of the work, the owner shall restore the adjoining lot to as near the same condition as that which prevailed prior to the commencement of the work as is reasonably practicable.

SECTION 5. Easement for Governmental Agencies. "An easement is hereby established over all common area for the benefit of applicable governmental agencies for the setting, removing, and reading of water meters, maintaining and replacing water, drainage and drainage facilities, fire fighting, law enforcement, garbage collection and the delivering of mail."

ARTICLE XI
RIGHTS OF INSTITUTIONAL LENDERS

SECTION 1. Amendments. The prior written approval of each institutional holder of a first deed of trust on lots in the properties will be required for any material amendment to the Declaration or to the Bylaws of the Association.

SECTION 2. Professional Management. Professional management of the Association is selected by Declarant for the period during which Declarant maintains voting control of the Association. Following the transfer of voting control to the owners pursuant to Article IV, professional management of the Association shall be continued by the owners. Self management of the Association by the owners is allowed only with the prior written consent of each institutional holder of a first deed of trust on any lot or property within RIVERBEND AT LAKESIDE.

SECTION 3. Inspection and Notice. Upon written request, any institutional holder of a first lien on a lot will be entitled to:

(a) inspect the books and records of the Association during normal business hours; and

(b) receive an annual financial statement of the Association within ninety (90) days following the end of any fiscal year; and

(c) written notice of all meetings of the Association and be permitted to designate a representative to attend all such meetings; and

(d) written notice of a lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the owner's association; and

(e) written notice of any proposed action that requires the consent of a specified percentage of mortgage holders; and

(f) written notice of any sixty (60) day delinquency in the payment of assessments or charges owed by the owner of any unit on which it holds the mortgage.

SECTION 4. Condemnation or Default.

(a) If any lot or portion thereof or the common area or any portion thereof is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority, then the institutional holder of any first mortgage on a lot will be entitled to timely written notice of any such proceeding or proposed acquisition.

(b) The holder of a first mortgage on any lot shall be given prompt notice of any default in the lot mortgagor's obligations hereunder not cured within thirty (30) days of said default, provided that the holder shall have given notice to the Association that it is a holder as to the lot of such mortgagor and shall have requested the notice of default as herein set forth.

ARTICLE XII

GENERAL PROVISIONS

SECTION 1. Enforcement. The Association, or any owner, shall have the right to enforce, by any proceeding at

law or equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration. Failure by the Association or by any owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

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

SECTION 3. Amendment. The covenants, conditions and restrictions of this Declaration shall run with and bind the land, and shall inure to the benefit of and be enforceable by the Association, or the owner of any lot subject to this Declaration, their respective legal representatives, heirs, successors, and assigns, for a term of twenty (20) years from the date this Declaration is recorded, after which time said covenants shall be automatically extended for successive periods of ten (10) years. The covenants, conditions and restrictions of this Declaration may be amended during the first twenty (20) year period by an instrument signed by the owners of not less than ninety percent (90%) of the lots, and thereafter by an instrument signed by the owners of not less than seventy-five percent (75%) of the lots; provided, however, that the Board of Directors of the Association may amend this Declaration to correct any obvious error or inconsistency in drafting, typing or reproduction without action or consent of the owners, and such amendment shall be certified as an official act of the Board and recorded in the Wake County Registry.

SECTION 4. Amendment by Declarant. Notwithstanding any provision in this instrument, the Declarant, without the consent or approval of any other owner, shall have the right to amend this Declaration to conform to the requirements of law or governmental agency having legal jurisdiction over

the property or to qualify the property or any lots and any other properties and improvements thereon for mortgage or improvement loans made by, guaranteed by, sponsored by or insured by a governmental agency or to comply with the requirements of law or regulations of any corporation or agency belonging to, sponsored by, or under the substantial control of, the United States Government or the State of North Carolina, regarding purchase or sale of such lots or other property and improvements, or mortgage interests therein, as well as any other law or regulation relating to the control of the property, including, without limitation, ecological controls, construction standards, aesthetics, and matters affecting the public health, safety and general welfare. A letter from an official of any such corporation or agency, including, without limitation, the Veterans Administration (VA), U.S. Department of Housing and Urban Development (HUD), the Federal Home Loan Mortgage Corporation, Government National Mortgage Association, the Federal National Mortgage Association, or any agency of the State of North Carolina requiring an amendment as a condition of approval, or suggesting an amendment, shall be sufficient evidence of the approval of such amendment of VA, HUD and/or such corporation or agency.

SECTION 5. Procedure for Certification and Recordation of Amendment. Any instrument amending these covenants, conditions, and restrictions (other than an amendment by the Board to correct an error or inconsistency in drafting, typing, or reproduction) shall be delivered, following execution by the owners, to the Board of Directors of this Association. Thereupon, the Board of Directors shall, within thirty (30) days after delivery, do the following:

(a) Reasonably assure itself that the amendment has been executed by the owners of the required number of lots as provided in Section 4 of this Article. (For this purpose, the Board may rely on its roster of members and

shall not be required to cause any title to any lot to be examined);

(b) Attach to the amendment a certification as to its validity, which certification shall be executed by the Association in the same manner that deeds are executed. The following form of certification is suggested:

CERTIFICATION OF VALIDITY OF AMENDMENT TO COVENANTS
CONDITIONS AND RESTRICTIONS OF
RIVERBEND AT LAKESIDE

By authority of its Board of Directors, RIVERBEND AT LAKESIDE ASSOCIATION hereby certifies that the foregoing instrument has been duly executed by the owners of _____ percent of the lots of RIVERBEND AT LAKESIDE and is, therefore, a valid amendment to the existing covenants, conditions and restrictions of RIVERBEND AT LAKESIDE.

