

owned by the Association for the common use and enjoyment of the members of the Association, including all property shown on the recorded plats of Shallowford Lakes except numbered lots, streets and property delineated as being "Reserved for Future Development," and all that property described in Attachment "A"; provided, however, that Lots 5 and so much of Lot 7 as is described in the document attached hereto and designated Attachment "B" on the plat of section 2 of Shallowford Lakes, as recorded in Plat Book 21, Page 112, in the Forsyth County Registry; shall also be included in the area known as "Common Area".

Section 3. "Properties" shall mean and refer to that real estate owned by L. A. Reynolds Company, and shown on the plats of Shallowford Lakes, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 4. "Lot" shall mean and refer to any plot of land used for single-family residential purposes and located within a subdivision brought within the jurisdiction of the Association.

Section 5. "Member" shall mean and refer to a person designated on the membership certificate and records of the Association as a member.

Section 6. "Owner" shall mean and refer to record owner of the fee simple title to any lot within the jurisdiction of the Association, excluding, however, those holding such interest merely as security for the performance of an obligation.

Section 7. "Reserved for Future Development" shall mean and refer to that property shown as such on the recorded map of Shallowford Lakes; said areas may be brought within the jurisdiction of the Association as herein provided, in addition to other areas which may be brought within the said jurisdiction.

ARTICLE II

CONVEYANCE OF COMMON AREA

In consideration of these presents and the mutual covenants and conditions herein contained and upon the further consideration of Ten Dollars (\$10.00) in hand paid by the Association to L. A. Reynolds Company, the receipt of which is hereby acknowledged, L. A. Reynolds Company, has bargained and sold and by these presents does bargain, sell and convey unto the Association, its successors and assigns that property known as the Common Area, as defined in Article I above, subject to the terms of this agreement; to have and to hold unto the Association, its successors and assigns for the purposes set forth in the Association's Charter and By-laws and subject to the privilege of assessment as herein provided; and L. A. Reynolds Company, does hereby covenant that it is seized of the Common Area in fee and has the right to convey the same in fee simple; that the Common Area is free from encumbrances; and that L. A. Reynolds Company, will warrant and defend the title to the same against the claims of all persons whatsoever; except for easements for the purpose of installation and maintenance of utilities heretofore granted by L. A. Reynolds Company, to Duke Power Company and Southern Bell Telephone & Telegraph Company and rights granted to the public by virtue of the subdivision laws of the State of North Carolina and the requirements of the City-County Planning Board of the City of Winston-Salem and Forsyth County.

ARTICLE III

COVENANTS FOR MAINTENANCE ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. L. A. Reynolds Company, for each

lot owned within the properties, hereby covenants, and each 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: (1) to the Association, annual or special assessments or charges for upkeep, maintenance and repair, including the funding of a replacement reserve for the Common Area, as defined in Article I, and the facilities located thereupon, such assessments to be fixed, established, and collected from time to time as hereinafter provided, and (2) to the appropriate governmental taxing authority, a pro rata share of any ad valorem taxes levied against the said Common Area if the Association shall default in the payment thereof for a period of six (6) months, all as hereinafter provided. The annual and special assessments, together with such interest thereon and costs for collection thereof, as hereinafter provided, shall be a charge on the land and shall be a continuing lien upon the property against which the assessment is made. Each such assessment, together with such interest, costs and reasonable attorneys' fees, shall 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 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 for the purpose of promoting the recreation, health safety and welfare of the members of the Association as described in the By-laws of the Association and its Charter and in particular for the payment of property taxes assessed against the Common Area and the maintenance of the Common Area, services and facilities devoted to these purposes and related to the use and enjoyment

of the Common Area, and the Association shall be responsible for performing the foregoing.

Section 3. Basis and Maximum of Annual Assessments.

Until January 1 of the year immediately following the conveyance of the first lot to an owner, the maximum annual assessment shall be TEN AND NO/100 DOLLARS (\$10.00) per lot. From and after January 1 of the year immediately following the conveyance of the first lot to an owner, the annual assessment shall be fixed by the Board of Directors of the Association after consideration of the current maintenance costs, additions, if any, to reserves, and the future needs of the Association and as further provided by the Articles of Association and By-laws of the Association.

Section 4. Special Assessments for Extraordinary Repairs to or Replacement of 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 cost of any reconstruction, unexpected repair or replacement of a capital improvement upon the Common Area, including the necessary fixtures and personal property related thereto.

