

DECLARATION OF COVENANTS, CONDITIONS AND PROTECTIONS

FOR

RIVER CREST

A Planned Residential Development

THIS DECLARATION OF COVENANTS, CONDITIONS AND PROTECTIONS FOR RIVER CREST ("Declaration") is made this 13th day of June, 2005, by River Crest Development, LLC, a Tennessee limited liability company ("Declarant").

WHEREAS, Declarant is the owner of certain real property located in Cocke County, Tennessee and more particularly described in Exhibit "A", attached hereto and incorporated herein by this reference;

WHEREAS, this Declaration is intended to impose upon the Property mutually beneficial covenants under a general plan of improvement for the benefit of all owners of real property within the Property, to provide a flexible and reasonable procedure for the overall development of the Property, and to establish a method for the administration, maintenance, preservation, use and enjoyment of such Property as are now or hereafter subjected to this Declaration.

NOW, THEREFORE, Declarant hereby declares that all of the property described in Exhibit "A" and additional property as may be added by subsequent amendment hereto, and in accordance with the terms and conditions hereof, is subjected to this Declaration of Covenants, Conditions and Protections for River Crest, and will be held, transferred, sold, conveyed, leased, occupied, and used subject to the following easements, restrictions, covenants, charges, liens and conditions, which are for the purpose of protecting the values and desirability of, and which will touch and concern and run with title to, the real properties subjected to this Declaration and which will be binding on all parties having any right, title, or interest in the described properties or any portion thereof, and their respective heirs, successors, successors-in-title, and assigns, and will inure to the benefit of each owner thereof.

**Article 1
Definitions**

When used in this Declaration, unless the context will prohibit or otherwise require, the following words, will have all the following meanings, and all definitions will be applicable to the singular and plural forms of such terms:

1.1 Additional Property. "Additional Property" will mean and refer to the real property as may be added pursuant to Section 2.2, and all improvements thereon.

1.2 Architectural Review Committee. "Architectural Review Committee" or "ARC" will mean and refer to the committee established herein to approve exterior and structural improvements, the siting thereof, and the additions and changes thereto, within the Development as provided in Article 4. In exercising any right or easement granted or reserved to it hereunder, such right or easement shall be deemed to extend to its duly authorized members, officers, agents, employees and contractors.

1.3 Articles of Incorporation. "Articles of Incorporation" will mean and refer to the Articles of Incorporation of the River Crest Owners' Association, Inc., as amended from time to time, filed in the Office of the Secretary of State of the State of Tennessee.

1.4 Assessment. "Assessment" will mean and refer to an Owner's share of the Common Expenses or other charges from time to time assessed against an Owner by the Association in the manner herein provided.

1.5 Association. "Association" will mean and refer to the River Crest Owners' Association, Inc., a Tennessee nonprofit corporation, its successors and assigns. In exercising any right or easement granted or reserved to it hereunder, such right or easement shall be deemed to extend to its duly authorized members, officers, agents, employees and contractors.

1.6 Board of Directors or Board. "Board of Directors" or "Board" will mean and refer to the Board of Directors of the Association, which is the governing body of the Association.

1.7 Bylaws of the Association or Bylaws. "Bylaws of the Association" or "Bylaws" will mean and refer to those Bylaws of the River Crest Owners' Association, Inc. attached hereto as Exhibit "B", which govern the administration and operation of the Association, and as the same may be amended from time to time.

1.8 Common Areas. "Common Areas" will mean and refer to any and all real and personal property now or hereafter deeded or leased to, or which is the subject of a use agreement with the Association, and wherein the property therein described is specifically denominated to be a part of the Common Areas. Common Areas shall include the Association's private roads, streets, road and street shoulders, walkways, and such maintenance and drainage areas, easements, and ponds located within the Property and which are not maintained by governmental authority or not owned and maintained by an individual Owner. Common Areas shall also include the common wastewater collection and disposal facilities referred to in Section 7.3. The portion of the Common Areas used for such common wastewater collection and disposal facilities shall and is hereby restricted to be used for such purpose. Additionally, all provisions of this Declaration referring to the maintenance of the Common Areas shall include such common wastewater collection and disposal facilities to the extent any portion of said facilities is not the responsibility of an individual Owner pursuant to this Declaration. The designation of any land and/or improvements as a Common Area will not mean or imply that the public at large acquires any easement of use or enjoyment therein. All Common Areas are to be devoted to and intended for the common use and enjoyment of the Declarant, Owners, and their respective guests and invitees.

1.9 Common Expenses. "Common Expenses" will mean and refer to all expenditures lawfully made or incurred by or on behalf of the Association, together with all funds lawfully assessed for the creation or maintenance of reserves, pursuant to the provisions of this Declaration for the maintenance, repair and management of the Common Areas, and for the maintenance, repair and management of other property, whether owned by the Association or not and set forth in this Declaration or incorporated herein by a Supplemental Declaration, for which the Association has responsibility.

1.10 Declarant. "Declarant" will mean and refer to River Crest Development, LLC, a Tennessee limited liability company, or any successor-in-title to the entire interest of such entity with respect to the Property at the time such transfer to said successor-in-title, or any party designated Of Record to succeed to the rights of Declarant hereunder as to the matters set forth in such writing. In exercising any right or easement granted or reserved to it hereunder, such right or easement shall be deemed to extend to its duly authorized members, officers, agents, employees and contractors.

1.11 Declarant Control Period. "Declarant Control Period" means the time period commencing on the date of this Declaration is filed Of Record and ending on the earlier of:

- (a) December 31, 2015;

(b) Three (3) months after the conveyance by the Declarant, in the ordinary course of business to persons other than a successor Declarant, property representing ninety-five percent (95%) of the total number of Lots intended for development on all of the Property as set forth in a Supplemental Declaration executed and filed Of Record by the Declarant on or before December 31, 2015, making specific reference to this Section; or

(c) Three (3) months following the date the Declarant surrenders its authority to appoint directors of the Association by an express amendment to this Declaration executed and filed Of Record by the Declarant.

1.12 Declaration. "Declaration" will mean and refer to this Declaration of Covenants, Conditions and Protections for River Crest, as amended, from time to time, by any Supplemental Declaration filed Of Record.

1.13 Development. "Development" will mean and refer to the Property and all improvements located or constructed thereon, and being part of the overall plan, from time to time existing hereunder for the real estate development known as River Crest.

1.14 Dwelling. "Dwelling" will mean and refer to any improved property, including but not limited to an improved Lot, used as a single-family residence, whether detached or attached.

1.15 Lot. "Lot" will mean and refer to any unimproved portion of the Property upon which a Dwelling will be constructed; as such Lot is shown on the Site Plan. A parcel of land will be deemed unimproved and thus considered to be a Lot, rather than a Dwelling, until the improvements constructed thereon are sufficiently complete to reasonably permit habitation thereof. Upon such completion, such parcel and the improvements thereon will collectively be considered to be a Dwelling for purposes of this Declaration.

1.16 Member. "Member" will mean and refer to an Owner with appurtenant membership in the Association as described in Section 5.1.

1.17 Mortgage. "Mortgage" will mean and refer to a mortgage, security deed, deed of trust, or other similar security instrument granting, creating or conveying a first priority lien upon, a security interest in, or a security title to a Lot or Dwelling.

1.18 Mortgagee. "Mortgagee" will mean and refer to the holder of a Mortgage, its successor and assign.

1.19 Occupant. "Occupant" will mean and refer to any person, including without limitation, any Owner, occupying or otherwise using a Dwelling within the Development, and their respective families, servants, agents, guests and invitees.

1.20 Of Record. "Of Record" will mean and refer to the place of filing a writing in the applicable public records, currently being the Cocke County Register of Deeds, Cocke County, Tennessee, as will give legal notice to the world of the matters set forth in the writing so filed.

1.21 Owner. "Owner" will mean and refer to one or more persons, including Declarant, who or which owns fee simple title to any Lot or Dwelling, its respective heirs, executors, legal representatives, successors and assigns, excluding, however, those persons having such an interest under a Mortgage. In the event that there is filed Of Record any installment land sales contract covering any Lot

or Dwelling, the Owner thereof will be deemed to be the purchaser under the installment sales contract and not the fee simple titleholder. An installment land sales contract will be an instrument whereby the purchaser is required to make payment for such property for a period extending beyond nine (9) months from the date of the contract, and where the purchaser does not receive title to such property until all such payments are made, although the purchaser is given use thereof.

1.22 Property. "Property" will mean and refer to those pieces, parcels and lots of land described on Exhibit "A", or any other portion thereof, together with all improvements thereon, and together with any Additional Property.

1.23 Referendum. "Referendum" will mean and refer to the vote of Members by mailed ballot on certain actions submitted to the Members of the Board of Directors, as more particularly set forth herein and in the Bylaws.

1.24 Site Plan. "Site Plan" will mean and refer to any subdivision plat prepared by Declarant and placed Of Record for any of the Property.

1.25 Supplemental Declaration. "Supplemental Declaration" will mean and refer to any amendment to this Declaration filed Of Record, which makes any changes hereto.

ARTICLE 2 THE GENERAL PLAN FOR RIVER CREST

2.1 Plan of Development of the Property. The Property initially contains Sixty-Seven (67) Lots as shown on the Site Plan, upon each of which one (1) Dwelling may be constructed. The Property will also include Common Areas, including recreational facilities as may, but shall not be required to, be developed, and such private roads, utility systems, drainage systems, and other improvements serving the Property and as are from time to time, denominated as such in this Declaration or by the Declarant on the Site Plan or in any deed, lease, use agreement, Supplemental Declaration or memorandum thereof filed Of Record, and which are installed and existing. All Lots and Dwellings within the Development will be and are hereby restricted exclusively to single-family residential use and will be subject to the standards and restrictions set forth in the Article 3 hereof. Without the consent of any person, Declarant will have the right, but not the obligation, during the Declarant Control Period, to make improvements and changes to all Common Areas and to all such properties owned by Declarant, including, without limitation, (a) installation and maintenance of any improvements, (b) changes in the location of the boundaries of any such properties owned by Declarant, and (c) installation and maintenance of any water, sewer, and other utility systems and facilities. This right shall not in any way diminish the responsibilities and obligations of the Association with respect to the maintenance of the Property or the maintenance of any water, sewer or other utility systems or facilities as provided for herein.

2.2 Additions to the Property. Other property may become subject to this Declaration in the following manner:

(a) Additions by Declarant. During the Declarant Control Period, the Declarant shall have the right, without further consent of the Association or any Owner, to bring within the plan and operation of this Declaration, or to consent thereto, the whole or any portion of any property contiguous or nearly contiguous to the Property, whether or not owned by Declarant. Such property may be subjected to this Declaration as one parcel or as several smaller parcels at different times. The additions authorized under this subsection shall be made by filing Of Record a Supplemental Declaration and Site Plan with respect to the land to be added hereto and which shall extend to the operation and effect of the covenants and

restrictions of this Declaration thereto, and which, upon filing Of Record of a Supplemental Declaration, shall constitute part of the Property.

The Supplemental Declaration may contain such complimentary additions and/or modifications of the covenants and restrictions contained in this Declaration as may be necessary or convenient, in the sole judgment of the Declarant, to reflect the different character, if any, of the land added hereto, and as are not materially inconsistent with this Declaration, but such modifications shall have not effect on the Property described in 2.1 above.

(b) Withdrawal of Property by Declarant. The Declarant reserves the right to amend this Declaration during the Declarant Control Period for the purpose of removing any portion of the Property from the coverage of this Declaration, provided the withdrawal is not contrary to the overall uniform scheme of development for the property. Such amendment will not require the consent of any Person other than the Owner of the property to be withdrawn, if not the Declarant. If the property is Common Area, the Association will consent to the withdrawal.

2.3 Conveyances of Common Areas. All parcels of land shown as Common Areas on the Site Plan or which are identified as Common Areas and require a conveyance to vest in the Association ownership and use thereof, will be deeded or an easement will be granted with respect thereto by Declarant after Declarant has completed the improvements thereon. Beginning with the eleventh (11th) sale of a Lot or Dwelling, the Association will immediately become responsible for all maintenance, repair and replacements therefore, the operation thereof and such additional construction of improvements as may be authorized by the Board of Directors. It is the purpose of this provision to provide that the Association will be responsible for the maintenance of Common Areas, notwithstanding the fact that the Declarant is not obligated to deed or grant an easement for such properties or that Declarant has not yet deeded or conveyed such properties. Any such conveyance by the Declarant will be conveyed subject to:

- (a) All restrictive covenants filed Of Record at the time of conveyance;
- (b) The right of access of the Declarant, its successors and assigns, over and across such property;
- (c) The right of both the Declarant, during the Declarant Control Period, or the Association, after the expiration of the Declarant Control Period, and the ARC to approve all structures, construction, repairs, changes in the elevation and topography and the location of any object (including vegetation) within the Common Areas prior to the commencement of such activities or location of any object therein;
- (d) The right of both the Declarant, during the Declarant Control Period, or the Association, after the expiration of the Declarant Control Period, and the ARC to approve all contractors, builders and subcontractors prior to the commencement of any construction activities on any Lot;
- (e) All utilities and drainage easements; and
- (f) All reserved rights set forth in Section 2.1.

In no event shall the Declarant be required to so convey the Common Areas where such conveyance would be prohibited under agreements to which the Declarant is a party on the date of establishment of such Common Areas, but, in such cases, Declarant will be allowed to postpone such conveyance, without penalty, until such time as said prohibition terminates, is released or is nullified.

In consideration of the benefits accruing to the Association and to the Members under this Declaration and in consideration of the covenants and agreements of the Declarant hereunder, the Association hereby agrees to accept title to any property, or to any interest in property, now or hereafter conveyed to it pursuant to the terms and conditions of this Declaration. Upon the due recording of a deed, easement, lease or other instrument or memorandum of conveyance Of Record to the Association, title or such other interest in property conveyed will vest in and to the Association without the necessity of any further act, deed or approval of any person, including the grantor, lessor and/or Association.

2.4 Owner's Interest Subject to Plan of Development. Every purchaser of a Lot and Dwelling will purchase such property, and every mortgagee and lienholder holding an interest therein will take title or hold such security interest with respect thereto, subject to the plan of development for River Crest and this Declaration.

ARTICLE 3 OWNERS' COVENANTS AND USE RESTRICTIONS

3.1 Building Restrictions. Except as may be otherwise set forth in this Declaration, in the Site Plan, in any Supplemental Declaration, in any agreement with Declarant, or by specific deed restriction, the following building restrictions will apply with respect to the properties subject to this Declaration.

(a) Number of Buildings on Lots. On a Lot, no structure will be constructed other than one (1) detached, single-family Dwelling. Additional accessory structures, which may include a gazebo, outdoor kitchen/dining area or dock, may be constructed provided that such structure (i) does not overcrowd the Lot, (ii) is architecturally compatible with the Dwelling on the Lot and (iii) is pre-approved by the Architectural Review Committee. The following structures may not be constructed on any Lot: detached private garage, servant's quarters, guest house, any structure used for activity normally conducted as a business, or similar buildings or structures. Any accessory building may not be constructed prior to the construction of the main building. A guest suite or like facility may be included as part of the main Dwelling, but said suite may not be rented or leased except as part of the entire premises including the main dwelling.

(b) Square Footage, Garage and Height Requirements. Unless otherwise provided in a Supplemental Declaration, all residential Dwellings constructed on the Lots that have river frontage shall have a minimum of two thousand (2,000) square feet of heated and cooled living space, being the enclosed and covered areas within the Dwelling, exclusive of garages, carports, porches, terraces, balconies, decks, patios, courtyard, greenhouses, atriums, storage areas, and attics; and a minimum of one thousand two hundred (1,200) square feet of such conditioned space shall be required on the first floor alone (excluding all other floors). Similarly, all residential Dwellings constructed on the non-river front Lots shall have a minimum of one thousand six hundred (1,600) square feet of heated and cooled living space, being the enclosed and covered areas within the Dwelling, exclusive of garages, carports, porches, terraces, balconies, decks, patios, courtyard, greenhouses, atriums, storage areas, and attics; and a minimum of one thousand (1,000) square feet of such conditioned space shall be required on the first floor alone (excluding all other floors). Each Dwelling shall not exceed forty feet (40') in height as measured from ground elevation. Even though there is no maximum square footage requirement set forth in this Section 3.1(b), approval by the Architectural Review Committee may be conditioned upon a determination, made in its sole discretion or pursuant to design criteria, that the Dwelling will not crowd the Lot and be aesthetically out of character with the Lot's surroundings, which Architectural Review Committee and design criteria are, or will be, established pursuant to ARTICLE 4 below.

