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PRESENTED

PREPARED BY: W. THURSTON DEBNAM, JR.
MAIL TO: W. THURSTON DEBNAM, JR., P. O. BOX 26268, RALEIGH, NC

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NORTH CAROLINA
WAKE COUNTY

FOR
REGISTER OF DEEDS
WAKE COUNTY

DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS FOR
TANGLEWOOD SUBDIVISION

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS is entered into this 26th day of March, 1998, between WILCO PROPERTIES, INC., a North Carolina Corporation (hereinafter called "Declarant") and all parties hereafter acquiring any of the described property.

WITNESSETH:

WHEREAS, Declarant is the owner of all lots within a subdivision in the County of Wake, State of North Carolina, known as Tanglewood Townhomes.

WHEREAS, it is in the best interest of the Declarant and to the benefit, interest and advantage of every party hereafter acquiring any of the described property that certain covenants, conditions, easements, assessments, liens and restrictions governing and regulating the use and occupancy of the property be established; and

WHEREAS, Declarant desires to provide for the preservation of the values and amenities and the desirability and attractiveness of the property in Wake County; and for the continued maintenance and operation of such recreational and common area.

NOW, THEREFORE, in consideration of the premises, the Declarant agrees with all parties hereafter acquiring any of the property hereinafter described, that it shall be and is hereby subject to the following restrictions, covenants, conditions,

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easements, assessments and liens relating to the use and occupancy thereof, which shall be construed as covenants running with the land which shall be binding on all parties acquiring any right, title or interest in any of the properties and which shall inure to the benefit of each owner thereof.

ARTICLE I

Section 1. The property which shall be held, used, transferred, sold, conveyed and occupied subject to this Declaration is located in Wake County, North Carolina, and is more particularly described on Exhibit A attached hereto and incorporated herein by reference. The Declarant hereby subjects the property, more particularly described on Exhibit A attached hereto and incorporated hereby by reference, to this Declaration and the jurisdiction of the Association. Additional properties in accordance with Article XII, Section 3, a formal amendment to the Declaration may hereafter be made subject to the provisions of this Declaration; no additional properties may be subjected to this Declaration without the consent of the City of Raleigh.

ARTICLE II

DEFINITIONS

Section 1. "Association" shall mean and refer to Tanglewood Homeowners Association, Inc., its successors and assigns.

Section 2. "Common Area" shall mean all property owned by the Association, or such other property which the Association may hold subject to the provisions of the Declaration. Common Areas shall be defined and bounded on the plat(s) as "Common Areas" or "Common

Open Space". Common Areas in each phase shall be conveyed to the Association in accordance with Article III, Section 3 prior to deeding the first Lot in the phase. Common Areas shall specifically include but shall not be limited to: (a) all water lines and sewer lines which serve the Properties and are located outside of any public street right-of-way or any City of Raleigh utility easement (excluding those lines serving a single Lot); and (b) all storm drainage pipes which serve the Properties are located outside of any public street right-of-way, (excluding those pipes serving a single Lot); and (c) private streets; and (d) open space identified on recording plats.

Section 3. "Common Expense" shall mean and include:

- (a) All sums lawfully assessed by the Association against its members;
- (b) Expense for maintenance of the townhouses as provided in this Declaration;
- (c) Expense of the Common Area and administration, maintenance, repair, or replacement of the Common Areas;
- (d) Expenses declared to be Common Expenses by the provisions of this Declaration or the By-laws;
- (e) Hazard, liability, or such other insurance premiums as the Declaration or the By-laws may require the Association to purchase;
- (f) Ad valorem taxes and public assessment charges lawfully levied against Common Areas;

(g) Expenses agreed by the Members to be Common Expenses of the Association.

Section 4. "Declarant" shall mean and refer to Wilco Properties, Inc., a North Carolina corporation, its successors and assigns if such successors or assigns should acquire more than one undeveloped Lot from the Declarant for the purpose of development.

Section 5. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the properties, with the exception of the Common Area. Townhouse Lots shall be used for the construction of single family attached dwelling units. Detached single family Lots shall be used to construct detached single family dwellings.