Section 5. 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, subject to the provisions of Section 3. The Board of Directors shall fix the amount of annual assessment against each lot as provided by the By-laws of the Association. The association shall upon demand at any time furnish a certificate in writing signed by

an officer of the Association or its agent setting forth whether or not assessments on a specified lot have been paid.

Section 7. Effect of Nonpayment of Assessments: Remedies of the Association. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the rate of six per cent (6%) per annum, and 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 interest, costs, and reasonable attorneys' fees of any such action shall be added to the amount of such assessment. No owner may waive or otherwise escape liability ofr the assessments provided for herein by non-use of the Common Area or abandonment of his lot.

Section 8. Association to Act as Agent of Owner for Collection and Payment of Ad Valorem Taxes. Notwithstanding any other provision herein, the Association shall act as the agent for the owner of each lot for the collection and payment of any ad valorem taxes levied against the Common Area and shall specify the amount of each assessment, if any, devoted to the payment of such taxes as agent for such owner.

Section 9. Effect of Default in Payment of Ad Valorem Taxes or Assessments for Public Improvements by Association. It shall be further provided that upon default by the Association in the payment to the governmental authority entitled thereto of any ad valorem taxes levied against the Common Area or assessments for public improvements to the Common Area, which default shall continue for a period of six (6) months, each owner of a lot within the jurisdiction of the Association shall become personally obligated to pay to the taxing or assessing govern-

mental authority a portion of such unpaid taxes or assessments in an amount determined by dividing the total taxes and/or assessments due the governmental authority by the total number of lots in the development. If such sum is not paid by the owner within thirty (30) days following receipt of notice of the amount due, then such sum shall become a continuing lien on the lot of the then owner, his heirs, devisees, personal representatives and assigns, and the taxing or assessing governmental authority may either bring an action at law against the owner personally obligated to pay the same or elect to foreclose the lien against the lot of the owner.

Section 10. Subordination of the Lien to Mortgages.

The liens provided for herein shall be subordinate to the lien of any mortgage, mortgages, deed of trust or deeds of trust on the individual properties. Sale or transfer of any lot shall not affect the assessment lien or lien provided for in the preceding section. However, the sale or transfer of any lot which is subject to any mortgage or deed of trust, pursuant to a foreclosure thereof or any proceeding in lieu of foreclosure thereof, shall extinguish the lien of such assessments as to the payment thereof which became due prior to such sale or transfer. No such sale or transfer shall relieve such lot from liability for any assessments thereafter becoming due or from the lien thereof, but the liens provided for herein shall continue to be subordinate to the lien of any mortgage, mortgages, deed of trust or deeds of trust.

ARTICLE IV

ANNEXATION OF ADDITIONAL PROPERTIES

Section 1. L. A. Reynolds Company, shall have the right to annex any of the property shown upon the plat of

Shallowford Lakes as "Reserved for Future Development" and any property adjacent to Shallowford Lakes now owned or hereafter acquired by L. A. Reynolds Company, ~~produces~~ by filing a statement of such annexation ~~with~~ the Board of Directors of the Association and causing a copy thereof to be recorded in the Office of the Register of Deeds of Forsyth County. Upon the filing and recording of the statement of annexation, area described therein shall be subject to the jurisdiction of the Association, the lots shown thereupon shall become subject to the covenant for maintenance assessments and the owners of lots within the said area shall be entitled to membership in the Association and the use of the Common Areas provided in the By-laws of the Association for other members of the same class.

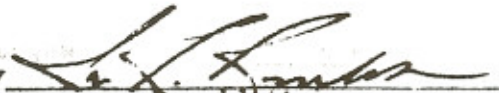
ARTICLE V

AMENDMENT

This indenture may be amended only by written instrument executed by L. A. Reynolds Company, its successors or assigns and by Shallowford Lakes Association, its successors or assigns filed of record in the Office of the Register of Deeds of Forsyth County, North Carolina.

IN WITNESS WHEREOF, L. A. Reynolds Company, has caused this indenture to be executed under seal by its proper officers pursuant to the resolution of its Board of Directors; and Shallowford Lakes Association has also caused this indenture to be executed under seal by its proper officers pursuant to authority of its Board of Directors; both the day and year above first written.

L. A. REYNOLDS COMPANY,

By 
President