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PRESENTED FOR REGISTRATION

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STATE OF NORTH CAROLINA

COUNTY OF WAKE

DECLARATION OF PROTECTIVE COVENANTS AND CONDITIONS

KENNETH S. WILKINS
REGISTER OF DEEDS
WAKE COUNTY

THIS DECLARATION OF PROTECTIVE COVENANTS AND CONDITIONS (the "Declaration") is made on the date hereinafter set forth, by LINEBERRY ASSOCIATES LIMITED PARTNERSHIP, a North Carolina Limited Partnership, having its principal office and place of business in Wake County, North Carolina.

W I T N E S S E T H

WHEREAS, LINEBERRY ASSOCIATES LIMITED PARTNERSHIP is the owner of certain property in Swift Creek Township, Wake County, North Carolina, which is more particularly described as:

BEING all of that certain tract or parcel of land containing 14.14 acres shown on a plat entitled "Boundary Survey for Lineberry Associates Limited Partnership dated December 15, 1993 and prepared by Lewis & Associates Surveyors, P.A. recorded in Book of Maps 1994, Page 174, Wake County Registry.

WHEREAS, LINEBERRY ASSOCIATES LIMITED PARTNERSHIP will convey the above-described property subject to certain protective covenants, conditions, restrictions, reservations, and charges as hereinafter set forth;

NOW, THEREFORE, LINEBERRY ASSOCIATES LIMITED PARTNERSHIP hereby declares that all of the property described above shall be held, sold, transferred, conveyed, and occupied subject to the following easements, restrictions, covenants, and conditions, and within the jurisdiction of the TRAILWOOD HILLS HOMEOWNERS ASSOCIATION, all of which are for the purpose of enhancing and protecting the value, desirability, and attractiveness of said real property, and which shall run with said real property and shall be binding on all persons and entities having or acquiring any right, title, or interest in the hereinbelow described Properties or any part thereof, and shall inure to the benefit of each hereinbelow described Owner thereof.

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This Declaration is being recorded to add Exh. A which was inadvertently omitted from the previous recording.

ARTICLE IDEFINITIONS

Section 1. "Association" shall mean and refer to TRAILWOOD HILLS HOMEOWNERS ASSOCIATION, a North Carolina nonprofit 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 bought within the jurisdiction of the Association under the provisions of Article II of this Declaration.

Section 3. "Common Area" shall mean real property owned by the Association for the common use and enjoyment of all of the below defined Members or designated classes of Members, including greenways, recreational areas, and open space; driveways, drives, alleyways and parking areas, whether or not constructed or opened, but which are not dedicated as a public street and are not publicly maintained ("Private Streets"); water lines and sewer lines not within City of Raleigh utility easements or rights-of-way and not located on any below-defined Lot; and tract identification signs identifying the below defined TRAILWOOD HILLS subdivision. Notwithstanding the foregoing, nothing in this Declaration shall prohibit the use by the general public of those areas which are greenways of the City of Raleigh on any portion of the Common Area.

Section 4. "Limited Common Area" shall mean those portions of the Common Area that serve only a limited number of the below defined Lots and which may include, but specifically is not limited to driveways, drives, walkways, alleyways, parking areas, or other areas serving only specified below defined Lots, and other similar areas as may be designated by a recorded subdivision map of all or any portion of the Properties or by the Association. Limited Common Area also shall include those parking areas and driveways constructed on below defined Lots for the benefit of below defined Owners of only specified below defined Lots on which single-family detached residences are constructed.

Section 5. "Site Plan" shall mean the site plan for the residential subdivision known as TRAILWOOD HILLS, located south of Lineberry Road in Raleigh, North Carolina ("TRAILWOOD HILLS"), said site plan having been submitted by the Declarant to, and approved by, the City of Raleigh and is on file in the City Planning Department as 5-78-93 and any amendments thereto.

Section 6. "Lot(s)" shall mean and refer to, singularly or plural as context requires, any plot of land with delineated boundary lines shown on any recorded map of all or any portion of the Properties, with the exception of public rights-of-way and Common Area (i.e., including Private Streets and Limited Common Area). Any said plot of land may have constructed on it per

designation, the designation of which is not changed before improvements are constructed thereon, a detached single family residence.

Section 7. "Member(s)" shall mean and refer to, singularly or plural as context requires, every below defined Person who holds membership in the Association, as further described in Article III of this Declaration.