(c) Building Materials. In addition to any other requirements of the ARC, every Dwelling and accessory structure erected in the Subdivision shall be constructed of brick or timber (such as that used in a log home) unless another natural construction material is approved by the ARC. No wood, vinyl or masonite will be approved except for windows, doors, trim and gables as specifically approved in writing by the ARC. No outside walls may be constructed of imitation brick or similar materials. All outside materials must be new except that used brick, stone, or ornamental iron work or other ornamental objects may be used. No previously used dwelling or accessory buildings shall be relocated in the Development. No open foundations or unsightly methods of construction shall be permitted on any Lot.

(d) Completion of Improvements. The exterior of all Dwellings and other structures constructed upon any Lot must be completed within eighteen (18) months after the construction of same shall have commenced, except where such completion is impossible or would result in great hardship to the Owner or builder thereof due to strikes, fires, national emergencies or natural calamities. No Dwelling under initial construction shall be occupied until construction is completed and all necessary approvals of any governmental authorities have been obtained.

(e) Other Requirement of Residences. In addition, all residential structures constructed on a Lot will be designed and constructed in compliance with the requirements of such political subdivision with jurisdiction thereof.

3.2 Trees. No Owner, other than Declarant, shall be entitled to cut, remove, or mutilate any trees, shrubs, bushes, or other vegetation having a trunk diameter of six (6) inches or more at a point of four and one-half (4½) feet above the ground level, or other significant vegetation as designated, from time to time, by the ARC, without obtaining the prior approval of the ARC or its representative, as well as other dead or diseased shrubs, bushes, or other vegetation, shall be cut and removed promptly from any property by the Owner thereof. Nothing herein shall be construed so as to limit any applicable law or ordinance.

3.3 Alteration of Setback Lines in the Best Interest of Development. Where because of size, natural terrain, or any other reason in the opinion of the Declarant, it should be in the best interest of the Development that the setback lines of any Lot should be altered or changed, then the Declarant reserves unto itself, its successors or assigns, and no other, the right to change said setback lines to meet such conditions. The Declarant specifically reserves the right to transfer and assign this right to approval to the ARC hereinafter established.

3.4 Use of Lots and Dwellings. Except as permitted by Section 3.22, each Lot and Dwelling will be used for residential purposes only, and no trade or business of any kind may be carried on therein. The use of a portion of a Dwelling as an office by an Owner or Occupant will not be considered to be a violation of this covenant if such use does not create regular customer, client, or employee traffic; provided that in no event will any Lot or Dwelling be used as the office of or storage area for any building contractor, real estate developer or real estate broker, except as may be on a temporary basis, with the express written approval of the Declarant during the Declarant Control Period, and thereafter by the Board of Directors, and in accordance with reasonable rules and regulations promulgated therefor. Nothing contained herein shall be construed so as to prohibit the construction of houses to be sold on a Lot or the showing of Dwellings for the purpose of selling houses in the Development; and nothing herein shall be construed to prevent the Declarant or its permittees from erecting, placing or maintaining signs, structures and offices as it may deem necessary for its operation and sales in the Development. Lease or rental of a Dwelling for residential purposes will also not be considered to be a violation of this covenant so long as the lease (a) is for not less than the entire Dwelling and all the improvements thereon, and (b) is otherwise in compliance with rules and regulations as may be promulgated and published from time to

time by the Declarant and the Board of Directors. All leases or rental agreements must be in writing. Upon request, the Owner will provide the Declarant and Board of Directors with copies of such lease or rental agreement. Any Occupant shall, in all respects, be subject to the terms and conditions of this Declaration and the rules and regulations adopted hereunder.

3.5 Time Sharing Plans. No part of the Property subject to this Declaration, including any improvements thereon or to be built thereon, will be used for or subject to any type of Time Share Program or Time Share Project as defined by the Tennessee Time Share Act of 1981 (TCA § 66-32-101, et. seq.), or any subsequent laws of this State dealing with that or similar type of ownership by a Dwelling Owner, or which is used for, in conjunction with and/or as an advertised part of any time share exchange program which makes available as accommodations the Dwelling and which is not otherwise registered as a Time Share Program or Time Share Project or which utilizes the Dwelling as accommodations for time share sale prospects of any Person, without the prior written consent of the Declarant, which it may grant or deny in whole, or may grant to some and deny to others, in its sole discretion. Any Residential Dwelling designated in any Supplemental Declaration by the Declarant as being subject to a Time Share Program or a Time Share Project shall be deemed to have received the written consent of the Declarant, as aforesaid, without the necessity of any additional consent or writing.

3.6 Antennas. No television antenna, radio receiver, or other similar device will be attached to or installed on any portion of the Development, except as required by the Telecommunications Act of 1996 and implementing rules therefore issued by the Federal Communications Commission and by the Association in conformity with rules or guidelines of the Federal Communications Commission; provided however, the Declarant and the Association will not be prohibited from installing equipment necessary for master antenna, security, cable television, mobile radio, or other similar systems within the Development.

3.7 Water Wells. Owners shall be permitted to drill, install and maintain wells solely for the purpose of irrigation and other maintenance purposes, provided such wells comply with all requirements, rules or regulations promulgated by any applicable governing body. No well may be drilled, installed or maintained for the provision of potable water for consumption or use by the Owner or any other individuals.

3.8 Clotheslines. No clotheslines or drying yards shall be located upon the premises so as to be visible from any Common Area or from any adjoining property or Lot.

3.9 Propane Gas Tanks. Any propane gas tanks shall be buried underground on the Lot and the lid shielded from the view from any road by plantings or other means approved by the ARC.

3.10 Firearms and Fireworks. No firearms or fireworks of any variety shall be discharged upon the Lots, in any Dwelling or upon any Common Area. The term "firearms" shall include, without limitation, guns, "B-B" guns and pellet guns.

3.11 Exclusion of Above-Ground Utilities. All electrical service and telephone lines shall be placed underground and no outside electrical lines shall be placed overhead. Provided, however, that the normal service pedestals, etc., used in conjunction with such underground utilities shall be permitted within the Development. Overhead utilities shall be permitted during the construction period and until utility companies can place them underground.

The following shall be permitted as exceptions to this requirement:

(a) At or about the boundary line of Lots 24 and 25 there is an existing utility pole supporting overhead utilities that cross the river and service property outside of the Development. This utility pole shall be permitted as an exception to this Section 3.11.

(b) At or about the boundary line of Lots 92 and 102 there shall be permitted as an exception to this Section 3.11, overhead utilities that cross the ravine and cross Highway 2570 to property located outside the Development.

3.12 Signs. Except as may be required by law or by legal proceedings, no signs or advertising posters of any kind, including, but not limited to, "For Rent," "For Sale," and other similar signs, shall be erected by an Owner, the Association, or any agent, broker, nor shall any sign or poster be maintained or permitted on any window or on the exterior of any improvements or on any unimproved portion of property located within the Development, without the express written permission of the ARC. The approval of any signs and posters, including, without limitation, name and address signs, shall be upon such conditions as may be from time to time determined by the ARC and may be arbitrarily withheld. Notwithstanding the foregoing, the restrictions of this Section 3.12 shall not apply to the Declarant or to any person having the prior written approval of the Declarant. In addition, the Association shall have the right to erect reasonable and appropriate signs on any portion of the Common Areas in accordance with architectural design standards adopted therefore by the ARC and approved by governmental authority with jurisdiction thereof. Notwithstanding the foregoing, during the construction of any Dwelling, the contractor and the bank providing financing shall be permitted to maintain signage on the Lot.

3.13 Pets. No animals of any kind shall be kept by any Occupant upon any portion of the Development, provided that a reasonable number of generally recognized house pets, not to exceed four (4), may be kept in Dwellings, subject to rules and regulations adopted by the Association, and further provided that such pet or pets are kept or maintained solely as domestic pets and not for any commercial purpose; provided further, however, dog houses, kennels, fenced runs or pens for the outside housing of any pet shall be subject to the approval of the ARC, which it may grant or deny in its sole discretion. No pet shall be allowed to make an unreasonable amount of noise or to become a nuisance. Pets shall be under leash, or otherwise under the control of its owner, at all times when walked or exercised in any portion of the Common Areas, and the owner of such pet shall clean up after such pet. Upon the written request of any Occupant, the Board of Directors may conclusively determine, in its sole and absolute discretion whether, for purposes of this Section 3.13, a particular pet is a generally recognized house pet or such pet is a nuisance, and the Board shall have the rights to require the owner of a particular pet to remove such pet from the Development if such pet is found to be a nuisance or to be in violation of these restrictions. The Board of Directors shall have the further right, subject to Section 12.2, to fine any Occupant for the violation of these pet restrictions by such Occupant and the Occupant shall be liable to the Association for the cost of repair of any damage to the Common Areas caused by the Occupant's pet. Any such fine or cost of repair shall be added to and become a part of that portion of any Assessment next coming due, to which such Dwelling and its Owner are subject.

3.14 Drainage. No Owner shall channel or direct drainage water onto a neighboring Lot or Common Area except in accordance with a drainage plan approved by Declarant. No Owner shall make any change to or modifications of the originally established grades, swales and slopes of his or her lot in any way that changes or impedes the originally established flow of storm water drainage.

3.15 Artificial Vegetation, Exterior Sculpture and Similar Items. No artificial vegetations shall be permitted on the exterior of any portion of the Subdivision. Exterior sculptures, fountains, flags, and similar items are subject to Declarant's or the ARC's prior approval; provided, however, that nothing contained herein shall prohibit the appropriate display of the American flag. Unless required by the

United States Postal Service to maintain "cluster boxes", each Owner will be required to purchase and maintain a uniform mailbox of the size and type determined by the ARC.

3.16 Nuisances. No rubbish or debris of any kind will be dumped, placed, or permitted to accumulate upon any portion of the Development, nor will any nuisance or odors be permitted to exist or operate upon or arise from the Development, so as to render any portion thereof unsanitary, unsightly, offensive, or detrimental to persons using or occupying any other portions of the Development. Noxious or offensive activities will not be carried on in any part of the Development, and the Association and each Owner and Occupant will refrain from any act or use which could cause disorderly, unsightly, or unkempt conditions, or which could cause embarrassment, discomfort, annoyance, or nuisance to the Occupants of other portions of the Development or which could result in a cancellation of any insurance for any portion of the Development, or which would be in violation of any law or governmental code or regulation. Without limiting the generality of the foregoing provisions, no horns, whistles, bells, or other sound devices, except security and fire alarm devices used exclusively for such purposes, will be located, used, or placed within the Development, except as may be permitted pursuant to terms, conditions, rules and regulations adopted therefore by the Board of Directors. Any Owner or Occupant who dumps or places any trash or debris upon any portion of the Development will be liable to the Association for the actual costs of removal thereof plus an administrative fee of \$100.00, or such other sum set therefor by the Owner and Occupant, and such sum will be added to and become a part of that portion of any Assessment next becoming due to which such Owner and his property is subject.

During the period of construction or any other type of work on a Lot, the Owner of such Lot shall be responsible for ensuring that the Lot is cleaned and cleared of all debris on a daily basis. Additionally, each Owner shall be responsible for ensuring that a dumpster is available on each Lot during the construction period and that such dumpster is emptied and maintained on a regular basis. Each Owner shall also be responsible for providing an outdoor portable toilet on a Lot for use by contractors and subcontractors during the construction period on such Lot, and such toilet shall be maintained and serviced regularly during the construction. Such toilet shall be locked at all times when construction personnel are not present at the Lot during the construction period.

3.17 Motor Vehicles, Trailers, Boats, Etc. Each Owner will provide for parking of automobiles off the streets and roads within the Development. There will be no outside storage or parking upon any portion of the Development of any mobile home, trailer (either with or without wheels), motor home, tractor, truck (other than pick-up trucks), commercial vehicles of any type, camper motorized camper or trailer, boat or other watercraft, boat trailer, motorcycle, motorized bicycle, motorized go-cart, or any other related forms of transportation devices, except in a Dwelling's garage. Any permitted parking of a mobile or motor home within a garage will not be construed as to permit any person to occupy such mobile or motor home, which is strictly prohibited. Additionally, no parking of any of the aforementioned vehicles will be permitted in the yard of any Lot. Furthermore, although not expressly prohibited hereby, the Board of Directors may at any time prohibit or write specific restrictions with respect to the operating of mobile homes, motor homes, campers, trailers of any kind, motorcycles, motorized bicycles, motorized go-carts, all terrain vehicles (ATV's), and other vehicles, or any of them, upon any portion of the Development if in the opinion of the Board of Directors such prohibition or restriction will be in the best interests of the Development. Such policies may change from time to time with changing technology. The storage of any such vehicles within a garage will be permitted, even if operating the same is prohibited. No Owners or other Occupants of any portion of the Development will repair or restore any vehicle of any kind upon or within a property subject to this Declaration except (a) within enclosed garages, or (b) for emergency repairs, and then only to the extent necessary to enable the movement thereof to a proper repair facility.

3.18 Mining and Drilling. No derrick or other structure designed for use in boring for oil or natural gas shall be erected, placed or permitted upon any part of the Development, nor shall any oil, natural gas, petroleum, asphalt or hydrocarbon products or materials of any kind be produced or extracted from the premises.

3.19 Garbage Disposal. Each Lot Owner shall provide garbage receptacles or similar facilities in accordance with reasonable standards established by the Declarant, or a roll-out garbage rack of the type approved by the Declarant, which shall be visible from the streets on garbage pickup days only. No garbage on any Lot or within the Development shall be permitted (except licensed contractors may burn construction debris if, and only if, permitted to do so by the ARC, but only during the period of construction of improvements on the Lot); provided, however, the Declarant shall be permitted to modify the requirements of this Section 3.19 where necessary to comply with orders of governmental bodies.

3.20 Owners Landscape Maintenance Between Lot Line and Adjacent Paving. Each Owner will be responsible for maintaining on a regular basis the landscaping, if any, and ground cover along the right-of-way roadside or sidewalk, as applicable, bordering the Owner's Lot, whether or not such area is a part of the Owner's Lot. Each Owner will perform such maintenance within the unpaved area of right-of-way immediately adjacent to a Lot's lot line, and will be of such quality of maintenance as is required to maintain a Development consistency in appearance and cleanliness. An Owner's responsibility under this Section 3.20 to provide regular maintenance will be fulfilled regardless of whether or not an Owner has constructed improvements upon his Lot or whether or not the Owner permanently resides in the Development.

3.21 Owner's Landscape Maintenance Between Lot Line and Adjacent Lake or Pond. Each Owner will be responsible for maintaining on a regular basis the landscaping, if any, and ground cover along the edge of the river or any pond (above the waterline, from time to time existing) bordering the Owner's Lot, whether or not such area is a part of the Owner's Lot. Each Owner will perform such maintenance with such quality of maintenance as is required to maintain a Development consistency in appearance and cleanliness. An Owner's responsibility under this Section 3.21 to provide regular maintenance will be fulfilled regardless of whether or not an Owner has constructed improvements upon his Lot or whether or not the Owner permanently resides in the Development.

3.22 Development, Sales and Construction Activities of Declarant. Notwithstanding any provisions or restrictions contained in this Declaration to the contrary, the Declarant and its agents, employees, successors, and assigns are permitted to maintain and carry on such facilities and activities as may be reasonably required, convenient, or incidental to the development, completion, improvement, and sale or lease of the whole or any portion of the Property, including, without limitation, the installation and operation of development, sales and construction trailers and offices, signs and models, provided that the location of any such trailers of any assignees of Declarant's rights under this Section 3.22 are subject to Declarant's prior written approval. The right of Declarant to maintain and carry on such facilities and activities will include specifically the right of Declarant to use Dwellings as models and as offices for the sale or lease of Lots and Dwellings and for related activities.

3.23 Use of Trademark. Each Owner and Occupant, by acceptance of a deed to any lands, tenements or hereditament within the Development hereby acknowledges that "River Crest" is a service mark and trademark. Each Owner and Occupant agrees to refrain from misappropriating or infringing this service mark of trademark.

3.24 Owner Recording Additional Restrictions on Property. No Owner may impose additional restrictive covenants on any lands within the Property beyond those contained in this Declaration without approval of the Declarant during the Declarant Control Period, and thereafter without consent of the

Board of Directors. The Declarant may impose additional restrictive covenants on property then owned by the Declarant without the consent of any other Owner or the Association.