Section 6. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, 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 7. "Properties" shall mean and refer to that certain real property hereinbefore described in Exhibit A, and such additions thereto as may hereafter be made subject to the provisions of this Declaration.

ARTICLE III

PROPERTY RIGHTS

Section 1. Owners' Easements of Enjoyment. Every Owner shall have a right and easement of use and enjoyment in and to the Common Area and Over the Common Area for access, ingress and egress from

and to public streets, walkways and parking areas and such easement shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

(a) The right of the Association subject to the ordinances of the City of Raleigh 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 to suspend the voting rights and right to use of the recreational facilities by an Owner for any period during which any assessment against his Lot remains unpaid; and for a period not to exceed 60 days for any infraction of its published rules and regulations;

(c) The right of the Association to dedicate or transfer all or any part of the Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Members.

No such dedication or transfer shall be effective unless an instrument agreeing to such dedication or transfer signed by two-thirds (2/3) of each class of Members has been recorded.

(d) The right of the Association to limit the number of guests of Members;

(e) The right of the Association, in accordance with its Articles and By-laws, to borrow money for the purpose of improving the Common Area and facilities and in aid thereof to mortgage said property, and the rights of such mortgagee in said Properties shall be subordinate to the rights of the Members hereunder;

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

(g) The right of the Association to exchange Common Area in accordance with the Raleigh City Code.

Section 2. Delegation of Use. Any Owner may delegate, in accordance with the By-laws, 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, but such delegate shall be subject to the limitations of subsections (a) through (g) of Section 1 above.

Section 3. Title to the Common Area. The Declarant hereby covenants for itself, its successors and assigns, that it will convey fee simple title to the Common Area to the Association, free and clear of all encumbrances and liens, except utility and storm drainage easements prior to the conveyance of the first Lot of each phase of development.

Section 4. Parking Rights. Ownership of each Townhouse Lot shall entitle the Owner or Owners thereof to the use of not less than two (2) automobile parking spaces, which shall be as near or convenient to said Lot as reasonably possible, together with the right of ingress and egress in and upon said parking areas. The Association may regulate the parking of boats, trailers and other such items on the Common Area.

Section 5. TV Antennas and Cablevision. The Association may provide one or more central television antennas for the convenience of the Members and may supply cablevision and the cost of these may

be included in annual or special assessments as a Common Expense. The Association may regulate or prohibit the erection of television antennas and satellite dishes on individual Lots, in accordance with FCC regulations.

ARTICLE IV

MEMBERSHIP AND VOTING RIGHTS

Section 1. Every Owner of a Lot which is subject to assessment shall be a member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment. Membership in the Association as defined hereinabove shall be mandatory for each original Lot Owner and each successive Owner of a Lot.

Section 2. The Association shall have two classes of voting membership:

Class A. Class A members shall be all Owners, with the exception of the Declarant, and shall be entitled to one vote for each Lot owned provided that, when class membership terminates, the Declarant shall be a Class A member for each Lot it then owns. When more than one person holds an interest in any Lot, all such persons shall be members. The vote for such Lot shall be exercised as they determine, but in no event shall more than one vote be cast with respect to any Lot, and in no event shall fractional votes be allowed. Class A membership shall be divided into two classifications: Class A-1 members who shall be Owners of detached single family lots and A-2 members who shall be Owners of Townhouse lots.

Class B. The Class B member(s) shall be the Declarant and shall be entitled to three (3) votes for each Lot owned. Class B membership shall be divided into two classifications: Class B-1 shall entitle the Declarant to three (3) votes for each detached single family dwelling lot owned and Class B-2 shall entitle the Declarant to three (3) votes for each Townhouse lot owned. 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.

(a) When the total votes outstanding in the Class A membership equal the total votes outstanding in Class B membership or:

(b) on December 31, 2004.