Section 8. "Class A Member(s)" shall have that definition stated in Article IV, Section 1(a) of this Declaration.

Section 9. "Class B Member(s)" shall have that definition stated in Article IV, Section 1(b) of this Declaration.

Section 10. "Owner(s)" shall mean and refer to, singularly or plural as context requires, the record owner, whether one (1) or more below-defined Persons, of a fee simple title to or undivided fee interest in any Lot, including contract sellers, but excluding those having such interest merely as contract purchasers or as security for the performance of an obligation.

Section 11. "Declarant" shall mean and refer to LINEBERRY ASSOCIATES LIMITED PARTNERSHIP, a North Carolina Limited Partnership, its successors and assigns to whom the rights of the Declarant are expressly transferred; who acquire undeveloped area or undeveloped acreage of the Properties for the purpose of development (as opposed to construction of the initial homes thereon); or who acquire title to the Declarant's interest in the Properties under a deed in lieu of foreclosure, judicial foreclosure, or foreclosure under power of sale contained in any deed of trust. The rights of the 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 12. "Amenities" shall mean the facilities constructed, erected, or installed on the Common Area for the use, benefit and enjoyment of Members.

Section 13. "Person(s)" shall mean and refer to, singularly or plural as context requires, any individual, corporation, partnership, association, trustee, or other legal entity.

Section 14. "Board of Directors" shall mean the Association's Board of Directors.

ARTICLE IIANNEXATION OF ADDITIONAL PROPERTIES

Section 1. Annexation of Property. Pursuant to the procedures as hereinafter required, additional lands may be added and annexed to the Properties and brought within the scheme of this Declaration and the jurisdiction of the Association only as provided in this Declaration and after said annexations have been reviewed and approved by the City of Raleigh as required, 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 3 of this Article and together with the requirements of Section 1 of this Article and Article XII, Section 6 of the Declaration, additional lands may be added and annexed to the Properties and brought within the scheme of this Declaration and the jurisdiction of the Association only if both two-thirds (2/3) of all the votes entitled to be cast by Class A Members and two-thirds 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, 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 purpose of such meeting, the presence thereof of Members or proxies entitled to cast sixty percent (60%) of the votes of the Class A Members and sixty percent (60%) of the Class B members, if any, shall constitute a quorum. If the required quorum is not present 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 as defined above is present and the majority of the votes are cast in favor of the annexation, but the majority is less than a two-thirds (2/3) majority either of said Class A or of said Class B votes, or both, and if it appears that the required two-thirds (2/3) majority of said class(es) may be achieved if the Members not present or voting by proxy assent to the annexation, the Members not present or voting by proxy may assent or dissent from the proposed annexation in writing within one hundred twenty (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, the vote to which the Member is entitled under Article IV of this Declaration either in favor of or against the annexation, as the case may be. If the number of votes cast at the meeting in favor of annexation, together with the votes deemed to have been cast by Members assenting to the annexation, shall

constitute the requisite two-thirds (2/3) of all votes entitled to be cast by the Class A Members and two-thirds (2/3) of all votes entitled to be cast by the Class B Members, the annexation shall stand approved, and the additional land shall be deemed annexed to the Properties on the date of recordation of a declaration of annexation duly executed by appropriate officers of the Association, containing a recital of the approval of the Members, describing the lands annexed, and incorporating the provisions of this Declaration, as it may be amended from time to time, either by reference or by fully setting out said provisions therein, at the Wake County Register of Deeds Office together with recitation of the consent as required by the City of Raleigh as provided in Section 1 of this Article II and by Federal Housing Administration and the Veterans Administration as provided in Article XII, Section 6 of this Declaration. Said declaration of annexation shall extend the scheme of this Declaration and the jurisdiction of the Association to such annexed property and thereby subject said annexed property to the benefits, restrictions, and obligations of this Declaration, as it may be amended from time to time, including but not limited to assessments and payment of the Association's expenses.

Section 3. Annexation by Declarant. The Declarant may annex additional lands to the Properties and bring said lands within the scheme of this Declaration and the jurisdiction of the Association in the following manner:

(a) If, within ten (10) years of the date of incorporation of the Association, the Declarant should develop, from time to time in future stages of development, additional lands within the boundaries shown on the Site Plan, the boundaries of which are described on Exhibit A attached hereto, such additional lands may be annexed to the Properties without the assent of the Association and/or any Members: Detailed plans for the development of the additional lands described in this paragraph may be submitted prior to such development to the City of Raleigh if such submission is required by ordinances of the City of Raleigh and to the Federal Housing Administration and Veterans Administration if such submission is required to evidence accord with the general plan heretofore approved by them. Nothing herein shall obligate the Declarant to annex any or all of the Property described in Exhibit "A" attached hereto.