3.25 Assignment of Declarant's Rights to the Association. The Declarant reserves the right to assign to the Association, at its sole discretion, its rights reserved in this Declaration, including all rights set forth in this Article 3. The Association hereby agrees to accept any and all assignments of rights hereunder, and no further action will be required by it.

3.26 Other Rights and Reservations. THE OMISSION OF ANY RIGHT OR RESERVATION IN THIS ARTICLE WILL NOT LIMIT ANY OTHER RIGHT OR RESERVATION BY THE DECLARANT WHICH IS EXPRESSLY STATED OR IMPLIED FROM ANY OTHER PROVISIONS IN THIS DECLARATION.

ARTICLE 4 ARCHITECTURAL GUIDELINES; APPROVALS

4.1 Purpose. In order to enhance the beauty of the Development, to establish and preserve harmonious and aesthetically pleasing designs incorporated into the Development, and to protect and promote values for the Development, and the Lots and improvements located therein and thereon, no Lot site plan will be undertaken (including staking, clearing, excavation, grading and other site work, exterior alteration of existing improvements, and planting or removal of landscaping materials) nor any structures placed, erected or installed upon any Lot or adjacent to any Lot where the purpose of the structure is to service the Lot, except in accordance with this Article 4 and upon approval as herein provided unless specifically exempted from the application and approval requirements hereof by specific terms and conditions hereof pursuant to this Declaration or pursuant to a writing signed by Declarant in recordable form. In addition to the approval based on the Design Guidelines, no work as described above will be undertaken until the contractors, builders and subcontractors proposed to undertake such activity have been approved by the ARC for such project. The ARC shall have broad discretion in the approval or disapproval of any proposed contractor, builder or subcontractor.

4.2 Architectural Review Committee. The Declarant will establish and preserve an Architectural Review Committee ("ARC") to administer the architectural and aesthetic approval process for the Development. The ARC under this Declaration will consist of not more than five (5) or less than three (3) members, who need not be a Lot Owners. The terms of office for each member and other matters of governments to be applicable to the ARC, will be established by the Declarant prior to the time any review and approval process hereunder would otherwise have to take place. A member appointed by the Declarant may be removed with or without cause by the Declarant at any time by written notice to the appointee, and any successor appointed to fill the vacancy will serve the remainder of the term of the former member. Notwithstanding the foregoing to the contrary, any member appointed to the ARC following assignment of the whole or any portion of the ARC functions pursuant to Section 4.2(a) below is subject to the prior approval of Declarant until that date which is three (3) years following the termination of the Declarant Control Period. The ARC is responsible for administering the Design Guidelines, if adopted and amended from time to time if as hereinafter provided, and for the review and approval process conducted in accordance with this Article 4. The ARC is authorized to retain the services of consulting architects, landscape architects, urban designers, engineers, inspectors, and/or attorneys in order to advise and the assist the ARC and performing its functions set forth herein. The ARC may establish and charge reasonable fees for review of applications hereunder and may require such fees to be paid in full prior to review of any application. Such fees may include the reasonable costs incurred by the committees in having any application reviewed by architects, engineers or other professionals.

(a) Right to Assign ARC Functions. The Declarant reserves the right to assign to the Association, or to a committee or board established by the Declarant, at its sole discretion at any time during the Declarant Control Period, the whole or any portion of its rights reserved and this Declaration, which are exercisable by the ARC. The Association, and each such committee or board established by the Declarant, does hereby agree to accept any such assignment of rights without the necessity of any further action by it. Upon the expiration of three (3) years following the termination of the Declarant Control Period, any then remaining rights are deemed assigned to the Association, which will succeed to all the rights of Declarant over the ARC then remaining unassigned without further action on the part of either the Declarant or the Association

(b) Liability of ARC Members. No member of the ARC, or any assignee of rights hereunder, will be liable to any Lot Owner for any decision, action or omission made or performed by the ARC member in the course of his duties unless the member acted in bad faith or in reckless disregard of the rights of any Person or of the terms of this Declaration.

(c) Indemnification. Until all the ARC functions are assigned, the Declarant will, to the full extent permitted by law, indemnify all Persons designated from time to time by the Declarant to serve as members of the ARC exercising unassigned rights hereunder from and against any liability as may be incurred by the members contrary to the provisions of this Section 4.2(c). Following any such assignment by the Declarant, members of the ARC or successor board exercising rights so assigned are indemnified by the Association to which the exercised right was assigned.

4.3 Design Guidelines. The Declarant will prepare the initial design and development guidelines, as well as the form of application and review procedures therefore (the "Design Guidelines"), which will apply to all development and construction activities within the Development. The Design Guidelines may contain general provisions applicable to all of the Developments, as well as specific provisions which may vary according to the location of a specific Lot within the Development, the unique characteristics of a particular Lot and its intended use. Failure by Declarant to prepare or provide written Design Guidelines will not in any way affect the Declarant or ARC's rights to approve all designs in accordance with terms set forth herein and any other guidelines deemed appropriate by the Declarant that do not directly conflict with the terms of this document.

(a) Interior Improvements. Generally speaking, the Design Guidelines will not cover interior improvements, which will, generally, not be subject to review and approval by the ARC, unless the review and approval may otherwise be required because the interior improvements are made within an area plainly with view of adjacent properties.

(b) Drainage. The Design Guidelines may provide that, in connection with the ARC's approval and to prevent excessive drainage or surface water runoff, the ARC may have the right to establish a maximum percentage of property which may be covered by buildings, structures, or other improvements, which guidelines may be promulgated on the basis of topography, percolation rates of the soil, soil types and conditions, vegetation cover, and other environmental factors, or to impose guidelines for the installment of storm water management facilities deemed appropriate to limit or control runoff.

(c) Siting and Setbacks. Unless otherwise specifically provided or allowed, in writing by the Declarant or by the applicable zoning, the siting of improvements and setbacks from other properties may, pursuant to the Design Guidelines, be vested solely in the ARC.

(d) Other Guidelines. The Development's Design Guidelines may, in the sole discretion of Declarant, and, following the Declarant Control Period, the ARC may also provide applicable guidelines (i) prohibiting or restricting the erection and use of temporary structures; (ii) setting

permissible times of construction and requirements concerning construction debris; (iii) covering the allowance of and, where allowed, the content, size, style and placement location for if, signage; (iv) requiring or encourage English release screens service yards; (v) establishing exterior lighting design and location criteria; (vi) prohibiting or limiting installation and use of wells; (vii) and setting conditions for property subdivision or consolidation, if and for subjecting Development property if to further covenants, conditions, if restrictions and easements; provided, however, Declarant's activities may be excepted or exempted off from any and all such guidelines. The within the listing of possible guidelines is not an exhaustive testing if and is intended merely to provide an example of the diversity of guidelines if as may be incorporated in the Design Guidelines, and will not act as a limitation upon guidelines and guidelines as may or may not be implemented.

(e) Guidelines: Final Authority of ARC. The Design Guidelines are intended to provide guidance, and will not be the exclusive basis for decisions of the ARC, and compliance with the Design Guidelines will not guarantee an approval of any application. The ARC will have the sole discretion to determine whether plans and specifications submitted for approvals are acceptable to it, and the refusal of approval of any plans and specifications may be based by the ARC upon any ground which is consistent with the objects and purposes of this Declaration, if as may be supplemented by the Design Guidelines, including, purely aesthetic considerations, so long as such grounds are not arbitrary or capricious.

(f) Inspections and Permit and Certificate Issuance. The Design Guidelines may also provide procedures for ARC inspection of work, if for the issuance of a permit to commence work and for the issuance of a certificates following completion thereof, in addition to any such permits and certificates as may be issued by governmental authority with jurisdiction thereof, if which may constitute conditions precedent to use or occupancy

(g) Fees and Charges. In addition to application fees and charges, the Design Guidelines may provide a schedule of fees, charges, required damage or other deposits, fines for noncompliance, and other amounts due and payable by an Owner as part of the application, review and approval processes, which schedule the ARC may increase, modify and amend at any time. All fees and charges provided herein constitutes specific Assessments and a lien upon the Lot to which the fees and charges relate.

4.4 ARC Landscaping Approval. To preserve the architectural and aesthetic appearance of the Development, no landscaping, grading, excavation, or filling of any nature whatsoever, will be commenced or maintained by the Association or any Owner, other than Declarant, on any portion of the Development, including, without limitation, the construction or installation of sidewalks, driveways, parking lots, decks, patios, courtyards, amenities and recreational facilities, walls, fences, or exterior lights, nor will any building construction, exterior addition, change or alteration, be made (including, without limitation, painting or staining of any exterior surface), unless and until application is made to ARC pursuant to the Design Guidelines in the plans and specifications therefor are approved by the ARC.

4.5 Approval Not a Guarantee. No approval of plans and specifications and no publication of Design Guidelines and architectural guidelines thereunder will be construed as representing or implying that the plans, specifications, or guidelines will, if followed, result in properly designed improvements. Such approvals and guidelines will in no event be construed as representing or guaranteeing any dwelling or other improvement built in accordance therewith will be built in a good and workmanlike manner. Neither Declarant, the Association, nor the ARC is responsible or liable for any defects in any plans or specification submitted, revised, or approved pursuant to the provision of this Article 4, or any defects in construction undertaken pursuant to the plans and specifications.

ARTICLE 5 PROPERTY RIGHTS

5.1 General Rights of Owners. Each Lot and Dwelling will for all purposes constitute real property which will be owned in fee simple and which, subject to the provisions of this Declaration, may be conveyed, transferred, and encumbered the same as any other real property. Each Owner will be entitled to the exclusive ownership and possession of his said property, subject to the provisions of this Declaration, including without limitation, the provisions of this Article 5. If any chutes, flues, ducts, conduits, wires, pipes, plumbing, or any other apparatus or facilities for the furnishing of utilities or other services or for the provision of support to any Lot or Dwelling lie partially within and partially outside of the designated boundaries of the Lot, any portions thereof which serve only such property will be deemed to be a part thereof, and any portions thereof which serve more than one such Lot or Dwelling or any portion of the Common Areas will be deemed to be a part of the Common Areas. The ownership of each property subject to this Declaration will include, and there will pass with each property as an appurtenance thereto, whether or not separately described, all of the rights and interest in and to the Common Areas as established hereunder, and the limitations applicable, which will include, but not be limited to, membership in the Association. Each Owner will automatically become a Member of the Association and will remain a Member thereof, until such time as his ownership ceases for any reason, at which time his membership in the Association will automatically pass to his successor-in-title to his or its property.

5.2 Owner's Easement of Enjoyment. Subject to the provisions of this Declaration and the rules, regulations, fees, and charges from time to time established by the Board of Directors in accordance with the Bylaws and the terms hereof, every Owner and Occupant will have a nonexclusive right, privilege, and easement of use and enjoyment in and to the Common Areas, to the extent so entitled hereunder, such easement to be appurtenant to and to pass and run with title, subject to the rights, restrictions, reservations, covenants, easements, and obligations reserved, granted or alienable in accordance with this Declaration, including, but not limited to:

(a) Right of Association to Borrow Money. The right of the Association to borrow money (i) for the purpose of improving the Development, or any portion thereof, (ii) for acquiring additional Common Areas, (iii) for construction, repairing, maintaining or improving any facilities located or to be located within the Development, or, (iv) for providing the services authorized herein, and, subject to the provisions of Section 10.2, to give as security for the payment of any such loan a mortgage or other security instrument conveying all or any portion of the Common Areas; provided, however, that the lien and encumbrance of any such security instrument given by the Association will be subject and subordinate to any and all rights, interests, options, licenses, easements, and privileges herein reserved or established for benefit of Declarant, any Owner, or the holder of any mortgage, irrespective of when such mortgage is executed or given. The right of the Association to borrow money under Section 5.2 is subject to the written approval of eighty percent (80%) or more of the votes of the entire Association, by a duly held Referendum or at a duly held meeting of Members (which percentage will also constitute the quorum required for any such meeting).

(b) Declarant's Reserved Rights and Easements. The rights and easements specifically reserved to Declarant in this Declaration. Additionally, Declarant shall be granted the right of ingress and egress over and across any Lot(s) to remove signage placed without the consent of the ARC or Declarant. No member of the ARC or agent of the Association, or any assignee of rights hereunder, will be liable to any Lot Owner for any decision, action or omission made or performed in exercising its rights under this provision, except for acts of gross negligence or willful misconduct.

(c) Association's Rights to Grant and Accept Easements. The right of the Board of Directors of Association to grant and accept easements as provided in Section 5.8 and to dedicate or transfer fee simple title to all or any portion of the Common Areas to any public agency or authority, public service district, public or private utility, or other person, provided that any such dedication or transfer must be approved by Declarant during the Declarant Control Period and thereafter for so long as Declarant owns any of the Property primarily for the purpose of development or sale.

(d) Association's Rights and Easements. The rights and easements specifically reserved in this Declaration for the benefit of the Association, its directors, officers, agents and employees.

(e) Declarant's Easements for Additional Property. The Declarant's right to add Additional Property to this Declaration pursuant to Section 2.2(a) and the rights and easements reserved in Section 5.5(a) hereof for the benefit of the Additional Property so added to this Declaration.

5.3 Access, Ingress and Egress, Roadways. All Owners, by accepting title to property conveyed subject to this Declaration, waive all rights of uncontrolled and unlimited access, ingress and egress to and from such property and acknowledge and agree that such access, ingress and egress will be limited to roads, sidewalks, walkways, and paths located within the Development from time to time, provided that pedestrian and vehicular access to and from all such property will be provided at all times. All Owners acknowledge that there is no right of ingress or egress from any adjacent property that is not part of the Development to any Owner's Lot(s), unless such right is specifically agreed to in writing by the Declarant, regardless of the nature of or need for such access (for example, no Owner will be permitted to construct a driveway that permits such Owner to access adjoining land or a public road either of which is outside of the Development). Subject to the right of the Declarant to dedicate any roadways within the Development pursuant to Section 5.3(b), there is reserved unto Declarant, the Association, and their respective successors and assigns the right and privilege, but not the obligation, to maintain guarded or electronically-monitored gates controlled vehicular access to and from the Development, provided that access to the Property may be granted to any person who gives reasonable evidence satisfactory to entry guards, if there are any, that entry is with the specific permission of the Owner, or his duly authorized agent. Neither the Declarant nor the Association will be responsible, in the exercise of its reasonable judgment, for the granting or denial of access to the Property in accordance with the foregoing.

NEITHER THE DECLARANT NOR THE ASSOCIATION SHALL IN ANY WAY BE CONSIDERED INSURERS OR GUARANTORS OF ANY GATE OR CONTROLLED ACCESS TO THE PROPERTY OR SAFETY MEASURES UNDERTAKEN WITH RESPECT THERETO BY EITHER OR BOTH OF THEM, NOR SHALL EITHER OR BOTH BE LIABLE FOR ANY LOSS OR DAMAGE RESULTING FROM ANY FAILURE TO PROVIDE CONTROLLED ACCESS OR SAFETY MEASURES OR FROM LEAVING ANY GATE OPEN, AS PERMITTED UNDER SECTION 5.3(c) BELOW, OR FROM A FAILURE OR INEFFECTIVENESS OF ANY SUCH CONTROLLED ACCESS OR SAFETY MEASURES UNDERTAKEN BY EITHER OR BOTH OF THEM. NO REPRESENTATION, WARRANTY OR COVENANT IS GIVEN TO ANY OWNER OR OCCUPANT BY EITHER OR BOTH OF THE DECLARANT AND THE ASSOCIATION THAT ANY CONTROLLED ACCESS OR SAFETY MEASURES INSTALLED OR UNDERTAKEN CANNOT BE BYPASSED OR COMPROMISED, OR THAT THEY WOULD, IN FACT, AVERT DAMAGE OR LOSS RESULTING FROM THAT WHICH THEY ARE DESIGNED TO PREVENT, AND EACH OWNER BY ACCEPTANCE OF A DEED TO A LOT OR SWELLING AND EACH OCCUPANT THEREOF SHALL INDEMNIFY AND HOLD THE DECLARANT

AND THE ASSOCIATION HARMLESS FROM ANY DAMAGE AND COSTS AND EXPENSES, INCLUDING ATTORNEY FEES, INCURRED BY EITHER OR BOTH OF THEM AS A RESULT OF ANY SUCH ASSERTION OR DETERMINATION.