ARTICLE V

COVENANT FOR MAINTENANCE ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner of any Lot by acceptance of a deed therefore, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association: (1) annual assessments or charges; and (2) special assessments for capital improvements, such assessments to be established and collected as hereinafter provided. The annual and special assessments, together with interest, costs, and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the property against which each such

assessment is made. Each such assessment, together with interest, costs, and reasonable attorney's fees, shall also be the personal obligation of the person who was the Owner of such property at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to his successors in title unless expressly assumed by them.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety, and welfare of the residents in the Properties and in particular for the acquisition, improvement and maintenance of the Common Areas, including the maintenance, repair and reconstruction of private streets, driveways, walks and parking areas situated on the Common Area, maintenance and upkeep of storm sewer pipes and impoundment structures, the cutting and removal of weeds and grass, the removal of trash and rubbish or any other maintenance of Common Areas and the exterior maintenance and landscaping of the townhouses situated upon the Properties as hereinafter provided or for the use and enjoyment of the Common Areas, including but not limited to, the cost of repairs, replacements and additions, the cost of labor, equipment, materials, management and supervision, the payment of taxes and public assessments levied against the Common Area, the payment of Common Expenses, the procurement and maintenance of insurance in accordance with this Declaration, the employment of attorneys to represent the Association when necessary, the provision of adequate reserves for the replacement of capital improvements including,

without limiting the generality of the foregoing, roofs, paving, and any other expense for which the Association is responsible, and such other needs as may arise.

Section 3. Reserves. The Association shall establish and maintain an adequate reserve fund or funds for the periodic maintenance, repair and replacement of improvements to the Common Area and those other portions of the properties which the Association may be obligated to maintain. Such reserve fund is to be established out of regular or special assessments for Common Expense for the Owners of the kind of Lots that require the reserve fund or funds.

Section 4. Maximum Annual Assessment. Until January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment for Townhouse Lots shall be One Thousand Two Hundred and No/100 Dollars (\$1200) per Lot and the maximum annual assessment for detached single family Lots shall be Three Hundred and No/100 Dollars (\$300.00) per Lot. Owners of Townhouse Lots are paying for exterior maintenance of their structures and private streets. The limitations hereof shall not apply to any change in the maximum and basis of the assessments undertaken as an incident to a merger or consolidation in which the Association is authorized to participate under its Articles of Incorporation.

(a) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessments may be increased effective January 1 of each

year without a vote of membership by up to 10% of the previous year's assessment.

(b) From and after January 1 of the year immediately following the conveyance of the First Lot to an Owner, the maximum annual assessment for Lots may be increased above the increase permitted in Section 4(a) above by a vote of two-thirds (2/3) of each class of A and B Members who are voting in person or by proxy, at a meeting duly called for this purpose.

(c) The Board of Directors may fix the annual assessment at an amount not in excess of the maximum.

Section 5. Special Assessments for Capital Improvements. In addition to the assessment 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 cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, and in connection with exterior maintenance, including fixtures and personal property related thereto, provided that any such assessment shall have 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.

Section 6. Notice and Quorum for any Action authorized under Sections 4 and 5. Written Notice of any meeting called for the purpose of taking any action authorized under Section 4 or 5 shall be sent to all members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At the first such

meeting called, the presence 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 present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be more than 60 days following the preceding meeting.

Section 7. Uniform Rate of Assessment. Both annual and special assessments shall, except as herein otherwise specifically provided, be fixed at a uniform rate for all Lots and shall be collected on a monthly basis. Provided, however, that the assessment for Lots owned by Declarant for which no certificate of occupancy has been issued shall be twenty-five percent (25%) of the regular assessments for other Lots.

Section 8. Date of Commencement of Annual Assessments: Due Dates. The annual assessments provided for herein shall commence as to all Lots on the first day of the month following the conveyance of the Common Area. Such annual assessments shall be paid ratably on a monthly basis. 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 shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of

the Association setting forth whether the assessment on a specified Lot has been paid. Any certificate so given shall be conclusive evidence of payment of the assessment stated therein.

Section 9. Effect of Nonpayment of Assessments: Remedies of the Association. Any assessment not paid within thirty (30) days after the due date shall bear interest from the due date at the maximum rate allowed by law. The Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property and in either event interest, costs and reasonable attorney's fees of any such action shall be added to the assessment. Foreclosure is to be in the same manner as that of Deeds of Trust, foreclosed under power of sale under Chapter 45 of the North Carolina General Statutes. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his Lot. Should any deficiency remain after the foreclosure, the Association may also bring an action against the Owner for said deficiency.