(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 consisting of any property outside of the boundaries of the Site Plan, such additional lands shall be annexed to the Properties only with the assent of the Declarant and two-thirds (2/3) of the Class A and Class B Members pursuant to meeting and other procedural methodology described in Section 2 of this Article II (the same being incorporated hereby by reference), 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.

(c) The Declarant may annex to the Properties the additional lands described in subsection (a) of this Section 3 by recording in the Wake County Register of Deeds Office a declaration of annexation, duly executed by the Declarant, describing the lands annexed and incorporating the provisions of this Declaration, as it may be amended from time to time, either by reference or by fully setting out said provisions therein. The Declarant may annex to the Properties the additional lands described in subsection (b) of this Section 3 by recording in the Wake County Register of Deeds Office a declaration of annexation, duly executed by the Declarant, describing the lands annexed, incorporating the provision of this Declaration, as it may be amended from time to time, either by reference or by fully setting out said provisions therein, recitation of the action on the part of the Association as necessary as provided in subsection (b) of this Section 3 to approve the annexation together with recitation of the consent as required in Article XII, Section 6 of this Declaration and by the City of Raleigh as provided in Section 1, of this Article. The additional land shall be deemed annexed to the Properties on the date of recordation of the aforescribed applicable declaration of annexation at the Wake County Register of Deeds Office, and said declaration of annexation shall extend the scheme of this Declaration and the jurisdiction of the Association to such annexed property and thereby subject said annexed property to the benefits, restrictions, and obligations of this Declaration, as it may be amended from time to time, including but not limited to assessments and payment of the Association's expenses.

Section 4. Transfer of Common Area in Newly Annexed Lands. Subsequent to recordation of any subsequent declaration of annexation by the Declarant or by any other landowner and prior to the conveyance of the first Lot within said newly annexed lands, the Declarant or said other landowner requesting the annexation shall deliver to the Association one or more deeds conveying title to any Common Area within the lands annexed in accordance with Article V, Section 3 of this Declaration.

Section 5. Additional Covenants and Assessments for Newly Annexed Lands. The Declarant or any other landowner annexing land to the Properties may bind the newly annexed lands to covenants applicable to the newly annexed lands in addition to those stated in this Declaration. Said additional covenants applicable to the newly annexed lands may include, without limitation, designation of Common Area and/or Limited Common Area, and the establishment of assessments in addition to those stated in this Declaration for the maintenance of said designated Common Area and/or Limited Common Area in the newly annexed lands, which said assessments for the newly designated Common Area and/or Limited Common Area may be governed by Article VI of this Declaration, notwithstanding the

maximum assessment rate specified in Article VI, Section 3(a) of this Declaration.

ARTICLE III

VOTING RIGHTS

Section 1. The Association shall have two (2) classes of voting membership, which voting rights of the membership shall be appurtenant to ownership of the Lots and shall pass with title to the Lots, whether stated or not and may not be separated from the Lot:

(a) Class A. Class A Members shall be all Owners, other than Declarant; however, the Declarant shall be a Class A Member to the extent provided in subsection (b) of this Section 1. Each Class A Member shall be entitled to one (1) vote for each Lot owned by said Class A member. When more than one (1) Person has an ownership interest in any Lot, all such Persons shall be Members, and the vote for such Lot shall be cast 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. Class B Member(s) shall be the Declarant and the Class B members shall be entitled to three (3) votes for each Lot in which the Class B Member(s) has an ownership 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. Seventy-five (75%) percent of the units are deeded to homeowners; provided, however, that the Class B membership shall be reinstated with all rights, privileges, and responsibilities, if, after a conversion of the Class B membership to Class A membership as herein provided, additional lands are annexed to the properties by the Declarant in the manner provided in Article II of this Declaration, it being hereby stipulated that the conversion and reconversion shall occur automatically as often as the foregoing facts shall occur, or
2. On June 1, 2004.

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) of this Declaration.