(a) Post Sign: Towing. The Declarant, or the Association after title to any private streets and roadways has passed to it from the Declarant, may post "no parking" signs along such private streets and roadways within the Development where it, in its sole discretion, determines it to be appropriate to do so. Violators of said "no parking" signs are subject to having their vehicles towed away and will be required to pay the cost of such towing and storage before their vehicles may be recovered. The act of towing said vehicles will not be deemed a trespass or a violation of the Owners' property rights because the Owner will be deemed to have consented to such action by accepting the right to use the private roads and streets within the Development.

(b) Public Roadways Within The Development. During the Declarant Control Period, the Declarant, and thereafter, the Association, shall have the right to dedicate any portion of the roadways within the Development to the State of Tennessee or any political subdivision thereof for the purpose of granting public access thereto and over said roadway and for the purpose of having such political subdivision assume responsibility for maintenance of such roadways. Furthermore, during the Declarant Control Period, the Declarant, and thereafter, the Association, shall have the right to impose upon the Association the requirement of maintaining any such dedicated roadway until such time as the roadway is brought up to standards accepted to such public body and maintenance thereof is assumed by such public body, provided, however, Declarant may, in its sole discretion, reserve an easement over any such public roadway to be primarily maintained by such public body for the purpose of doing additional maintenance to said public streets and roads to maintain landscaping along the unpaved rights-of-way thereof, and thereafter denominate in a Site Plan or Supplemental Declaration that said easement will constitute a Common Area of the Development to be maintained by the Association. The Board of Directors may levy a Special Assessment against all Owners, without the necessity of a vote pursuant to Section 11.6 hereof, in an amount sufficient to provide funds required to bring any roadway up to standards acceptable to any public body for the assumption by it of maintenance of a said roadway.

(c) Declarant's Right to Maintain Open Gate. Notwithstanding anything herein contained to the contrary, the Declarant hereby reserves unto itself, its successors and assigns, the right and option to control any gate to the Development and to leave the gate in an open position for the unobstructed and uncontrolled passage of construction vehicles for persons engaged in both infrastructure and building construction activities. The within right, if exercised, will be limited to the hours of 6 a.m. to 6 p.m. and will terminate upon expiration of the Declarant Control Period.

5.4 Easements Over Private Roadways.

(a) Public and Service Vehicles. Police, fire, water, health and other authorized municipal officials, employees and their vehicles; paramedic, rescue and other emergency personnel and their vehicles and equipment; school bus and U.S. Postal Service delivery drivers and their vehicles; private delivery or courier service personnel and their vehicles; and persons providing garbage collection services within the Development and their vehicles and equipment will each have a perpetual, non-exclusive easement for access, ingress and egress over the private roadways constituting a portion of the Common Areas, solely for the performance of their official duties.

5.5 Development Easements for Declarant. During the period that Declarant owns any of the Property for sale, Declarant will have an alienable and transferable right and easement on, over, through, under, and across the Common Areas for the purpose of constructing improvements in and to the Lots and for installing, maintaining, repairing and replacing other improvements to the Property contemplated

by this Declaration or as Declarant desires, in its sole discretion, including, without limitation, any improvements or changes permitted and described by Article 2, and for the purpose of doing all things reasonably necessary and proper in connection therewith, provided in no event will Declarant have the obligation to do any of the foregoing.

There is hereby reserved for Declarant, and its successors, assigns, and successors-in-title to the Additional Property, for the benefit of and as an appurtenance to the Additional Property, when added to this Declaration pursuant to Section 2.2(a), and as a burden upon the then existing Development, perpetual, non-exclusive rights and easements for (a) pedestrian, vehicular, access, ingress, egress, parking over, across, within, and on all private roads, sidewalks, trails, parking facilities and lagoons, from time to time located within the Common Areas or within easements serving the Common Area, (b) the installation, maintenance, repair, replacement, and use within the Common Areas, and those portions of properties encumbered pursuant to Section 5.8 for security systems and utility facilities and distribution lines, including, without limitation, drainage systems, storm sewers, and electrical, gas, telephone, water, sewer and master television antenna and/or cable system lines, and (c) drainage and discharge of surface water onto and across then existing Development, provided that such drainage and discharge shall not materially damage or affect the then existing Development or any improvements located thereon.

5.6 Changes in Boundaries: Addition to Common Areas. Declarant expressly reserves for itself and its successors and assigns, the right to change and realign the boundaries of the Common Areas and any Lots or Dwellings between such adjacent properties owned by Declarant, provided that any such change or realignment of boundaries will not materially decrease the acreage of the Common Areas and will be evidenced by a revision of or an addition to the Site Plan which will be filed Of Record. In addition, Declarant reserves the right, but will not have the obligation, to convey to the Association at any time and from time to time any portion of the Additional Property, such real property to be conveyed to the Association as an addition to the Common Areas and subject to the provisions of Section 2.2.

5.7 Fire Breaks. During the Declarant Control Period, the Declarant, and thereafter, the Association, shall have a perpetual, alienable and releasable easement and right on and over and under any property to cut fire breaks and other activities which in the opinion of the holder are necessary or desirable to control fires on any property, or any improvements thereon. Entrance upon property pursuant to the provisions of this Section 5.7 will not be deemed a trespass.

5.8 Easements for Utilities. There is hereby reserved for the benefit of Declarant, the Association and their respective successors and assigns, the alienable, transferable and perpetual right and easement, as well as the power to grant and accept easements to and from any public authority or agency, public service district, public or private utility, or other person, upon, over, under, and across (a) all of the Common Areas in accordance with this Declaration; (b) those strips of land, twenty-five feet (25') in width, running adjacent to and parallel with the front lines of Lots, and (c) such other such easement areas shown on the Site Plan or recited in any Supplemental Declaration for the purpose of installing, replacing, repairing, maintaining and using master television antenna and/or cable systems, security and similar systems, and all utilities, including, but not limited to, storm sewers and drainage systems and electrical, gas, telephone, water, and sewer lines. Such easements may be granted or accepted by Declarant, its successors or assigns, or by the Board of Directors, provided, however, that during the Declarant Control Period and thereafter for as long as the Declarant owns any of the Property primarily for the purpose of development and sale, the Board of Directors must obtain the written approval of Declarant prior to granting and accepting any such easements, to the extent practical, in Declarant's sole discretion, all utility lines and facilities serving the Development and located therein will be located underground. By virtue of any such easement and facilities, it will be expressly permissible for the providing utility company or other supplier or servicer, with respect to the portions of the Development so encumbered, (i) to erect and maintain pipes, lines, manholes, pumps, and other necessary equipment and facilities, (ii) to

cut and remove any trees, bushes, or shrubbery, (iii) to grade, excavate, or fill, or (iv) to take any other similar action reasonable necessary to provide economical and safe installation, maintenance, repair, replacement, and use of such utilities and systems.

5.9 Easement for Construction and installation of Walks, Paths, and Signs. There is hereby reserved for the benefit of Declarant and the Association the alienable, transferable, and perpetual right and easement upon, over and across (a) all portions of the Common Areas in which improvements are not constructed or erected, and (b) all areas, if any, shown and noted on any Site Plan or described in any Supplemental Declaration for the installation maintenance, and use as recreational bike, pedestrian and/or equestrian pathways and trails ("trail system"), as well as for traffic directional signs and related improvements. The trail system, if any, shall not interfere with or inhibit the residential purposes of the Properties.

The Declarant reserves for itself, the Association, and the members, guests, and invitees a nonexclusive perpetual easement of ingress, egress, access and use over, across and upon the trail system and such portions of the Common Areas which are necessary to travel to and from the trail system.

5.10 Easement for the Association. There is hereby reserved a general right and easement for the benefit of the Association and to any manager employed by the Association and any employees of such manager, to enter upon any Lot, Dwelling, or any portion thereof in the performance of their respective duties. Except in the event of emergencies, this easement is to be exercised only during normal business hours and then, whenever practicable, only up advance notice to and with permission of the Owner directly affected thereby.

5.11 General Maintenance Easement. There is hereby reserved for the benefit of Declarant and the Association an alienable, transferable, and perpetual right and easement to enter upon any Property subject to this Declaration for the purpose of providing insect and reptile control, mowing, removing, clearing, cutting, or pruning underbrush, weeds, stumps, or other unsightly growth and removing trash, so as to maintain reasonable standards of health, fire safety, and appearance within the Development, provided that such easements will not impose any duty or obligation upon Declarant or the Association to perform any such actions, or to provide garbage or trash removal services. Furthermore, it is hereby reserved for the benefit of the Declarant and the Association an alienable, transferable, and perpetual right and easement, but not the obligation, to enter upon any unimproved portions of a Lot or Dwelling within the Development for the purpose of mowing such area and keeping the same clear and free from unsightly growth and trash provided that the foregoing reservation of easements will not be deemed to limit the responsibility therefore by Owners under Section 7.1 hereof. The reasonable costs thereof incurred as a result of the action or inaction of any Owner will be paid by such Owner, and until paid will be a continuing lien upon the Owner's Lot or Dwelling.

5.12 Environmental Easement. There is hereby reserved for the benefit of Declarant and the Association an alienable, transferable, and perpetual right and easement on, over, and across all unimproved portions of properties subject to this Declaration for the purpose of taking any action necessary to effect compliance with environmental rules, regulations, and procedures from time to time promulgated or instituted by the Board of Directors, or by any governmental entity, such easement to include, without limitation, the right to drain standing water and the right to dispense pesticides.

5.13 Construction Setbacks Construction setbacks within the Development are measured by reference to front, rear and side yard easements shown and noted on the Site Plan or otherwise provided herein. Notwithstanding what is shown on the Site Plan, rear and front set backs are thirty feet (30'), and side yard setbacks are ten feet (10'); provided, however, side lot lines within a street or road right-of-way shall be thirty feet (30'); and setbacks on any front, rear or side lot line immediately adjacent to property

lying outside of River Crest and not otherwise subject to a right-of-way may, if determined by Declarant not to be adjacent to Additional Property to be made subject to this Declaration and otherwise allowed by applicable zoning, will be thirty (30') feet with Declarant's written consent.

5.14 Party Structure.

(a) Applicability. This Section shall apply to each wall, fence or driveway built as a part of the original construction on the Lots:

(i) any part of which is built upon or straddling the boundary line between two Lots; or

(ii) which is built within four feet of the boundary line between adjoining Lots, has no windows or doors, and is intended to serve as a privacy wall for the benefit of the adjoining Lot; or

(iii) which otherwise serves and/or separates two adjoining Lots, regardless of whether constructed wholly within the boundaries of one Lot;

and shall constitute a party wall, party fence, or party driveway, respectively (each herein referred to as "Party Structure"). The Owners of each such Lot (the "Adjoining Owners") shall own that portion of the Party Structure lying within the boundaries of their respective Lots and shall have an easement for use and enjoyment and, if needed, for support, in that portion, if any, of the Party Structure lying within the boundaries of the adjoining Lot.

(b) Joint and Equal Obligations of Maintenance, Repair and Replacement.

In the event of required maintenance, repair as a result of damage, or replacement because of destruction of a Party Structure from any causes, other than the negligence of an Adjoining Owner, the Adjoining Owners of the subject Party Structure shall, at joint and equal expense, maintain, repair and rebuild the Party Structure. Required repair or rebuilding of a damaged or destroyed Party Structure shall be the same size and of the same or similar material and of like quality as the Party Structure initially constructed, situate generally in the original location on the common property line between adjoining Lots, all pursuant to applicable governmental regulation and permits. Each such Adjoining Owner, their respective heirs, successors and assigns shall have the right to the use of the Party Structure so repaired or rebuilt. The Adjoining Owners shall undertake repairs and reconstruction of the Party Structure wherever a condition exists which may result in damage or injury to person or property if repair or reconstruction work is not undertaken. Either Adjoining Owner, upon discovering the possibility of damage or destruction, shall notify the other Adjoining Owner of the nature of the damage, the work required to remedy the situation, and the estimated cost of the repair or reconstruction. The other Adjoining Owner shall then have twenty (20) days from the receipt of the notice either to object to the reconstruction or to pay such noticed Adjoining Owner's share of the cost of the work. However, in the event of an emergency (i.e. a condition that is immediately threatening to the safety of persons or property), the Adjoining Owner giving such notice may undertake without consent only such work as shall abate the emergency, and the noticed Adjoining Owner shall then have five (5) days from receipt of the notice, which notice shall state with particularity the nature and extent of the existing emergency and the immediate actions taken or to be taken to abate the emergency and what further work, if any, is required for full repair and restoration, after the noticed Adjoining Owner shall pay its share of the emergency abatement costs, and within the twenty (20) days above provided, shall either object to the further repair or reconstruction work or pay the noticed Adjoining Owner's share of the cost of such further work. The failure of the Adjoining Owner receiving such notice to object in writing to the Adjoining Owner sending

such notice within the period of time provided shall be deemed to constitute such noticed Adjoining Owner's acceptance.

(c) Damage or Destruction Caused By Negligence. If either Adjoining Owner's negligence, which is deemed to include the negligence of such Adjoining Owner's family, tenant, guest or invitee, shall cause damage to or destruction of the Party Structure, the negligent Adjoining Owner shall bear the entire cost of repair or reconstruction.

(d) Failure to Pay Share of Expenses. If an Adjoining Owner shall neglect or refuse to pay such Adjoining Owner's share, or all of the cost in case of negligence, arising from the repair or reconstruction of the Party Structure in accordance with Section 5.13(b), the other Adjoining Owner may, but shall not be required to, undertake such repair or reconstruction and to pay the share of the cost and expense of the Adjoining Owner neglecting or refusing to so pay, which amount thereof shall constitute a "Shared Cost Assessment" collectable in accordance with Section 5.13(h) and subject to lien therein provided.

(e) Decision Not to Rebuild. Any portion of the Party Structure which is damaged or destroyed must be repaired or replaced promptly by the Owners unless:

(i) Repair or replacement would be illegal under any law, statute or ordinance governing health and safety; or

(ii) The Adjoining Owners agree unanimously, in writing, not to repair and reconstruct the damaged or destroyed Party Structure.

(f) Disputes Generally. All disputes between the Adjoining Owners shall be resolved pursuant to the laws of the State of Tennessee, and the forum for such disputes shall be the courts of Cocke County, Tennessee.

(g) Adjoining Owners' Easements.

(i) Access. Each Adjoining Owner, and their respective guests, invitees, successors and assigns shall have a non-exclusive, perpetual easement of access, ingress and egress on, over and across any Party Structure designed for access, ingress and egress, such as shared driveways and walkways.

(ii) Maintenance, Repair and Construction Easement. There shall exist for the benefit of each Adjoining Owner, and their respective guests, invitees, successors and assigns a perpetual easement for access, ingress and egress on, over and across such portions of the other Adjoining Owner's Lot reasonably necessary or desirable for the construction, repair, maintenance and replacement of the Party Structure. With respect to the whole or any portion of a Party Structure located upon an Adjoining Owner's Lot, an Adjoining Owner shall have an encroachment easement upon the other Adjoining Owner's Lot pursuant to Section 5.13(g)(iii). This construction, repair, maintenance and replacement easement shall include the right to temporarily alter, obstruct and/or block off portions of the Party Structure during construction or repair in order to avoid injury to persons or damage to property. However, in every case of alteration, obstruction or blocking, the said Adjoining Owner exercising such right shall provide, if possible, reasonable alternative means of use and access around the affected area to allow access to and the continued use and enjoyment thereof by persons entitled to such use and enjoyment. All such construction, repair, maintenance and replacement shall be undertaken and completed in accordance with applicable governmental regulations and permits therefor.

(iii) Encroachment Easements and Licenses. There shall exist for the benefit of each Adjoining Owner an exclusive perpetual encroachment easement and license on and across such portions of the Party Structure reasonably necessary or desirable, to perform any maintenance, repair, reconstruction or replacement of the Party Structure, being generally along the common property line between the Adjoining Owner's Lots. There shall also exist for the benefit of each Adjoining Owner an encroachment easement and license to physically attach to the Party Structure any portion of its improvements attached in the original construction or required or desirable for support. Such encroachment easements and licenses shall include the right (but not the duty) to install, use, replace and maintain utility lines and facilities under and beneath such subject to the reasonable right of the respective Adjoining Owners to designate the actual location of any such utility easements encumbering their respective Lots.

(h) Shared Cost Assessments for Joint Structures.

(i) Creation of Lien and Personal Obligation for Shared Cost Assessments.