Section 10. Subordination of the Lien to Mortgage. The lien of the assessments provided for herein shall be subordinate to the lien of any first mortgage and ad valorem taxes. Sale or transfer of any Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to such 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 11. Exempt property. All Properties dedicated to, and accepted by, a local public authority and all Properties owned by a charitable or nonprofit organization exempt from taxation by the laws of the State of North Carolina shall be exempt from the assessments created herein. However, no land or improvements devoted to dwelling use shall be exempt from said assessments.

Section 12. Working capital Fund. At the time of closing of the sale of each Lot by the Declarant a sum equal to at least two months assessment for each Lot shall be collected and transferred to the Association to be held as a working capital fund. The purpose of said fund is to insure that the Association Board will have adequate cash available to meet unforeseen expenses, and to acquire additional equipment or services deemed necessary or desirable. Amounts paid into the fund shall not be considered advance payment of regular assessments.

ARTICLE VI

EXTERIOR MAINTENANCE

In addition to maintenance of the Common Area, the Association shall provide exterior maintenance upon each Townhouse Lot which is subject to assessment hereunder, as follows: paint and/or stain the exterior, repair, replace and care for roofs, gutters, downspouts, exterior building surfaces, trees, shrubs, grass, walks, mailboxes, fences installed by declarant or the Association, exterior post lights (excluding electricity thereof and light

bulbs), and other exterior improvements. Such exterior maintenance shall not include glass surfaces or screening. Further, the Owner of any Townhouse Lot may at his election plant trees, shrubs, flowers and grass in his rear yard and may also maintain portions or all of his rear yard provided that such maintenance by the Owner does not hinder the Association in performing its maintenance of the exterior of the house and the remaining yard spaces. No such maintenance by a Townhouse Lot Owner shall reduce the assessment payable by him to the Association. If, in the opinion of the Association, any such Owner fails to maintain his rear yard in a neat and orderly manner, the Association may undertake any required maintenance and add the cost thereof to the assessment against such Owner's Townhouse Lot. The Owner shall not plant any vegetation in the front and side yards except with the prior written approval of the Association.

(As a matter of information to future Members of the Association, the Declarant wishes to make it known that due to differing amounts of exposure to the elements and other factors, some Townhouses may require more maintenance than others and that it is in the best interest of the entire Association that all Townhouses be properly maintained and that the Association shall be required to provide such maintenance provided for herein and make a uniform rate of charge for Townhouse Lot Owners without regard to the actual cost of maintenance of each Townhouse.)

In the event that the need for maintenance or repair is caused through the willful or negligent act of the Owner, his family or

guest, or invitees, contract sellers, tenants or an independent contractor of the Owner, the cost of such maintenance or repairs shall be added to and become a part of the assessment to which such Lot is subject. The Association is hereby granted an easement right of access to go upon any Lot for performance of repairs or maintenance, the responsibility of which is the Association's hereunder.

ARTICLE VII

PARTY WALLS

Section 1. General Rules of Law to Apply. Each wall which is built as a part of the original construction of the Townhouses upon the Properties and placed on the dividing line between the Townhouse Lots and all reconstruction or extensions of such walls, and, to the extent not inconsistent with the provisions of this 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, the right of any such Owners to all 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 construction or 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 contribution 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 VII, 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 when the adjoining property Owner claims a right of contribution, the certification shall contain a recital of the amount claimed. In the event a Property Owner refuses or neglects to do so, it shall be deemed a waiver to proceed against the members, who are Owners of Townhouse Lots.

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 VIII

ARCHITECTURAL CONTROL

(a) No dwelling building, fence, wall or other structure shall be commenced, erected or maintained upon the properties, nor shall any exterior addition to or change or alteration therein be made until the plans and specifications showing the nature, kind, shape, height, materials and location of the same shall have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by 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 said Board, or its designated committee, fails to approve or disapprove such design and location within thirty (30) days after said completed

plans and specifications have been submitted to it, approval will not be required and this Article will be deemed to have been fully complied with.