Section 3. If the Owner of any home on a Lot does not occupy that residence as such Owner's own personal living quarters or if

any Lot is leased for rental purposes to any tenant(s), then, in such event, the vote of said Owners of said Lots shall not be entitled to any weight greater than forty-nine percent (49%) on any matter before the Association other than annexation or amendment of this Declaration.

ARTICLE IV

PROPERTY RIGHTS

Section 1. Owners' Easements of Enjoyment. (excluding Limited Common Area) and the Limited Common Area designated to serve said Owner, and a right of access, ingress, egress, and regress over and through the Common Area (excluding Limited Common Area) and the Limited Common Area designated to serve said Owner 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 and to limit the use of said facilities to Owners, their families, or tenants (as the case may be) who reside at the Properties, and Association-authorized guests;

(b) The right of the Association to suspend the voting rights and right to the use of any recreational facilities situated upon the Common Area by an Owner or any authorized Person to whom the Owner's right of enjoyment has been designated for any period during which any assessment against such Owner's Lot remains unpaid; and for a period not to exceed sixty (60) days for any infraction of the Association's 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, provided, however, that no conveyance of the Limited Common Area to any public agency, 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 such use.

(d) The right of designated Members to the exclusive use of parking spaces or Limited Common Area as provided in this Declaration; and

(e) The right of the Association to formulate, amend, publish and enforce rules and regulations as provided in Article VIII Section 1 and Section 2(m) of this Declaration.

Section 2. Provided the Association's secretary receives notice of the below mentioned use:

(a) Family. The right and easement of enjoyment granted to every Owner in Section 1 of this Article IV may be exercised by members of said Owner's family who occupy an Owner's Lot as a principal residence.

(b) Tenants or Contract Purchasers. The right and easement of enjoyment granted to every Owner in Section 1 of this Article IV may be delegated by an Owner to such Owner's tenants or contract purchasers of such Owner's Lot who occupy said Lot as a principal residence.

(c) Guests. Amenities may be used by guests of Owners and the families, tenants, and contract purchasers described in the above subsection 2(a) and 2(b) subject to all rules and regulations governing said use as may be established by the Association or the Board of Directors.

Section 3. Title to the Common Area. The Declarant hereby covenants for itself, its successors and assigns, that (including the Limited Common Area) or the newly annexed lands, as the case may be, free and clear of all encumbrances and liens except utility easements; drainage, ditch, slope, and swale easements; easements as shown on any said map; easements to governmental authorities; public street right of ways; this Declaration as it may be amended from time to time; and additional covenants and assessments as permitted by Article II, Section 5 of this Declaration. Similarly, the Declarant will convey to the Association Common Area (i.e., including Limited Common Area) on land as it is annexed to the Properties by the Declarant.

Section 4. Parking Rights. Adequate and sightly off-street parking shall be provided by each Owner on such Owner's Lot(s) for the parking of automobiles and other vehicles owned or controlled by such Owner, Owner's tenants and contract Lot purchasers, and members of such Owner's family at such Lot(s). No trucks, mobile homes, recreational vehicles, vans, tractors, commercial vehicles, trailers, boats, boat trailers, or campers may be stored or parked upon any Lot overnight, except in garages or otherwise concealed from view from all other Lots, streets, and other portions of the Properties. Owners of Lots in TRAILWOOD HILLS are prohibited from parking boats and trailers within the right-of-way of any public streets within TRAILWOOD HILLS. The Board of Directors may reasonably regulate the parking of boats, trailers, and other vehicles on the Properties (including the provision of special facilities for which a reasonable charge may be made), and, in its sole discretion, may refuse to allow parking of boats and recreational vehicles at the Properties, and otherwise may amend and vary the requirements stated in this Section 4, without the Members' consent (other than the Declarant).

ARTICLE VCOVENANT FOR ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each Lot owned by Declarant, hereby covenants, and every Owner by acceptance of a deed or other conveyance of any Lot, 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; and
- (b) Special assessments for capital improvements.

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

All costs relating to Common Area, as provided pursuant to Article II, Section 5, of this Declaration, shall be payable as assessments and shall be shared by the Owners with the Owner(s) of each Lot being liable for that portion thereof calculated by multiplying said costs by a fraction with a numerator of the number of Lots owned by said Owner(s) and a denominator of the number of Lots.

The annual and special assessments, together with interest thereon, the below described late charges, and costs of collections including without exclusion reasonable attorneys' fees,, 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, late charges, costs, and attorney's fees, also shall be the personal obligation of every 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 or become payable by said Owner's successors in title unless expressly assumed by them.