Each Adjoining Owner hereby covenants to pay its share of the costs and expenses of maintenance, repair and reconstruction of the Party Structure required pursuant to Section 5.13(b). Any such shared cost or expense remaining unpaid following five (5) days written demand therefore shall constitute a "Shared Cost Assessment". Any Shared Cost Assessment remaining unpaid for a period of thirty (30) days or longer shall constitute a lien on the Adjoining Owner's Lot when a claim of lien is filed Of Record in Cocke County. A claim of lien shall set forth the name and address of the Adjoining Owner filing the lien, the name of the delinquent record holder of the adjoining Lot at the time the claim of lien is filed, a description of the Lot and the amount of the lien claimed. Such lien may be enforced by judicial foreclosure by the other Adjoining Owner in the same manner in which mortgages on real property may be foreclosed in the State of Tennessee. Proceedings to enforce the lien must be instituted within the statutory timeframe after the docketing of the claim of lien in the office of the clerk in Cocke County, Tennessee or the lien for unpaid Shared Cost Assessments will be extinguished. In any such foreclosure, the delinquent Adjoining Owner shall be required to pay the costs and expenses of such proceeding (including reasonable attorneys' fees) and such costs and expenses shall be secured by the lien being foreclosed. The delinquent Adjoining Owner shall also be required to pay any Shared Cost Assessments against the Adjoining Owner's Lot which shall become due during the period of foreclosure, and all such Shared Cost Assessments shall be secured by the lien being foreclosed. The Adjoining Owner holding such lien shall have the right and power to bid in at any foreclosure sale, and to thereafter hold, lease, mortgage, or convey the subject Lot. Each such Shared Cost Assessment, together with such interest, costs and reasonable attorney's fees shall be the personal obligation of the person who was the delinquent Adjoining Owner at the time when the Shared Cost Assessment fell due and also of any subsequent Adjoining Owner of the lien Lot; provided, however, that no Adjoining Owner acquiring title to the lien Lot at a foreclosure sale, or conveyance in lieu of foreclosure, of any mortgage, his successors and assigns, shall have any personal obligation with respect to the portion of any Shared Cost Assessments (together with late charges, interest, fees and costs of collection) related to such Lot, the lien for which is subordinate to the lien of the mortgage being foreclosed, as provided in Section 5.13(h)(iv).

(ii) Assumption of Obligation by Transferee. The personal obligation of the Adjoining Owner to pay a Shared Cost Assessment shall remain his personal obligation notwithstanding the fact that any successor in title assumes such personal obligation. Furthermore, such prior Adjoining Owner and his successor in title who assumes such liabilities shall be jointly and severally liable with respect thereto, notwithstanding any agreement between such prior Adjoining Owner and his successor in title creating the relationship of principal and surety as between themselves, other than one by virtue of which such prior Adjoining Owner and his successor in title would otherwise be jointly and severally liable to pay such amounts.

(iii) Miscellaneous. An Adjoining Owner may bring legal action against the defaulting Adjoining owner personally obligated to pay Shared Cost Assessment or foreclose its lien against the defaulting Adjoining Owner's Lot or pursue both such courses at the same time or successively. Adjoining Owners are deemed to have, to the fullest extent permitted by law, waived the right to assert any statute providing appraisal rights which may reduce any deficiency judgment obtained against a defaulting Adjoining Owner in the event of such foreclosure, and further waive all benefits that might accrue to an Adjoining Owner by virtue of any present or future homestead exemption or law exempting a Lot or portion thereof from sale.

(iv) Subordination of the Charges and Liens.

(A) The lien and permanent charge for the Shared Cost Assessments (together with late charges, interest, fees and cost of collection) authorized herein with respect to a Lot is hereby made subordinate to liens and encumbrances (specifically including, but not limited to, a Mortgage on the Lot or Dwelling) recorded before the docketing of the claim of lien in the office of the Clerk of Superior Court, and (ii) liens for real estate taxes and other governmental assessments and charges against the Lot or Dwelling. Sale or transfer of a Lot or Dwelling shall not affect the lien of the Shared Cost Assessments. However, where the holder of a Mortgage, or other purchaser of a Lot or Dwelling obtains title thereto as a result of foreclosure of a Mortgage, such purchaser and its heirs, successors, and assigns, shall not be able liable for the Shared Cost Assessments against such Lot or Dwelling which became due prior to the acquisition of title to such Lot or Dwelling by such purchaser. In the event of co-ownership of the Lot or Dwelling against which the Shared Cost Assessments arises, all of such co-owners will be jointly and severally liable for the entire amount of such Shared Cost Assessments. Assessments will be paid in such manner and on such dates as may be fixed by the Board of Directors in accordance with Section 11.3(d), provided that unless otherwise provided by the Board, the Annual Assessments will be paid in equal monthly installments.

(B) Such subordination is merely a subordination and shall not relieve the Lot's Adjoining Owner of his personal obligation to pay all Shared Cost Assessments coming due at a time when he is the Adjoining Owner; shall not relieve such Lot or Dwelling from the lien and permanent charge provided for herein (except as to the extent the subordinated lien and permanent charge is extinguished by foreclosure or deed in lieu thereof); and no sale or transfer of such Lot or Dwelling to the Mortgagee or to any other person pursuant to a foreclosure sale, or deed in lieu thereof, shall relieve any previous Adjoining Owner from liability for any Shared Cost Assessment coming due before such sale or transfer.

5.14 Irrigation Wells and pumps. There is hereby reserved for the benefit of the Association, for the purpose of irrigating any portions of the Development, an alienable, transferable, and perpetual right and easement (a) to pump water from any bodies of water located within the Development, and (b) to drill, install, locate, maintain, and use wells and pumps within the Common Areas.

5.16 Easements Deemed Granted and Reserved. All conveyances of a Lot hereunder, whether by the Declarant or otherwise, will be deemed to have granted and reserved, as the context will require, all easements set forth in this Declaration, including, but not limited to, those set forth in this Article 5.

6.17 No Partition. There will be no judicial partition of the Development or any part thereof, nor will any person acquiring any interest in the Development or any part thereof seek any such judicial partition unless the Development has been removed from the provisions of this Declaration.

ARTICLE 6 MEMBERSHIP

6.1 Membership. Every Owner, including the Declarant, of a lot and Dwelling will be a Member of the Association. Ownership of a Lot will be the sole qualification for such membership. In the event that fee title to a Lot or Dwelling is transferred or otherwise conveyed, the membership in the Association which is appurtenant thereto will automatically pass to such transferee, notwithstanding any failure of the transferor to endorse to his transferee any certificates or other evidences of such membership. The foregoing is not intended to include mortgagees or any other persons who hold an interest merely as security for the performance of an obligation, and the giving of a security interest will not terminate or otherwise affect an Owner's membership in the Association.

6.2 Voting Rights. The Association will initially have two (2) types of voting memberships which are as follows:

(a) Type A Member. Type A Members will be Owners (including the Declarant of Lots and Dwellings. A Type Member will be entitled to one (1) vote for each Lot and Dwelling owned.

(b) Type B Member. The Type B Member will be the Declarant or its designated assign. The Type B Member will be entitled to three (3) votes for each vote held by Type A Members, plus one (1) vote during the Declarant Control Period. Thereafter, the Type B Member will exercise votes only as to its Type A Memberships.

(c) Creation of Additional Membership Types. The Declarant may create additional types of Members for any Additional Property added to this Declaration pursuant to Section 2.2.

(d) Members in Good Standing Entitled to Vote. Payment of Special Assessments or Emergency Special Assessments will not entitle Type A Members to additional votes. Only those Members in good standing and eligible to vote pursuant to the Bylaws shall be entitled to cast any vote required or permitted hereunder, and only the votes of Members in good standing and eligible to vote shall be considered in any calculation of votes or any required percentage thereof.

(e) Voting By Multiple Owners. When any Lot or Dwelling of a Type A Member of the Association is owned of Record in the name of two or more persons, other than husband and wife, either of whose vote will bind both, by an entity, or in any other manner of joint or common ownership, the Owner who is present at said meeting of the Association is entitled to vote on behalf of such Lot or Dwelling. If more than one Owner is present at an Association meeting, the vote for such Lot or Dwelling will be exercised as such co-Owners determine among themselves and advise the Secretary of the Association in writing prior to any meeting; or the vote will be exercised by such co-Owner, or his duly appointed proxy, as will be designated in a writing by all co-Owners filed of record, a copy of which will be delivered to the Secretary of the Association and will remain effective for all meetings until revoked by the co-Owners in a similar writing or until such designation terminates pursuant to the terms of such writing.

6.3 Association Governance by Board. A Board of Directors consisting of three (3) or five (5) members will govern the Association. Initially, during the Declarant Control Period, the Board will consist of three (3) members appointed by the Declarant, and following expiration of the Declarant Control Period, the Board will consist of five (5) members elected as provided in the Bylaws of the Association.

6.4 Meetings and Membership Voting. Except as otherwise provided in this Declaration, rules and procedures of the Association, including, but not limited to, conducting elections, meetings (both regular and special), and for casting of votes by members, and the number thereof required for quorums and approval or ratification, shall be as set forth in the Bylaws.

ARTICLE 7 MAINTENANCE

7.1 Responsibilities of Owners. Unless specifically identified herein as the responsibility of the Association, all maintenance and repair of Lots and Dwellings together with all other improvements thereon or therein and all lawns, landscaping, and grounds on and with such property will be the responsibility of the Owner thereof. Each Owner will be responsible for maintaining his or its property in a neat, clean, and sanitary condition, and such responsibility will include the maintenance and care of all exterior surfaces of all Dwellings, buildings, and other structure and all lawns, trees, shrubs, hedges, grass and other landscaping. Except as provided in Section 7.3 hereof, each Owner will also be obligated to pay for the costs incurred by the Association for repairing, replacing, maintaining, or cleaning any item which is the responsibility of such Owner, but which responsibility such Owner fails or refuses to discharge. Such costs and expenses, including reasonable costs and expenses of collection and such fines as may be established by the Association, from time to time, to reimburse the Association for the administrative costs incurred thereby, or otherwise, will be a specific Assessment under Section 11.9. No Owner will (i) decorate, change, or otherwise alter the appearance of any portion of the exterior of a Dwelling, building or other structure, or the landscaping, grounds, or other improvements within his or its property unless such decoration change, or alteration is first approved, in writing, by the ARC, as provided in this Declaration, or (ii) do any work which, in the reasonable opinion of the board of Directors, would jeopardize the soundness and safety of the Development, reduce the value thereof, or impair any easement or hereditament thereto, without in every such case obtaining the written approval of the Board of Directors and Owners, and the mortgagees of property directly affected thereby or benefiting from such easement or hereditament.

7.2 Association's Responsibility.

(a) General. Upon the earlier of the termination of the Declarant Control Period or the transfer by the Declarant of ten (10) Lots, except as may be herein otherwise specifically provided, the Association will assume the responsibility to maintain and keep in good repair all portions of the common Areas and any easement area encumbering properties of Owners for which the Association is responsible under this Declaration, including responsibility prior to the formal transfer to the Association in accordance with Section 2.3, or under any Supplemental Declaration, which responsibility will include the maintenance, repair, and replacement of (i) all drainage not under the expressly specified jurisdictional care and maintenance of any governmental authority or the Association, and walking, ingress and egress easements shown and noted on the Site Plan, (ii) all private roads, road shoulders, walks, trails, lagoons, ponds, parking lots, landscaped areas, and other improvements situated within the Common Area or easements, (iii) security systems and utility lines, pipes, plumbing, wires, conduits, and related systems which are a part of its said properties and which are not maintained by a public authority, public service district, public or private utility, or other person, and (iv) all lawns, trees, shrubs, hedges, grass, and other landscaping situated within or upon its said properties. The Association will not be liable for injury or damage to any person or property (A) caused by the elements or by any Owner or any other person, (B) resulting from any rain or other surface water which may lead or flow from any portion of its properties, or (C) caused by any pipe, plumbing, drain, conduit, appliance, equipment, security system, or utility line or facility, the responsibility for the maintenance of which is that of the Association, becoming out of repair. Nor will the Association be liable to any Owner for loss or damage, by theft or otherwise, of any property of such Owner which may be stored in or upon any portion of its properties or any portion

of the Property. No diminution or abatement of Assessments will be claimed or allowed by reason of any alleged failure of the Association to take some action or to perform some function required to be taken or performed by the Association under this Declaration, or for inconvenience or discomfort arising from the making of improvements or repairs which are the responsibility of the Association, or from any action taken by the Association to comply with any law, ordinance, or with any order or directive of any municipal or other governmental authority, the obligation to pay such Assessments being a separate and independent covenant on the part of each Owner.

(b) Work On Behalf of Owners. In the event that Declarant or the Board of Directors determines that: (a) any Owner or Occupant has failed or refused to discharge properly his or its obligations with regarding to the maintenance, cleaning, repair, or replacement of items for which he or it is responsible hereunder, or (b) that the need for maintenance, cleaning, repair, or replacement which is the responsibility of the Association hereunder is caused through the willful or negligent act of an Owner or Occupant, and is not covered or paid for by insurance in whole or in part, then, in either event, Declarant or the Association, except in the event of an emergency situation, may give such Owner written notice in accordance with Section 14.15 of Declarant's or the Association's intent to provide such necessary maintenance, cleaning, repair, or replacement, at the sole cost and expense of such Owner, and setting forth with reasonable particularity the maintenance, cleaning, repairs, or replacement deemed necessary. Except in the event of emergency situations, such Owner will have fifteen (15) days within which to complete the same in a good and workmanlike manner, or in the event that such maintenance, cleaning, repair, or replacement is not capable of completion within said fifteen (15)-day period, to commence said maintenance, cleaning, repair, or replacement and diligently proceed to complete the same in a good and workmanlike manner. In the event of emergency situations or the failure of any Owner to comply with the provisions hereof after such notice, Declarant of the Association may provide (but will not have the obligation to so provide) any such maintenance, cleaning, repair, or replacement at the sole cost and expense of such Owner and said cost will be added to and become a part of the Assessment to which such Owner and his property is subject and will become a lien against such property. In the event that Declarant undertakes such maintenance, cleaning, repair, or replacement, the Association will promptly reimburse Declarant for Declarant's costs and expenses.

(c) At all times prior to the earlier of the termination of the Declarant Control Period or the transfer by the Declarant of ten (10) Lots as described in Section 7.2(a) above, the Declarant shall be responsible for fulfilling the duties of the Association as set forth in Section 7.2 and 7.3.

7.3 Wastewater Collection and Disposal Facilities. (a) Each individual property owner will be required to install individual sewage treatment and/or pumping facilities. These facilities must be approved by the Tennessee Department of Conservation, Division of Groundwater Protection, and must be installed in accordance with and continue to remain compliance with the requirements shown on the Site Plan and in accordance with the Tennessee Department of Environment and Conservation, Division of Groundwater Protection. Property Owners may apply for subsurface sewage disposal systems by contacting the Division's representatives at the Knoxville Field Office at 865-594-6035.

(b) Lots 1-23 and 149-152 will be served by individual onsite low pressure pipe ("LPP") subsurface sewage disposal systems constructed at the individual Lot Owner's expense. Owners must apply for and be issued a permit and provide a copy of such permit to the ARC prior to beginning any construction. Owners must meet and continue to maintain compliance with all requirements of the Tennessee Department of Environment and Conservation, Division of Groundwater Protection including but not limited to those requirements shown on the Site Plan.

(c) Lots 116-119, 121-129, 131, and 132 will be served by individual onsite conventional subsurface sewage disposal systems constructed at the individual Lot Owner's expense.

Owners must apply for and be issued a permit and provide a copy of such permit to the ARC prior to beginning any construction. Owners must meet and continue to maintain compliance with all requirements of the Tennessee Department of Environment and Conservation, Division of Groundwater Protection including but not limited to those requirements shown on the Site Plan.

(d) Lots 36, 67, 109-110, 133-148, and 153-156 will be served by a common low pressure pipe (LPP) subsurface sewage disposal system located remote from the individual Lots as shown on the Site Plan. This common wastewater collection and disposal facilities shall be defined as:

(i) the low pressure pipe drainfield system including:

- a. Dosing tanks
- b. Pumps
- c. Electrical and controls
- d. All piping, drainfield media and appurtenances
- e. Grounds and security fence at the disposal area

(ii) the low pressure sewer collection system including:

- f. All pressure pipe, valves, and appurtenances
- g. Residential service lateral to the homeowner's property line

In addition to its other responsibilities set forth herein, the Association shall be responsible for the operation and maintenance of this common wastewater collection and disposal facilities. To facilitate the operation and maintenance of the common facilities, the Association shall retain by written contract the services of a facilities operations contractor. The facilities operations contractor shall be certified to operate alternative subsurface sewage disposal systems in accordance with the requirements of the Tennessee Department of Environment and Conservation, Division of Groundwater Protection.