(b) No trailer, tent, shack, barn or other building shall be erected or placed on any Lot covered by these covenant. No detached garage shall at any time be used for human habitation temporarily or permanently.

(c) No noxious or offensive trade or activity shall be carried on upon any Lot, nor shall anything be done thereon which may be or become an annoyance or nuisance to the neighborhood. No billboards shall be erected or maintained on the premises. No more than one sign not larger than five square feet in size is to be placed on any lot. Only for sale or for rent signs are permitted. No trade materials or inventories may be stored upon the premises and no trucks or tractors may be stored on the premises. No business activity or trade of any kind whatsoever, which shall include but not be limited to the use of any residence as a doctor's office or professional office of any kind, a fraternity house, a rooming house, a boarding house, an antique shop or gift shop shall be carried on upon any Lot.

ARTICLE IX

INSURANCE

Section 1. Insurance coverage on the Property shall be governed by the following provisions:

(a) Ownership of Policies. All insurance policies covering the Common Areas shall be purchased by the Association for the

benefit of the Association and the Members. All insurance policies covering Townhouse Lots shall be owned by the individual Owners thereof and shall be fully paid by such owners.

(b) Coverage. All buildings and improvements upon the Common Areas and all personal property included in the Common Areas shall be insured in an amount equal to one hundred percent (100%) insurable replacement value as determined annually by the Association with the assistance of the insurance company providing coverage. Such coverage shall provide protection against:

(i) Loss or damage by fire and other hazards covered by the standard extended coverage endorsement,

(ii) Such other risks as from time to time shall be customarily covered with respect to buildings on the land, and

(iii) Such policies shall contain clauses providing for waiver of subrogation.

(c) Liability. Public liability insurance shall be secured by the Association with limits of liability of no less than One Million Dollars (\$1,000,000.00) per occurrence and shall include an endorsement to cover liability of the Owners as a group to single Owner. There shall also be obtained such other insurance coverage as the Association shall determine from time to time to be desirable and necessary.

(d) Premiums. Premiums for insurance policies purchased by the Association shall be paid by the Association and charged to the Owners as an assessment according to the provisions above.

(e) Proceeds. All insurance policies purchased by the Association shall be for the benefit of the Association and the Members. The sole duty of the Association shall be to receive such proceeds as are paid and to hold the same for the purposes stated herein or stated in the By-laws.

All such insurance shall be in a face amount sufficient to cover the full replacement cost of all insured structures.

All policies shall be written with a company authorized to do business in North Carolina.

By virtue of taking title to a Lot subject to the terms of this Declaration, each Owner covenants and agrees with all other Owners and with the Association that each Owner shall carry blanket all-risk casualty insurance on the Lot(s) and structures constructed thereon. Each Owner further covenants and agrees that in the event of a partial loss or damage resulting in less than total destruction of structures comprising his Lot, the Owner shall proceed promptly to repair or to reconstruct the damaged structure promptly to repair or to reconstruct the damaged structure in a manner consistent with the original construction or such other plans and specifications as are approved in accordance with this Declaration. The Owner shall pay any costs or repair or reconstruction which are not covered by insurance proceeds. In the event that the structure is totally destroyed, the Owner may decide not to rebuild or to reconstruct, in which case the Owner shall clear the Lot of all debris and return it to substantially the natural state in which it existed prior to the beginning of

construction and thereafter the Owner shall continue to maintain the Lot in a neat and attractive condition consistent with the Community-Wide Standard.

ARTICLE X

USE RESTRICTIONS

Section 1. Rules and Regulations. The Board of Directors of the Association shall have the power to formulate, amend, publish, and endorse reasonable rules and regulations concerning the use and enjoyment of the front yard space of each and Townhouse Lot and the Common Areas. Such rules and regulations may provide for imposition of fines or penalties for the violation thereof, or for the violation of any of the covenants and conditions contained in this Declaration.

Section 2. Use of Properties. No portion of the Properties (except for temporary office of the Declarant and/or model used by Declarant) shall be used except for residential purposes and for purposes incidental or accessory thereto.

Section 3. Quiet Enjoyment. No obnoxious or offensive activity shall be carried on upon the Properties, nor shall anything be done which may be or may become a nuisance or annoyance to the neighborhood.