This the _____ day of _____, 19____.

RIVERBEND AT LAKESIDE ASSOCIATION

By: _____
President

ATTEST:

Secretary

(c) Immediately, and within the thirty (30) day period aforesaid, cause the amendment to be recorded in the Wake County Registry.

All amendments shall be effective from the date of recordation in the Wake County Registry; provided, however, that no such instrument shall be valid until it has been indexed in the name of this Association. When any instrument purporting to amend the covenants, conditions and restrictions has been certified by the Board of Directors, recorded and indexed as provided by this Section, it shall be conclusively presumed that such instrument constitutes a valid amendment as to the owners of all lots in this development.

(d) No amendment to these covenants, conditions and restrictions shall be effective without the consent of the Raleigh City Attorney or his deputy.

SECTION 6. FHA/VA Approval. As long as there is a Class B membership, the following actions will require the prior written approval of the Federal Housing Administration or the Veterans Administration: Annexation of additional properties, dedication of Common Area, and amendment of this Declaration of Covenants, Conditions and Restrictions.

SECTION 7. Conflicts. In the event of any irreconcilable conflict between the Declaration and the Bylaws of the Association, the provisions of this Declaration shall control. In the event of any irreconcilable conflict between this Declaration or the Bylaws of the Association and the Articles of Incorporation of the Association, the provisions of the Articles of Incorporation shall control.

SECTION 8. Exchange of Common Area for Other Portions of the Properties. Notwithstanding any provision herein to the contrary, it is expressly provided that subject to the consent of the City of Raleigh, the Association may convey to the Declarant, as well as any other member, in exchange for other portions of the properties conveyed by the Declarant or other member of the Association, any portion of the common area theretofore conveyed to the Association as provided hereinafter.

The Association, acting through its Board, from time to time may exchange with any member a portion of the Common Area for a portion of the real property owned by such member within the property, provided that the real property acquired by the Association in the exchange:

(a) is free and clear of all encumbrances except Protective Covenants of record, the Declaration, and easements for drainage, utilities, and sewers;

(b) is contiguous to the other portions of the common area; and

(c) has approximately the same area and utility as the portion of the common area exchanged. The real property so acquired by the Association shall be a part of the common area, and, without further act of the Association of membership, shall be released from any provisions of the Protective Covenants and Declaration except those applicable to the common area. The portion of the common area so acquired by the member, without further act of the Association or membership, shall cease to be common area and shall be subject to those provisions of the Protective Covenants and Declaration that were applicable to the real property conveyed to the Association by the member.

Upon such conveyance, the area thus conveyed to the Declarant shall become common area and subject to the Provisions of these Covenants relating to common area.

ARTICLE XIII

PARTY WALLS

SECTION 1. General Rules of Law to Apply. Each wall which is built as a part of the original construction of the homes upon the Properties and placed on the dividing line between the Lots and all reconstruction or extensions of such walls, and, to the extent not inconsistent with the provisions of the Article, the general rules of law regarding party walls, lateral support in below-ground construction and of liability for property damage due to negligence or willful acts or omissions shall apply thereto.

SECTION 2. Sharing of Repair and Maintenance. The cost of reasonable repair and maintenance of a party wall shall be shared by the owners who make use of the wall in proportion to such use.

SECTION 3. Destruction by Fire or Other Casualty. If a party wall is destroyed or damaged by fire or other casualty, any Owner who has used the wall may restore it, and if the other Owners thereafter make use of the wall,

they shall contribute to the cost of restoration thereof in proportion to such use without prejudice, however, to the right of any such Owners to call for a larger contribution from the others under any rule of law regarding liability for negligent or willful acts or omissions.

SECTION 4. Easement and Right of Entry for Repair, Maintenance and Reconstruction. Every owner shall have an easement and right of entry upon the Lot of another Owner to the extent necessary to perform repair, maintenance or reconstruction of a party wall. Such repair, maintenance or reconstruction shall be done expeditiously. Upon completion of such construction, such owner shall restore the adjoining Lot to as near the same condition which prevailed on it before the commencement of such construction as is reasonably practicable.

SECTION 5. Weatherproofing. Notwithstanding any other provisions of this Article an Owner who, by his negligence or willful act, causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

SECTION 6. Right to Contribution Runs with Land. The right of any Owner to contribute from any other Owner under this Article shall be appurtenant to the land and shall pass to such Owner's successors in title.