Each Owner of each of Lots 36, 67, 109-110, 133-148, and 153-156 shall be responsible for the installation, operation, and maintenance of an individual septic tank, pump tank, and Septic Tank Effluent Pumping (or "STEP") pumping system. The septic tank and pump tank shall have a capacity of 1,000 gallons each and shall conform to the rules and regulations of the Tennessee Department of Environment and Conservation, Division of Groundwater Protection, including but not limited to those requirements shown on the Site Plan.

(e) Each Owner shall be required to pump the septic tank required by the provisions of this Section 7.3 at least once every four (4) years, and the Association shall be permitted to require Owners to provide written proof of compliance with this provision. If at any time an Owner is unable to demonstrate compliance with all of the requirements of this Section 7.3, the Association may require compliance within a reasonable timeframe at the Owner's expense. In the event such Owner is unable or unwilling to comply with such demand, the Association shall have the right to take any such steps as may be necessary to achieve compliance with this provision and with the rules and regulations of the Tennessee Department of Environment and Conservation. The Owner will be obligated to pay for the costs incurred by the Association incurred in achieving such compliance, and such costs and expenses, including reasonable costs and expenses of collection and such fines as may be established by the Association, from time to time, to reimburse the Association for the administrative costs incurred thereby, or otherwise, will be a specific Assessment under Section 11.8. Additionally, the Association and each Owner acknowledges and agrees that the Tennessee Department of Environment and Conservation, Division of Groundwater Protection shall have the authority to assess against the Lot(s) to provide for any repairs required under this provision or pursuant to any applicable rules or regulations of the Tennessee

Department of Environment and Conservation. The Owner or Owners of a Lot or Lots giving rise to any such assessment by the Tennessee Department of Environment and Conservation will be obligated to pay for the costs assessed by such Department or incurred by the Association incurred in achieving such compliance, and such costs and expenses, including reasonable costs and expenses of collection and such fines as may be established by the Association, from time to time, to reimburse the Association for the administrative costs incurred thereby, or otherwise, will be a specific Assessment under Section 11.8. The type of septic tank and drain field to be installed by an Owner must be approved by the ARC prior to construction. Each Owner acknowledges and agrees that these Declarations may be modified by the Declarant without the approval of the Association to further specify the kind of septic tank that will be required to be installed by the applicable Owner in accordance any requirements of the Tennessee Department of Environment and Conservation.

ARTICLE 8 INSURANCE AND CASUALTY LOSSES

8.1 Insurance.

(a) Association's Property Insurance. The Board of Directors will have the authority to obtain and continue in effect adequate property insurance, in such form as the board deems appropriate, for the benefit of the Association. Such coverage will insure all insurable improvements in and to the common Areas against loss or damage by fire or other hazards, including, without limitations, extended coverage, flood, vandalism, and malicious mischief, such coverage to be in an amount sufficient to cover, after application of any deductibles, not less than eighty percent (80%) of the replacement cost of the insured property at the time the insurance is purchased and at each renewal date, exclusive of land, excavations, foundations, and other items normally excluded from property policies. If adequate property insurance can not be obtained at reasonable rates, the Board of Directors shall promptly cause notice of that fact to be hand delivered or mailed first class, postage prepaid, to all Owners.

(b) Association's Liability Insurance. The Board will have the authority to and will obtain and continue in effect a public liability policy covering all the common Areas and all damage or injury caused by the negligence of the Association, its Members, its directors and officers, or any of its agents. Such public liability policy will provide such coverages as are determined to be necessary by the Board of Directors. If adequate liability insurance can not be obtained at reasonable rates, the Board of Directors shall promptly cause notice of that fact to be hand delivered or mailed first class, postage prepaid, to all Owners.

(c) Fidelity Bonds. The Association will obtain, maintain and pay the premiums, as a Common Expense, upon a blanket fidelity bond for all officers, directors, trustees and employees of the Association and all other persons handling or responsible for funds belonging to or administered by the Association, including any professional management company assisting with the administration of the Association. The total amount of the fidelity bond coverage required will be based upon the best business judgment of the board of Directors. Fidelity bonds will meet the following requirements: The Association will be named as an obligee; the bonds will contain waivers of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees" or similar terms or expressions; and the bond will provide that it may not be canceled or substantially modified (including cancellation for nonpayment of a premium) without at least ten (10) days prior written notice to the Association and each mortgagee listed as a scheduled holder of a first mortgage in the fidelity bond.

(d) Association's Other Insurance. The Board will have the authority and may obtain (a) workers' compensation insurance to the extent necessary to comply with any applicable laws

and (b) other types and amounts of insurance as may be determined by the Board to be necessary or desirable, including, but not limited to, fidelity and directors' and officers' liability coverage.

(c) Association's Policies. All such insurance coverage obtained by the Board of Directors will be written in the name of the Association as trustee for each of the Owners to the extent of his insurable interest and costs of all such coverage will be a Common Expense. Exclusive authority to adjust losses under policies obtained by the Association and hereafter in force with respect to the Development will be vested in the Board of Directors; provided, however, that no mortgagee or other security holder of the Common Areas having an interest in such losses may be prohibited from participating in the settlement negotiations, if any, related thereto. Insofar as permitted by law, the Association will be required to make every effort to secure insurance policies with the provisions hereinafter set forth:

(i) All policies will be written with a company holding a rating of A+ in a financial category of 10, or better rating and financial category, as established by Best's Insurance Reports, if such a company is available or, if not available, its equivalent rating or the best possible rating.

(ii) All property insurance policies will be for the benefit of the Owners and their mortgagees as their interests may appear.

(iii) All policies will contain a waiver of the insurer's right to cancel without first giving thirty (30) days prior written notice of such cancellation to the Association and to any mortgagee to which a mortgagee endorsement has been issued.

(iv) In no event will the insurance coverage obtained and maintained by the Association's Board of Directors hereunder be brought into contribution with insurance purchased by individual Owners or their mortgagees, and all policies will contain a provision that the "other insurance" clauses in such policies obtained by individual Owners or their mortgagees.

(v) All policies will contain a waiver of subrogation by the insurer as to any claims against the Association, the Association's directors and officers, the Owners, occupants, the Association's manager and any Owner or member of the Owner's household.

(vi) All policies will contain a provision that no policy may be cancelled, invalidated or suspended on account of the conduct of one or more of the individual Owners or Occupants or on account of the acts of any director, officer, employee, or agent of the Association or of its manager, without prior demand in writing to cure the defect and the allowance of a reasonable time thereafter within which the defect may be cured, said time to be at least thirty (30) days. All written demands shall be delivered to the Association and to each Owner and each mortgagee or beneficiary under a deed of trust to whom certificates or memoranda of insurance have been issued, at their respective last known address.

(vii) All liability insurance will contain cross-liability endorsements to cover liability of the Association to an individual Owner.

(viii) All policies will contain a provision that no act or omission by an Owner, unless acting within the scope of the Owner's authority on behalf of the Association, will preclude recovery under the policy.

(ix) All policies will contain a provision that the insurer issue certificates or memoranda of insurance to the Association and, upon written request, to any lot owner, mortgagee, or

beneficiary under a deed of trust; provided further, however, the insurer issuing the policy may not cancel or refuse to renew it until thirty (30) days after notice of the proposed cancellation or nonrenewal has been mailed to the association, each lot owner, and each mortgagee or beneficiary under a deed of trust to whom certificates or memoranda of insurance have been issued at their respective last known addresses.

(f) Owner's Insurance. It will be the individual responsibility of each Owner at his own expense and election to provide public liability, property damage, title, and other insurance with respect to his or its own Lot and Dwelling. The Board of Directors may require all Owners to carry public liability and property damage insurance with respect to their respective properties and to furnish copies or certificates thereof to the Association.

8.2 Damage or Destruction to Common Areas; Insurance Recovery. Immediately after damage or destruction by fire or other casualty to all or any part of the Common Areas covered by insurance written in the name of the Association, the Board of Directors or its duly authorized agent will proceed with the filing and adjustment of all claims arising under such insurance, and, in any such event, the Board will obtain reliable and detailed estimates of the cost of repair or reconstruction of the damaged or destroyed property. Repair or reconstruction, as used in this Article 8, means repairing or restoring the damaged property substantially to the same condition in which it existed prior to the fire or other casualty. Unless the Association is terminated, or repair or replacement would be illegal under any State or local health or safety statute or ordinance, or the Owners, by a vote of eighty percent (80%) or more of the votes of the entire Association, including one hundred percent (100%) approval of owners assigned to any limited common elements not to be rebuilt by a duly held Referendum or at a duly held meeting of Members (which percentage will also constitute the quorum required for any such meeting), and to which the Declarant consents during the Declarant Control Period, vote not to rebuild or restore, then within sixty (60) days following any damage or destruction to all or part of the Common Areas, the Association will restore or replace such damaged improvements. If any insurance proceeds for such damage or destruction are not sufficient to defray the cost thereof, including any amount attributable to Association's insurance deductible, and such deficiency cannot be appropriated from a reserve fund as may have been established for such purpose, the Board of Directors may levy a Special Assessment to be in an amount sufficient to provide funds to pay such excess cost or repair or reconstruction. Such a Special Assessment will be levied against the Owners equally in the same manner as Annual Assessments are levied, and additional Special Assessments may be made at any time during or following the completion of any repair or reconstruction. If it is determined that the damage or destruction for which the insurance proceeds are paid will not be repaired or reconstructed, such proceeds will be used to restore the damaged or destroyed Common Areas to a condition compatible with the remainder of the subdivision. Any remaining insurance proceeds will be distributed to the Owners or lien holders, as their interests may appear, in proportion to the common expense liabilities of all Lots.

8.3 Damage or Destruction to Owners' Properties. In the event of damage or destruction by fire or other casualty to any property subject to this Declaration, or the improvements thereon, and in the further event that the Owner responsible for the repair and replacement of such property elects not to repair or rebuild, such Owner will promptly clear away the ruins and debris of any damage improvements or vegetation and leave such property in a clean, orderly, safe, and sightly condition. Should such Owner elect to repair or rebuild such property or other improvements thereon, such Owner will repair or rebuild substantially to the same condition as existed prior to such fire or other casualty and in accordance with all applicable standards, restrictions, and provision of this Declaration (including, without limitation, the procedures and architectural guidelines under Article 4) and all applicable zoning, subdivision, building, and other governmental regulations. All such work or repair or construction will be commenced promptly following such damage or destruction and will be carried through diligently to conclusion.

8.4 Damage or Destruction to Common Areas by Owners. If an Owner is responsible for damage inflicted on any Common Area, the Association may direct such Owner to repair such damage, or the Association may itself cause the repairs to be made and recover the amount from the Owner.

8.5 Damage to an Owner's Lot by Association. If damage is inflicted on any Lot by an agent of the Association in the scope of the agent's activities as such agent, the Association is liable to repair such damage or to reimburse the Owner for the cost of repairing such damages. The Association shall also be liable for any losses to the Owner.

ARTICLE 9 CONDEMNATION

9.1 Condemnation of Common Areas. Whenever all or any part of the Common Area of the Development will be taken by any authority having the power of condemnation or eminent domain, or is conveyed in lieu thereof by the Board acting on the affirmative vote of seventy-five percent (75%) or more of the votes of the entire Association, by a duly held Referendum or a duly held meeting of Members, which percentage will also constitute the quorum required for any such meeting, and following written approval by the Declarant for so long as Declarant owns any of the Property primarily for development or sale, the award or proceeds made or collected for such taking or sale in lieu thereof will be payable to the Association and will be disbursed or held as follows:

(a) Common Areas With Improvements. If the taking or sale in lieu thereof involves a portion of the Common Areas on which improvements have been constructed, then, unless within sixty (60) days after such taking the Declarant, for so long as Declarant owns any of the Property primarily for the development or sale, and the Board, acting on the vote of seventy-five percent (75%) or more of the votes of the entire Association, by a duly held Referendum or at a duly held meeting of Members (which percentage will also constitute the quorum required for any such meeting), will otherwise agree, the Association will restore or replace such improvements so taken, to the extent practicable, on the remaining lands included in the common Areas which are available therefore, in accordance with the plans approved by the Board of Directors, the ARC, and by Declarant during the Declarant Control Period. If the awards or proceeds are not sufficient to defray the cost of such repair and replacement and such deficiency cannot be appropriated from a reserve fund as may have been established for such purpose, the Board of Directors may levy a Special Assessment against all Owners, without the necessity of a vote pursuant to Section 11.5, such Special Assessment to be in an amount sufficient to provide funds to pay such excess cost or repair or reconstruction. Such a Special Assessment will be levied against the Owners equally in the same manner as Annual Assessments are levied, and additional Special Assessments may be made at any time during or following the completion of any repair or reconstruction. If such improvements are not to be repaired or restored, the award or proceeds will be retained by and for the benefit of the Association.

(b) Common Areas Without Improvements. If the taking or sale in lieu thereof does not involve any improvements to the Common Areas, or if there are net funds remaining after any such restoration or replacement of such improvements is completed, then such award, proceeds, or net funds will be retained by and for the benefit of the Association.

(c) Including Owner's Property. If the taking or sale in lieu thereof includes all or any part of an Owner's property and also includes any part of the Common Areas, then a court of competent jurisdiction will apportion such award or proceeds and such award or proceeds will be disbursed to the Association and the Owners so affected so as to give just compensation to the Owners for their interest in such property; provided, however, such apportionment may instead be resolved by the agreement of (i) the Board of Directors, (ii) the Owners of all properties wholly or partially taken or sold,

together with the mortgagees for each such property, and (iii) Declarant, for so long as Declarant owns any of the Property primarily for development or sale.

9.2 Condemnation of Owners' Properties.

(a) Election Not to Restore. In the event that all or any part of a property subject to this Declaration, or any improvements thereon is taken by any authority having the power of condemnation or eminent domain, or is conveyed in lieu thereof, and in the further event that the Owner thereof elects not to restore the remainder of such property, then the Owner making such election will promptly clear away any remaining improvements damaged or destroyed by such taking or conveyance, and will leave such property and any remaining undamaged improvements thereon in a clean, orderly, safe and sightly condition. In addition, if the remaining size or configuration of such property remaining after such taking or conveyance is insufficient to permit the restoration of the remaining improvements thereon or therein to their condition prior to such taking or conveyance in compliance with all applicable standards, restrictions, and provisions of this Declaration and applicable zoning, building and other governmental regulations, then such Owner shall have the option, after clearing away all remaining improvements or portions thereof and placing the remainder in a clean, orderly, safe and sightly condition referred to above, of deeding the remaining portion of the property to the Association as a part of the Common Areas, and the thereafter any such Owner will not have any further voting rights or membership rights or privileges in the Association or with respect to the Development and will not be subject to any further Assessments imposed by the Association and payable after the date of such deeding and attributed to such property deeded to the Association.

(b) Election to Restore. In the event that any part of a property subject to this Declaration, or any improvements thereon, is taken by any authority having the power of condemnation or eminent domain, or is conveyed in lieu thereof, and if the Owner thereof elects to restore the remainder of the property, such Owner making such election will restore such remainder thereof as nearly as practicable to the same condition it was in prior to such taking or conveyance and in accordance with all applicable standards, restrictions, and provisions of this Declaration and applicable zoning, building and other governmental regulations. All such work of restoration will be commenced promptly following such taking or conveyance and will be carried through diligently to conclusion.

ARTICLE 10
FUNCTIONS OF THE ASSOCIATION

10.1 Board of Directors and Officers. The Association, subject to the rights of Declarant and the rights and duties of the Owners set forth in this Declaration, will be responsible for the exclusive management and control of the Common Areas (including the the wastewater collection and disposal facilities) and all improvements thereon (including furnishings and equipment related thereto) and will keep the same in a good, clean, attractive and sanitary condition, order and repair, pursuant to the terms and conditions thereof. Except to the extent otherwise provided by the provisions of the Tennessee Nonprofit Corporation Act, this Declaration, the Bylaws, or the Articles of Incorporation, the powers herein or otherwise granted to the Association shall be exercised by the Board of Directors, acting through the officers of the Association and their duly authorized delegates, without any further consent or action on the part of the Owners. As provided in Section 14.1 hereof and notwithstanding any other provision to the contrary contained in any instruments evidencing or establishing the Development, Declarant will have right to appoint or remove any member or members of the Board of Directors or any officer or officers of the Association during the Declarant Control Period. Each Owner, by acceptance of a deed to or other conveyance of a Lot or Dwelling vests in Declarant such authority to appoint and remove directors and officers of the Association as provided by this Section 10.1 and by Section 14.1 hereof.