Section 4. Animals. No animals, livestock or poultry of any kind shall be kept or maintained on any Lot or in any dwelling except that dogs, cats or other household pets may be kept or maintained provided that they are not kept or maintained for commercial purposes.

ARTICLE XI

EASEMENTS

Section 1. All of the Properties, including Lots and Common Areas, shall be subject to such easements for driveways, walkways, parking area, water lines, sanitary sewers, storm drainage facilities, gas lines, telephone and electric power lines and other public utilities as shall be established by the Declarant or by his predecessors in title, prior to the conveyance of the individual lots to Owners and the Common Area to the Association; and the Association shall have the power and authority to grant and establish upon, over, under, and across the Common Areas conveyed to it, such further easements as are requisite for the convenient use and enjoyment of the Properties. In addition, there is hereby reserved in the Declarant and its agents and employees an easement and right of ingress, egress and regress across all Common Areas, now or hereafter owned by the Association, for the purpose of construction of improvements and development of the Properties until such time as Class B membership terminates.

Section 2. All Lots shall be subject to easements for the encroachments constructed on adjacent Lots and Common Areas to the extent that such initial improvements actually encroach including, but not limited to, such items as overhanging eaves, gutters and downspouts and walls.

Section 3. An easement is hereby established over the Common Areas and facilities for the benefit of applicable governmental agencies, public utility companies and public service agencies as

necessary for setting, removing and reading of meters, replacing and maintaining water and sewer facilities, electrical telephone, gas and cable antenna lines, fire fighting, garbage collection, postal delivery, emergency and rescue activities and law enforcement activities.

Section 4. 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.

ARTICLE XII

GENERAL PROVISIONS

Section 1. Enforcement. The Association, or any Owner, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration. Failure by the Association or 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 one of these covenants or restrictions by judgment or court order shall in no

wise affect any other provisions which shall remain in full force and effect.

Section 3. Amendment. The covenants and restrictions of this Declaration shall run with and bind the land, for a term of twenty (20) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years. This Declaration may be amended during the first twenty (20) year period by an instrument signed by not less than ninety percent (90%) of the Lot Owners, and thereafter by an instrument signed by not less than seventy-five percent (75%) of the Lot Owners. Amendments shall not become effective until approved by the City Attorney for the City of Raleigh or his or her deputy or until, after 20 days notice, the City Attorney fails to comment on the amendment. Any provision contained herein to the contrary notwithstanding, the Declarant reserves the absolute right to terminate this Declaration of Covenants, Conditions and Restrictions in its entirety within six months after the recording of this document, by recording an amendment to that effect in the Register of Deeds of Wake County; said amendment must be approved by the City Attorney.

Section 4. If any amendment to these covenants, conditions, and restrictions is executed, each such amendment shall be delivered to the Board of Directors of this Association. Thereupon, the Board of Directors shall, within 30 days do the following:

(a) Reasonably assure itself that the amendment has been executed by the Owners of the required number of Lots. (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
CONDITIONS AND RESTRICTIONS OF TANGLEWOOD HOMEOWNERS
ASSOCIATION, INC.

TANGLEWOOD HOMEOWNERS ASSOCIATION, INC.

President

ATTEST:

Secretary

Section 5. Management and Contract Rights of Association.
Declarant shall enter into a contract with a management company or manager for the purposes of providing all elements of the operation, care, supervision, maintenance and management of the property. However, no such contract shall be binding upon the Association except through express adoption, or ratification of the terms and conditions of such contract. Any contract or lease entered into by Declarant or by the Association while Declarant is in control thereof shall contain a provision allowing the

Association to terminate such contract without justification or penalty after transfer of management by Declarant to the Association.

Section 6. FHA/VA Approval. As long as there is a Class B membership, the following actions will require the prior 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. Rights of Noteholders. Any institutional holder of a first mortgage on a Lot will, upon written request, be entitled to (a) inspect the books and records of the Association during normal business hours, (b) receive an annual audited financial statement of the Association within ninety (90) days following the end of its fiscal year, (c) receive written notice of all meetings of the Association and the right to designate a representation to attend all such meetings, (d) receive written notice of any condemnation or casualty loss that affects either a material portion of the project or the note securing its mortgage, (e) receive written notice of any sixty-day delinquency in the payment of assessments or charges owed by the owner of any unit on which it holds the mortgage, (f) receive written notice of a lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Owners' Association, (g) receive written notice of any proposed action that requires the consent of a specified percentage of mortgage holders, and (h) be furnished

with a copy of the master insurance policy, all the above upon request of mortgage holder.