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 of the Properties; enforcing this Declaration and the rules of the Association; improving, repairing, maintaining, reconstructing, and restoring the Common Area and, as the Association and the Board of Directors are permitted by Article VII of this Declaration, acquiring, improving, maintaining, and providing the services and facilities for purposes of and related to the use and enjoyment of the Common Area and facilities, payment of costs of procurement and maintenance of hazard and liability insurance for and payment of taxes and public assessments levied against and the Common Area and other property of the Association; employment of attorneys to represent the Association when necessary; and such other needs as

may arise from time to time in provision of the Association's services and deemed necessary or reasonable by the Board of Directors.

Section 3. Amount of Annual Assessment.

(a) Maximum Annual Assessment. Except as otherwise provided pursuant to Article II, Section 5 of this Declaration, the maximum annual assessment, to and including June 1, 1995 shall be \$50.00 for each Lot, the exact amount of which shall be determined from time to time as provided in subsections (d) and (e) of this Section 3.

(b) Increase by Association. From and after June 1, 1995, the maximum annual assessment may be increased effective January 1 of each year by the Board of Directors, without a vote of the Association's 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 said Consumer Price Index, or, if none, such other index as may be published by the U.S. Bureau of Labor Statistics, or any successor or similar governmental agency as may then exist and/or such index as may, in the Board of Directors' discretion, be most nearly equivalent thereto, for the twelve (12) month period immediately preceding July 1, of the year immediately preceding the effective date of the assessment increase hereunder. However, in no event shall such increase as provided by this subsection (b) be greater than twelve (12%) percent in any one (1) year.

(c) Increase by Members. From and after June 1, 1998, the maximum annual assessment may be increased by a percentage greater than that established by said Consumer Price Index formula:

(1) For costs relating to Common Area (other than Limited Common Area and costs designated to be paid by particular owners in any annexation pursuant to Article II, Section 5 of this Declaration), 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 and convened for such purpose, written notice of which, setting forth the purpose of the meeting, having been sent to all Members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting; and

(d) Criteria for Establishing Annual Assessment. The Board of Directors may fix the 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 specified in this Section 3, including those derived by application of the Consumer Price Index formula provided in subsection (b) of this Section 3.

(e) Lots Owned by Declarant or Initial General Contractor. Notwithstanding anything in this Article V to the contrary, all Lots owned by the Declarant or a general contractor engaged in the construction of (or having constructed) the first home thereon and held for sale and not being rented shall be assessed annually at an amount equal to twenty-five (25%) percent of the actual per Lot annual assessments.

Section 4. Levy of 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, reconstruction, repair, or replacement of any designated capital improvement upon:

(a) the Common Area, including the personal property and vegetation related thereto, the costs of maintenance and improvement of which are to be paid by particular Owners pursuant to Article II, Section 5 of this Declaration, 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 and convened 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; and

Notwithstanding anything in this Article V to the contrary, all Lots owned by the Declarant or a general contractor engaged in the construction of (or having constructed) the first home thereon and held for sale and not being rented shall be assessed at an amount equal to twenty-five (25%) percent of the actual per Lot special assessments.

Section 5. 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 (60%) percent of all the votes of each class of Members potentially subject to the applicable assessment shall constitute a quorum. If the required quorum is not present 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 on-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 6. 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, as determined in the Board of Directors' discretion; and the payment of such shall commence as to each Lot on the first day of the month following the recordation of this Declaration. 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 within fifteen (15) days thereafter. The due dates of annual and special assessments shall be established by the Board of Directors. The Association, upon demand at any time and for a reasonable charge, 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 7. Effect of Non-payment 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 lesser of the rate of twelve percent (12%) per annum or the maximum interest rate legally permitted to be charged under the laws of the State of North Carolina at the time of such delinquency. In addition to that interest charge as the Board of Directors theretofore may have established to defray the costs of late payment. 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, late payment fees, attorneys' 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 assessments provided herein by non-use of the Common Area or abandonment of his, her, or its Lot(s).

Section 8. Subordination of the Lien to Mortgages 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 a first mortgage or deed of trust foreclosure, or any proceeding in the lieu thereof, shall extinguish the lien of such assessments as to payments which become due prior to such sale or transfer.

Section 9. Exempt Property. Any portion of the Properties dedicated to, and accepted by, a local public authority and any portion of the 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 said land or improvements devoted to dwelling use shall