10.2 Duties and Powers. The duties and powers of the Association will be those set forth in the provisions of the Tennessee Nonprofit Corporation Act, the Bylaws, and the Articles of Incorporation, together with those reasonably implied to effect the purposes of the Association; provided, however, that if there are conflicts or inconsistencies between the Tennessee Nonprofit Corporation Act, this Declaration, the Bylaws, and the Articles of Incorporation, the provisions of the Tennessee Nonprofit Corporation Act, this Declaration, the Articles of Incorporation and the Bylaws, in that order, will prevail, and each Owner of a property within the Development by acceptance of a deed or other conveyance therefore, covenants to vote in favor of such amendments as will remove such conflicts or inconsistencies. The Association may exercise any other right or privilege given to it expressly by this Declaration or the Bylaws, together with every other right or privilege to be implied from the existence of any right or privilege given to it herein or reasonably as necessary to effectuate any such right or privilege. Such powers of the Association will include, but not be limited to, the power to purchase one or more properties subject to this Declaration and to hold, lease, mortgage, sell, and convey the same. Such duties may include, but will not be limited to, arranging with governmental agencies, public service districts, public or private utilities, or others as Common Expense by billing directly to the Owners, to furnish trash collections, water, sewer, and/or security service for the properties subject to this Declaration. Notwithstanding the foregoing provisions of this Section 10.2, or any other provisions of this Declaration to the contrary, during the Declarant Control Period the Association will not, without the written approval of Declarant, borrow money or pledge, mortgage or hypothecate all or any portion of the Common Areas.

(a) Ownership of Properties. The Association will be authorized to own, purchase, lease, use under any use agreement, and maintain (subject to the requirements of any Federal, State or local governing body of Tennessee) Common Areas, equipment, furnishings, and improvements devoted to the uses and purposes expressed and implied in this Declaration, including, but not limited to, the following uses:

- (i) For walks, paths and trails throughout the Property;
- (ii) For security services, including security stations, maintenance building and/or guardhouses;
- (iii) For providing any of the services which the Association is authorized to offer under Section 10.2(b) below; and
- (iv) For purposes set out in deeds or agreements by which Common Areas are conveyed or by which use rights are granted to the Association.

(b) Services. The Association will be authorized (unless prohibited by the requirements of any Federal, State or local governing body) to provide such services required to promote the uses and purposes for which the Association is formed as expressed or implied in this Declaration, including, but not limited to, the following services:

- (i) Cleanup and maintenance of all private roads, roadways, road shoulders, roadway medians, parkways, lakes, lagoons, drainage areas and easements and Common Areas within the Property and also all public properties which are located within or in a reasonable proximity to the Property such that their deterioration would affect the appearance of the Property as a whole;
- (ii) Landscaping of Common Areas and walking paths within or constituting a Common Area;

- (iii) Lighting throughout the Property;
- (iv) Maintenance of any installed electronic and other access and control devices for the protection of the Property, if any such devices are ever installed, and assistance to the local police and sheriff departments or other law enforcement agency in the apprehension and prosecution of persons who violate the laws of Tennessee or the United States of America within the Property;
- (v) Insect and pest control to the extent that it is necessary or desirable in the judgment of the Board of Directors to supplement the service provided by the state and local governments;
- (vi) The services necessary or desirable in the judgment of the Board of Directors to carry out the Association's obligations and business under the terms of this Declaration and to collect Annual Assessments, Special Assessments, Emergency Special Assessments, specific Assessments, and other fees and charges collectable from the Owners hereunder;
- (vii) To take any and all actions necessary to enforce these and all covenants and restrictions affecting the Property and to perform any of the functions or services delegated to the Association in any covenants or restrictions applicable to the Property;
- (viii) To set up and operate an architectural review board in the event that the Association is assigned the whole or any portion of the function of the ARC by the Declarant, pursuant to this Declaration.
- (ix) To construct improvements on Common Areas for use for any of the purposes or as may be required to provide the services as authorized in this Section;
- (x) To provide administrative services including but not limited to legal, accounting and financial; and communications services informing Members of activities, notice of Meetings, Referendums, etc., incident to the above listed services;
- (xi) To provide liability and hazard insurance covering improvements and activities on Common Areas;
- (xii) To provide water, sewage, and any necessary utility services not provided by a public body, private utility or the Declarant;
- (xiii) To provide any or all of the above listed services to another Association or Owners of real property under a contract, the terms of which must be approved by the Board of Directors; and
- (xiv) To provide for hearings and appeal process for violations of rules and regulations contained herein.

10.3 Agreements. Subject to the prior approval of Declarant during the Declarant Control Period, all agreements and determinations lawfully authorized by the Board of Directors will be binding upon the Association and all Owners, their heirs, legal representatives, successors, and assigns, and all others having an interest in the Development or the privilege of possession and enjoyment of any part of the Development will comply with and be subject to the authorized actions of the Board of Directors. In performing its responsibilities hereunder, the Board of Directors, will have the authority to delegate to

persons of its choice such duties of the Association as may be determined by the Board of Directors. In furtherance of the foregoing and not in limitation thereof, the Association may obtain and pay for the services of any person or entity to manage its affairs or any part thereof, to the extent it deems advisable, as well as such other personnel as the Association will deem necessary or desirable for the proper operation of the Development, whether such personnel are furnished or employed directly by the Association or by any person or entity with whom or with which it contracts. All costs and expenses incident to the employment of a manager will be a Common Expense. During the term of such management agreement, such manager may, if authorized by the Board of Directors, exercise all of the powers and will be responsible for the performance of all the duties of the Association, excepting any of those powers or duties specifically and exclusively reserved to the directors, officers, or Members of the Association by this Declaration or the Bylaws. Such manager may be an individual, corporation, or other legal entity, as the Board of Directors will determine, and may be bonded in such a manner as the Board of Directors may require, with the cost of acquiring any such bond to be a Common Expense. In addition, the Association may pay for, and the Board of Directors may hire and contract for, such legal and accounting services as are necessary or desirable in connection with the operation of the Development or the enforcement of this Declaration, the Bylaws, or the rules and regulations of the Association.

10.4 Mortgage or Pledge. Subject to the provisions of Section 5.2(a), the Board of Directors will have the power and authority to mortgage the property of the Association and to pledge the revenues of the Association as security for loans made to the Association which loans will be used by the Association in performing its authorized functions upon the approval of eighty percent (80%) or more of the votes of the entire Association, by a duly held Referendum or at a duly held meeting of Members (which percentage will also constitute the quorum required for any such meeting). The Declarant may make loans to the Association, subject to approval by the Declarant of the use to which such loan proceeds will be put and the terms pursuant to which such loans will be repaid. Notwithstanding anything in this Declaration to the contrary, the Association will not be allowed to reduce the limits of the regular Annual Assessment at any time there are outstanding any amounts due the Declarant as repayment of any loans made by the Declarant to the Association.

10.5 Personal Property and Real Property for Common Use. The Association, through action of its Board of Directors, may acquire and hold tangible and intangible personal property and real property and may dispose of the same by sale or otherwise. All funds received and title to all properties acquired by the Association and the proceeds thereof, after deducting therefrom the costs incurred by the Association in acquiring or selling the same, will be held by and for the benefit of the Association. The shares of the Owners in the funds and assets of the Association cannot be individually assigned, hypothecated, or transferred in any manner, except to the extent that a transfer of the ownership of a Lot or Dwelling also transfers the membership in the Association which is an appurtenance to such Lot and Dwelling.

10.6 Rules and Regulations. As provided in Article 12 hereof, the Board of Directors, may make, amend, revoke and enforce reasonable rules and regulations governing the use of the Lots, Dwellings, and Common Areas, which rules and regulations will be consistent with the rights and duties established by this Declaration.

10.7 Reduction in Services. During the calendar years of 2005 and 2006, and during the first two years when any Additional Property may be added to this Declaration, the Board of Directors may define and list a minimum level of services, which will be furnished by the Association. So long as the Declarant is engaged in the development of properties that are subject to the terms of this Declaration, the Association will not reduce the level of services it furnishes below such minimum level. Such minimum level of service will expressly include an obligation of the Association to maintain the Common Areas,

the common wastewater collection and disposal facilities, and pay the costs and expenses set forth in any lease or use agreement therefor.

10.8 Obligation of the Association. The Association will not be obligated to carry out or offer any of the functions and services specified by the provisions of this Article except as specified in Section 10.7 above. The functions and services to be carried out or offered by the Association at any particular time will be determined by the Board of Directors taking into consideration the funds available to the Association and the needs of the Members of the Association. Special Assessments will be submitted for approval as herein provided. Subject to the provisions of Section 10.7 above, the functions and services which the Association is authorized to carry out or to provide may be added or reduced at any time upon the sole approval of the Declarant during the Declarant Control Period, and thereafter, the functions and services which the Association is authorized to carry out or to provide may be added or reduced by the Board acting on the vote of fifty-one percent (51%) or more of the votes of the entire Association, by a duly held Referendum or at a duly held meeting of Members (which percentage will also constitute the quorum required for any such meeting).

ARTICLE 12 ASSESSMENTS

11.1 Purpose of Assessments. The Assessments for Common Expenses provided for herein will be used for the general purposes of promoting the recreation, health, safety, welfare, common benefit, and enjoyment of the Owners and Occupants of the Development, and maintaining the Development and improvements therein, all as may be more specifically authorized from time to time by the Board of Directors.

11.2 Creation of Lien and Personal Obligation of Assessments. Each Owner, by acceptance of a deed or other conveyance thereof, whether or not it will be so expressed in such deed or conveyance, is deemed to covenant and agree to pay to the Association: (a) Annual Assessments, such Assessments to be established and collected as provided in Section 11.3, (b) Special Assessments, such Assessments to be established and collected as provided in Section 11.5, (c) Emergency Special Assessments, such Assessments to be established and collected as provided in Section 11.6, (d) individual or specific Assessments pursuant to Section 11.8. Any such Assessments remaining unpaid for thirty (30) days, together with late charges, simple interest at a rate established from time to time by the Board of Directors, and court costs and attorneys' fees incurred to enforce or collect such Assessments, will be an equitable charge and a continuing lien when a claim of lien is filed Of Record with the clerk of the appropriate court located in Cocke County, Tennessee. A claim of lien shall set forth the name and address of the Association, the name of the record Owner of the Lot at the time of the claim of lien is filed, a description of the Lot and the amount of the lien claimed. Each Owner will be personally liable for Assessments, coming due while he is the Owner of a property, and his grantee will take title to such property subject to the equitable charge and continuing lien therefor, but without prejudice to the rights of such grantee to recover from his grantor any amounts paid by such grantee therefor; provided, however, the lien for unpaid Assessments will be subordinate to liens and encumbrances (specifically including, but not limited to, a Mortgage on the Lot or Dwelling) recorded before the docketing of the claim of lien Of Record, and (ii) liens for real estate taxes and other governmental assessments and charges against the Lot or Dwelling. The sale or transfer of a Lot or Dwelling shall not affect the lien of the Assessments. However, where the holder of a Mortgage, or other purchaser of a Lot or Dwelling obtains title thereto as a result of foreclosure of a Mortgage, such purchaser and its heirs, successors, and assigns, shall not be liable for the Assessments against such Lot or Dwelling which became due prior to the acquisition of title to such Lot or Dwelling by such purchaser. Such unpaid Assessments shall be deemed to be Common Expenses collectible from all the Owners including such purchaser, its heirs, successors, and assigns. In the event of co-ownership of any property subject to this Declaration, all of such co-Owners will be

jointly and severally liable for the entire amount of such Assessments. Assessments will be paid in such manner and on such dates as may be fixed by the Board of Directors in accordance with Section 11.3(d), provided that unless otherwise provided by the Board, the Annual Assessments will be paid in equal monthly installments. A judgment, decree, or order in any action brought under this Section shall include costs and reasonable attorney's fees for the prevailing party.

11.3 Establishment of Annual Assessment. It will be the duty of the Board of Directors at least ninety (90) days prior to the first day of the Association's first full fiscal year, and each fiscal year thereafter, to prepare a budget covering the estimated Common Expenses during the coming year, such budget to include a reserve account, if necessary, for the capital needs of the Association. In calculating the budget, the Board shall have the power to either reduce the budgeted expenses for the fiscal year being budgeted or to set aside such surplus in such operating and/or capital reserve account as the Board, in its sole discretion, shall determine. The Board will cause notice of the budget and the proposed total of the Annual Assessments to be levied against properties subject to this Declaration for the following year to be delivered to each Owner at least thirty (30) days prior to the first day of the fiscal year for which the budget and Assessments are established. Such notice shall set a date for a meeting of the Owners to consider ratification of the budget, such meeting to be held not less than ten (10) nor more than sixty (60) days after mailing of said notice. The total Annual Assessments will be divided among Lots and Dwellings equally, each unimproved Lot bearing the same Assessment as a Dwelling. Failure by the Board of Directors to comply with this provision will not relieve any Owner from the obligation to pay any and all Annual, Special or Emergency Special Assessments.

(a) Disapproval of Annual Assessments. The annual budget and Annual Assessments, as determined by the Board of Directors, as hereinabove provided, will become effective unless disapproved (a) solely by the Declarant in writing during the Declarant Control Period, and (b) thereafter by a majority of the total Association vote at a meeting to consider ratification of the budget, which percentage will also constitute the quorum required for any such meeting. Notwithstanding the foregoing, in the event the proposed budget and Annual Assessments are disapproved or in the event the Board of Directors fails for any reason to determine an annual budget and to set the Annual Assessments, then and until such time as a budget and Annual Assessment will have been determined as provided herein, the budget and Annual Assessments will be the Default Budget and Default Annual Assessments calculated in accordance with Section 11.4.

(b) Board Authority to Increase. If the Board of Directors determines that the important and essential functions of the Association budgeted for the year will not be properly funded by the Annual Assessment herein provided, it may increase such Assessment; provided, however, an increase in Assessments in any year pursuant to special Board action as aforesaid will in no way affect Annual Assessments for subsequent years.

(c) Initial Annual Assessments. The initial Annual Assessment for all Owners of Lots and Dwellings for the calendar year in which this Declaration is filed Of Record will be Six Hundred Fifty and 00/100 Dollars (\$650.00) per year. Notwithstanding the establishment of such initial budget and initial Annual Assessments, the Board of Directors may charge a lesser amount until such time as improvements constituting Common Areas have been substantially completed.

(d) Billing of Annual Assessments. The Annual Assessments may, in the sole discretion of the Board of Directors, be billed monthly, quarterly, semiannually or annually, and will be due and payable on or before the last day of the month in which billed.

(e) Rounding. All Annual Assessments charged by the Association will be rounded off to the nearest dollar.

(f) For Common Expenses. The Common Expenses to be funded by the Annual Assessments may include, but will not necessarily be limited to, the following:

(i) management fees and expenses of administration, including legal and accounting fees;

(ii) utility charges for utilities serving the Common Areas and charges for other common services for the Development, including trash collection and security services, if any such services or charges are provided or paid by the Association;

(iii) the cost of any policies of insurance purchased for the benefit of all the Owners and the Association as required or permitted by this Declaration, including fire, flood, and other hazard coverage, public liability coverage, and other insurance coverage determined by the Board to be in the interests of the Association and the Owners;

(iv) the expenses of maintenance, operation, and repair of those portions of the Common Areas which are the responsibility of the Association under the provisions of this Declaration;

(v) the expenses of any architectural review board established to receive and administer the whole or any portion of the ARC functions transferred and conveyed to the Association pursuant to this Declaration which are not defrayed by plan review charges;

(vi) *ad valorem* real and personal property taxes assessed and levied against the Common Areas;

(vii) such other expenses as may be determined from time to time by the Board of Directors to be Common Expenses, including, without limitation, taxes and governmental charges not separately assessed against Lots or Dwellings; and

(viii) the establishment and maintenance of a reasonable reserve fund or funds (i) for maintenance, repair, and replacement of those portions of the Common Areas which are the responsibility of the Association and which must be maintained, repaired, or replaced on a periodic basis, (ii) to cover emergencies and repairs required as a result of casualties which are not funded by insurance proceeds, and (iii) to cover unforeseen operating contingencies or deficiencies arising from unpaid Assessments or liens, as well as from emergency expenditures and other matters, all as may be authorized from time to time by the Board of Directors.