Section 8. Cluster Unit Development. The real property described in Exhibit A attached hereto is a part of a cluster unit development approved by the City of Raleigh in which residential density transfers are permitted: therefore, even though some lots may appear to contain enough land area to construct additional dwelling units or create additional lots, prior density transfers approved within the cluster unit development may, in fact, preclude City of Raleigh approval of additional dwellings or further subdividing of lots. Neither the Declarant nor any Lot Owner shall have the right to add additional real property to the cluster unit development, to add dwelling units, to add Common Areas, to change unit types within the cluster, to reallocate units within the cluster, or to withdraw real estate from the cluster unit development.

ARTICLE XIII

ELECTRICAL SERVICE

Declarant reserves the right to subject the above described Property to a contract with Carolina Power and Light company for the installation of underground electric cables and/or the installation of street lighting, either or both of which may require an initial payment and/or a continuing monthly payment to Carolina Power and Light Company by either the Association, the Owners or both within said Property.

ARTICLE XIV

PRIVATE STREETS

In no case shall the City of Raleigh 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 beyond the control of the developer, homeowner's association or occupants.

In no case shall the City be responsible for failing to provide any emergency or regular fire, police or other public service to any cluster unit development, unit ownership (condominium) development, group housing development, townhouse development, or mobile home park or their occupants when such failure is due to lack of access to such areas due to inadequate design or construction, blocking of access routes, inadequate maintenance, or any other factor within the control of the developer, homeowners association, or occupants.

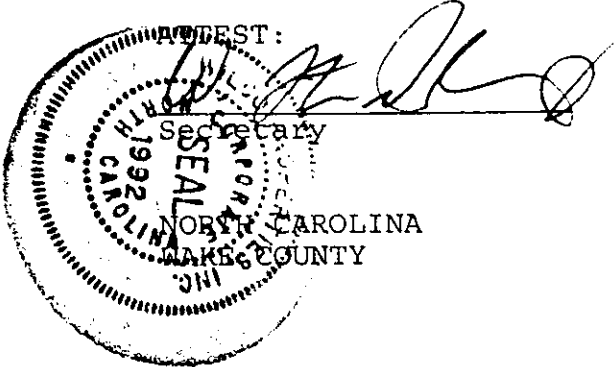
In no case shall the City or the State be responsible for maintaining any private street. Such responsibility shall rest with the homeowners association and occupants in that such private streets will not be constructed to the minimum standards sufficient to allow their inclusion for public maintenance.

BK 7977PG0370

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has caused this Declaration to be executed by its General Partners this 26th day of March, 1998.

WILCO PROPERTIES, INC.

BY: [Signature]
President



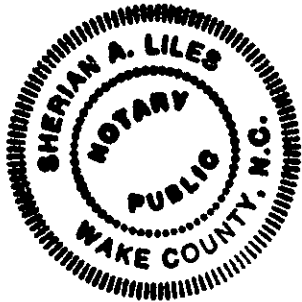
I, the undersigned, a Notary Public of the County and State aforesaid, certify that W. Thurston Debnam Jr. personally appeared before me this day and acknowledged that he is the Secretary of Wilco Properties, Inc., a North Carolina corporation, and that by authority duly given and as an act of the corporation, the foregoing instrument was signed in its name by its President, sealed with its corporate seal and attested by him as Secretary.

Witness my hand and official stamp or seal this the 26th day of March, 1998.

Sherian A. Liles
Notary Public

My Commission Expires: 2-13-2002

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NORTH CAROLINA — WAKE COUNTY
The foregoing certificate of Sherian A. Liles

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.

LAURA M. RIDDICK, Register of Deeds
By P. Anne Reed
Asst./Deputy Register of Deeds