SECTION 7. Certification by Adjoining Property Owner that No Contribution is Due. If any Owner desires to sell his property, he may, in order to assure a prospective purchaser that no adjoining property owner has a right of contribution as provided in this Article VI, request of the adjoining property owner or property owners a certification that no right of contribution exists, whereupon it shall be the duty of each adjoining property owner to make such certification immediately upon request and without charge; provided however that where the adjoining property owner claims a right of contribution, the certification shall contain a recital of the amount claimed.

SECTION 8. Arbitration. In the event of any dispute arising concerning a party wall, or under the provisions of this Article, such dispute shall be settled by arbitration as provided by the laws of North Carolina, relating to arbitration as then existing.

ARTICLE XIV
DISSOLUTION OR INSOLVENCY OF THE ASSOCIATION

In the event that the Association becomes insolvent, is dissolved or for any reason whatsoever loses the ownership of any of the private streets or limited common areas referred to in Article X, Section 3, the owners of lots having an interest in such limited common areas and private streets may, at their election as determined by majority vote of those affected, form a non-profit corporation as provided in the Articles and Bylaws of the Association and assign to it the duty and authority to assess on a per lot basis all lots abutting such limited common area or common area, whereupon such corporation shall maintain such common area in the same manner that the Association is empowered to do by this instrument with the same right of lien for assessments provided for herein.

ARTICLE XV
RELEASE OF RESPONSIBILITY OF CITY

In no case shall the City be responsible for failing to provide any emergency or regular fire, police or other public service to such developments or their occupants when such failure is due to the lack of access to such areas due to inadequate design or construction, blocking of access routes, or any other factor within the control of the developer, homeowner's association or occupants.

IN WITNESS WHEREOF, the Declarant has caused this instrument to be executed in their respective names by authority duly given.

This the 4th day of JUNE, 1986.

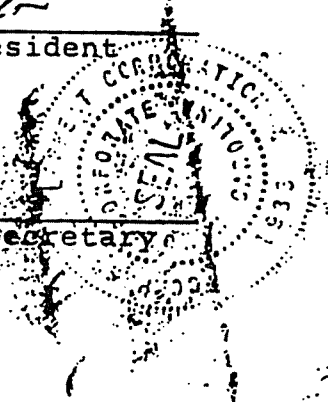
COMPASS DEVELOPMENT CORPORATION,
a North Carolina Corporation

By: Kenneth T. Allen
KENNETH T. ALLEN, President

ATTEST:

John Russell Stout, Jr.
JOHN RUSSELL STOUT, JR., Secretary

(CORPORATE SEAL)

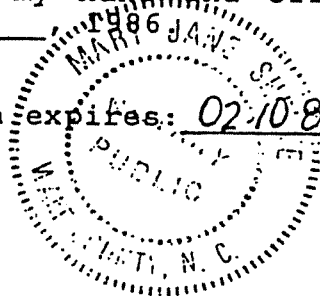


STATE OF NORTH CAROLINA
COUNTY OF WAKE

I, a Notary Public of the County and State aforesaid, certify that JOHN RUSSELL STOUT, JR., personally came before me this day and acknowledged that he is Secretary of COMPASS DEVELOPMENT CORPORATION, a North Carolina Corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its President, sealed with its corporate seal and attested by him as its Secretary.

Witness my hand, and official seal, this 4th day of JUNE

My commission expires: 02-10-87



Mary Jane Shrum
Notary Public

NORTH CAROLINA - WAKE COUNTY

The foregoing certificate of Mary Jane Shrum

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

KENNETH C. WILKINS, Register of Deeds

By Stacia L. Jones
Not. / Deputy Register of Deeds

EXHIBIT A

BEGINNING at a point in the eastern right of way line of Beaver Creek Drive said point being the southwestern corner of Lot 15, Riverbend Plantation as shown on maps recorded in Book of Maps 1985 Pages 780 and 781 runs thence from said beginning point with the southern most line of Lot 15 south 58 degrees 59 minutes 20 seconds east 424.20' to a point runs thence with the eastern most line of said Lot 15 North 10 degrees 56 minutes 05 seconds East 141.90' to a point runs thence South 58 degrees 59 minutes 20 seconds East 699.45' to a point in the western right of way line of Stoutt Drive runs thence with the western most right of way line of Stoutt Drive as it curves in a southernly direction along a curve having a radius of 600.21' an arch distance of 134.40' runs thence south 58 degrees 59 minutes 20 seconds East 634.42' to a point runs thence north 82 degrees 10 minutes 11 seconds West 421.95' to a point runs thence North 87 degrees 32 minutes 10 seconds west 200.00' to a point runs thence south 72 degrees 58 minutes 09 seconds West 197.96' to a point runs thence South 68 degrees 41 minutes 03 seconds west 192.78' to a point runs thence South 67 degrees 11 minutes 58 seconds West 120.83' to a point runs thence North 40 degrees 37 minutes West 1557.35' to a point runs thence North 03 degrees 16 minutes 30 seconds East 200.06' to a point runs thence South 58 degrees 59 minutes 20 seconds East 668.31' to the point and place of beginning and containing 21.718 acres and being all of that property shown by Map entitled " Final subdivision platt, Riverbend at Lakeside" dated March 3, 1986 and prepared by Dennis R. Blackmon, RLS.