11.4 Determination of Default Budget and Default Annual Assessment. Upon the failure of the Board of Directors to adopt a budget, or upon the disapproval of any budget pursuant to Section 11.3(a), the Default Budget and Default Annual Assessments will be the greater of:

(i) The then existing budget and Annual Assessments, increased in proportion to the percentage increase, if any, in the "CPI-U," as hereinafter defined, from December of the preceding year to November of the then current year in which the said maximum budget and Annual Assessment is being determined, or by five percent (5%), whichever is greater; or

(ii) The budget and Annual Assessments for the year in which this Declaration is filed Of Record by the Declarant, increased to the year in which the said maximum budget and Annual Assessment is being determined in proportion to the percentage increase, if any, in the "CPI-U," as

hereinafter defined, from December of the year preceding the year in which this Declaration is filed Of Record to November of the year in which the said maximum budget and Annual Assessment is being determined, or by five percent (5%) per annum, compounded, whichever is greater.

The "CPI-U" will mean the Consumer Price Index for All Urban Consumers (1982-84'100), or, if such index is discontinued or revised, by reference to such other government index or computation with which it is replaced or which would produce substantially the same measure as would be obtained if such index had not been discontinued or revised.

11.5 Special Assessments for Improvements and Additions.

(a) Purposes. In addition to the regular, Annual Assessments authorized by Section 11.3 hereof, the Association may levy Special Assessments, for the following purposes:

(i) Construction, Reconstruction, and Repair. For the construction, reconstruction, unexpected repair or replacement of a damaged capital improvement upon the Common Areas, including the necessary fixtures and personal property related thereto as well as any insurance policy deductible if the damage is an insured loss;

(ii) Provide Essential Facilities and Equipment. For the unexpected and unbudgeted acquisition of necessary facilities and equipment required for the Association to offer the services authorized herein;

(iii) Extraordinary Expenditures. To provide funding for such other extraordinary and unbudgeted expenditures of the Association as the Board shall determine to be required for the efficient discharge of the Association duties and responsibilities hereunder, and which cannot, in the Board's reasonable judgment, be delayed until the next budget is prepared.

(b) Approval by Declarant and Disapproval by Members. Except as otherwise permitted in Sections 5.3(b), 8.2, 9.1 and 11.6 hereof, any Special Assessment will only be levied if: (a) during the Declarant Control Period the Declarant approves, in writing, such Special Assessment; and (b) after the Declarant Control Period the Special Assessment is not disapproved by sixty-seven percent (67%) or more of the votes of the entire Association at a special meeting of Members called therefor and held pursuant to the provisions of the Bylaws, which percentage will also constitute the quorum required for any such meeting. The notices of such special meeting will include one statement from the Directors favoring the Special Assessment and one statement from those Directors opposing the Special Assessment containing the reasons for those Directors' support and opposition for the Special Assessment, if any such statements are provided by the Directors supporting and opposing the Special Assessment (Directors being under no obligation to provide such statements). Neither statement, either supporting or opposing the Special Assessment, will exceed five (5) pages in length.

(c) Apportionment. Special Assessments will be apportioned among the Lots and Dwellings equally in the same manner as Annual Assessments.

11.6 Emergency Special Assessments. In addition to the Annual Assessments authorized by Section 11.3 and the Special Assessment authorized by Section 11.5 hereof, the Association may levy Assessments for repairs, reconstruction, alterations or improvements due to emergencies of any type, as determined by the Declarant during the Declarant Control Period, and/or by the Board of Directors, in their sole discretion ("Emergency Special Assessment"). Any Emergency Special Assessment may be imposed without a vote of the Members. Emergency Special Assessments will be apportioned among the Lots and Dwellings equally in the same manner as Annual Assessments unless it is determined by the

Declarant and/or Board that another apportionment thereof is more reasonable and more equitably justified by the circumstances giving rise to such emergency.

11.7 Declarant's Properties. Anything contained herein to the contrary notwithstanding, Declarant will be exempt from the payment of Annual Assessments, Special Assessments and Emergency Special Assessments with respect to unimproved Lots and unoccupied Dwellings owned by the Declarant and subject to this Declaration.

11.8 Individual Specific Assessments. Any expenses incurred by the Association or the Declarant because of the negligence or misconduct of one or more Owners or Occupants, and with respect to which such expenses are chargeable thereto and recoverable therefrom pursuant to any provision of this Declaration, and any fines as may be imposed against an Owner in accordance with Article 11, and any Common Expense or portion thereof benefiting fewer than all of the Lots, and chargeable therefor, will be specially assessed as a specific Assessment against each such Owner and the Owner's Lot or Dwelling to whom and to which such expense or fine is chargeable. Assessments to pay a judgment against the Association shall be made only against the Lots in the Development at the time the judgment was entered, in equal proportions, as an individual specific Assessment.

11.9 Effect of Nonpayment; Remedies of the Association. An Assessment shall be due in full not later than the last day of the month in which the Assessment is billed, and any Assessment or portions thereof which is not paid when so due will be delinquent. Any delinquent Assessment will incur a late charge in an amount as may be determined by the Board from time to time and, upon adoption of a policy therefor by the Board of Directors, will also commence to accrue simple interest at the rate set by the Board of Directors from time to time not to exceed eighteen percent (18%) per year. A claim of lien may be filed as discussed in Section 11.2 for each Assessment installment remaining unpaid for thirty (30) days as the same will become due and payable, and if an Assessment installment has not been paid as aforesaid, the entire unpaid balance of the Assessment installments remaining to be paid during the fiscal year may be accelerated by the option of the Board and be declared due and payable in full. The continuing lien and equitable charge of such Assessment will include all costs of collection (including reasonable attorneys' fees and court costs), and any other amounts provided or permitted hereunder or by law, subordinate only to liens as provided in Section 11.2 above. In the event that the Assessment remains unpaid sixty (60) days following the date when so due, the Association may institute suit to collect such amounts and to foreclose its lien. The equitable charge and lien provided for in this Section will be in favor of the Association, and each Owner, by his acceptance of a deed or other conveyance to a Lot, vests in the Association and its agents the right and power to bring all actions against him personally for the collection of such Assessments as a debt and/or to foreclose the aforesaid lien in like manner as a mortgage of real property. The Association will have the power to bid on the Lot or Dwelling at any foreclosure sale and to acquire, hold, lease, mortgage, and convey the same. No Owner may waive or otherwise escape liability for the Assessments provided for herein, including by way of illustration but not limitation, non-use of the Common Areas or abandonment of his Lot, and an Owner will remain personally liable for Assessments, including interest and late charges which accrue prior to a sale, transfer, or other conveyance of his Lot.

11.10 Certificate. The Treasurer, any Assistant Treasurer, or the manager of the Association will, within ten (10) days of a written request furnish to any Owner or such Owner's mortgagee which requests the same, a certificate signed by the Treasurer, Assistant Treasurer, or manager setting forth whether the Assessments for which such Owner is responsible have been paid, and, if not paid, the outstanding amount due and owing, together with all fines, accrued interest, and other penalty charges. Such certificate will be conclusive evidence against the Association, the Board, and every Lot Owner of payment of any Assessments stated therein to have been paid.

11.11 Date of Commencement of Assessments. The Assessments provided for herein will commence on the date on which a Lot is conveyed to a person other than Declarant and will be due and payable in such manner and on such schedule as the Board of Directors may provide. Annual Assessments, Special Assessments and Emergency Special Assessments will be adjusted for such property according to the number of months then remaining in the then fiscal year of the Association and the number of days then remaining in the month in which such property is first conveyed.

11.12 Working Capital Collected At Initial Closing. Notwithstanding anything to the contrary in this Declaration, a working capital fund will be established for the Association by collecting from each Owner who acquires title to his Lot from the Declarant a working capital amount equal to 2/12ths of the Annual Assessment then in effect, which Assessment will be due and payable, and will be transferred to the Association, at the time of transfer of each Lot by the Declarant to any other Owner. Such sum is and will remain distinct from the Annual Assessment and will not be considered advance payment of the Annual Assessment. The working capital receipts may be used by the Association in covering operating expenses as well as any other expense incurred by the Association pursuant to this Declaration and the Bylaws.

ARTICLE 12 RULE MAKING

12.1 Rules and Regulations. Subject to the provisions hereof, the Board of Directors may establish reasonable rules and regulations concerning the use of Lots, Dwellings, and the Common Areas, and facilities located thereon. In particular, but without limitation, the Board of Directors may promulgate, from time to time, rules and regulations that will govern activities that may, in the judgment of the Board of Directors, be environmentally hazardous, such as application of fertilizers, pesticides, and other chemicals. The Association will furnish copies of such rules and regulations, and amendments thereto, to all Owners prior to the effective date of such rules and regulations and amendments thereto. Such rules and regulations will be binding upon the Owners and Occupants until and unless any such rule or regulation is specifically overruled, cancelled, or modified by the Board of Directors or any such rule or regulation is disapproved by a majority or more of the votes of the entire Association at a special meeting of Members called therefor and held pursuant to the provisions of the Bylaws, which percentage will also constitute the quorum required for any such meeting. Any action by the Board to adopt, overrule, cancel or modify any rule or regulation, or any vote of Members disapproving any rule or regulation, will not be effective and binding upon the Owners and Occupants until and unless the same is approved by the Declarant during the Declarant Control Period.

12.2 Authority and Enforcement. Subject to the provisions of Section 12.3 hereof, upon the violation of this Declaration, the Bylaws, or any rules and regulations duly adopted hereunder, including, without limitation, the failure to timely pay any Assessments, the Board will have the power (i) to impose reasonable monetary fines which will constitute an equitable charge and a continuing lien as a specific Assessment, (ii) to suspend an Owner-Member's right to vote in the Association, or (iii) to suspend an Owner's or Occupant's right to use any of the Common Areas. The Board will have the power to impose all or any combination of these sanctions, and may establish each day a violation remains uncured as a separate violation for which a fine is due; provided, however, an Owner's access to its property over the private roads and streets constituting Common Areas will not be terminated hereunder. An Owner or Occupant will be subject to the foregoing sanctions in the event of such a violation by such Owner or Occupant. Any such suspension of rights may be for the duration of the infraction and for any additional period thereafter, not to exceed thirty (30) days.

12.3 Procedure. Except with respect to the failure to pay Assessments, the Board will not impose a fine, suspend voting rights, or infringe upon or suspend any other rights of an Owner or other

Occupant of the Development for violations of the Declaration, Bylaws, or any rules and regulations of the Association, unless and until the following procedure is followed:

(a) Demand to Cease and Desist. Written demand to cease and desist from an alleged violation will be served upon the Owner responsible for such violation specifying:

- (i) The alleged violation;
- (ii) The action required to abate the violation; and
- (iii) A time period of not less than ten (10) days during which the violation may be abated without further sanction, if such violation is a continuing one, or if the violation is not a continuing one, a statement that any further violation of the same provision of this Declaration, the Bylaws, or of the rules and regulations of the Association may result in the imposition of sanctions after notice and hearing.

(b) Notice of Hearing. Within twelve (12) months of such demand, if the violation continues past the period allowed in the demand for abatement without penalty, or if the same violation subsequently occurs, the Board may serve such Owner with written notice, in accordance with 14.14 of a hearing to be held by the Board in executive session. The notice will contain:

- (i) The nature of the alleged violation;
- (ii) The time and place of the hearing, which time will be not less than ten (10) days from the giving of the notice;
- (iii) An invitation to attend the hearing and produce any statement, evidence, and witnesses on his behalf; and
- (iv) The proposed sanction to be imposed.

(c) Hearing. The hearing will be held in executive session of the Board of Directors pursuant to the notice and will afford the alleged violator a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of notice and the invitation to be heard will be placed in the minutes of the meeting. Such proof will be deemed adequate if a copy of the notice together with a statement of the date and matter of delivery is entered by the officer, director, or other individual who delivered such notice. The notice requirement will be deemed satisfied if an alleged violator appears at the meeting. The minutes of the meeting will contain a written statement of the results of the hearing and the sanction imposed, if any.

ARTICLE 13 MORTGAGE PROVISIONS

The following provisions are for the benefit of holders, insurers and guarantors of first mortgages on Lots and Dwellings in the Properties. The provisions of this Article apply to both this Declaration and to the Bylaws, notwithstanding any other provisions contained therein.

13.1 Notice of Action. An institutional holder, insurer, or guarantor of a first mortgage who provides written request to the Association (such request to state the name and address of such holder, insurer, or guarantor and the street address of the Lot or Dwelling to

which its mortgage relates, thereby becoming an "Eligible Holder"), will be entitled to timely written notice of:

(a) Condemnation or Casualty. Any condemnation loss or any casualty loss which affects a material portion of the Property or which affects any Lot or Dwelling on which there is a first mortgage held, insured, or guaranteed by such Eligible Holder;

(b) Assessment Payment Delinquency. Any delinquency in the payment of assessments or charges owed by an Owner of a Lot or Dwelling subject to the mortgage of such Eligible Holder, where such delinquency has continued for a period of sixty (60) days, or any other violation of the Declaration or Bylaws relating to such Lot or Dwelling or the Owner or Occupant which is not cured within sixty (60) days. Notwithstanding this provision, any holder of a first mortgage is entitled to written notice upon request from the Association of any default in the performance by an Owner of a Lot or Dwelling of any obligation under the Declaration or Bylaws, which is not cured within sixty (60) days;

(c) Insurance Change. Any lapse, cancellation, or material modification of any insurance policy maintained by the Association; and

(d) Matter Requiring Vote. Any, proposed action that would require the consent of a specified percentage of Eligible Holders.

13.2 Special FHLMC Provision. So long as required by the Federal Home Loan Mortgage Corporation, the following provisions apply in addition to and not in lieu of the foregoing. Unless at least sixty-seven percent (67%) of the first mortgagees or Members holding at least sixty-seven percent (67%) of the total Association vote consent, the Association shall not:

(a) Change in Common Areas. By act or omission seek to abandon, partition, subdivide, encumber, sell, or transfer all or any portion of the real property comprising the Common Areas which the Association owns, directly or indirectly (the granting of easements for public utilities or other similar purposes consistent with the intended use of the Common Areas shall not be deemed a transfer within the meaning of this subsection);

(b) Change in Method of Levy. Change the method of determining the obligations, assessments, dues, or other charges which may be levied against an Owner of a Lot or Dwelling;

(c) Abandon Architectural Scheme. By act or omission waive or abandon any scheme of regulations or enforcement pertaining to architectural design, exterior appearance or maintenance of Lots or Dwellings and the Common Areas (the issuance and amendment of architectural standards, procedures, rules and regulations, or use restrictions shall not constitute a change, waiver, or abandonment within the meaning of this provision);

(d) Fail To Maintain Insurance. Fail to maintain insurance, as required by this Declaration; or

(e) Use of Proceeds for Other Than Repair. Use hazard insurance proceeds for any Common Areas losses for other than the repair, replacement, or reconstruction of such property.

First mortgagees may, jointly or singularly, pay taxes or other charges which are in default and which may or have become a charge against the Common Areas and may pay

overdue premiums on property insurance policies or secure new property insurance coverage upon the lapse of an Association policy, and first mortgagees making such payments shall be entitled to immediate reimbursement from the Association.

13.3 No Priority. No provision of this Declaration or the Bylaws gives or shall be construed as giving any Owner or other party priority over any rights of the first mortgagee of any Lot or Dwelling in the case of distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of the Common Areas.

13.4 Notice to Association. Upon request, each Owner shall be obligated to furnish to the Association the name and address of the holder of any mortgage encumbering such Owner's Lot or Dwelling.

13.5 Amendment by Board. Should the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation subsequently delete any of its respective requirements that necessitate the provisions of this Article or make any such requirements less stringent, the Board, without approval of the Owners, may record an amendment to this Article to reflect such changes.

13.6 Applicability of Article 13. Nothing contained in this Article shall be construed to reduce the percentage vote that must otherwise be obtained under the Declaration, Bylaws, or Tennessee law for any of the acts set out in this Article.

13.7 Failure of Mortgagee to Respond. Any Mortgagee who receives a written request from the Board to respond to or consent to any action shall be deemed to have approved such action if the Association does not receive a written response from the Mortgagee within thirty (30) days of the date of the Association's request, provided such request is delivered to the Mortgagee by certified or registered mail, return receipt requested.

ARTICLE 14 GENERAL PROVISIONS

14.1 Control of Declarant. NOTWITHSTANDING ANY OTHER LANGUAGE OR PROVISION TO THE CONTRARY IN THIS DECLARATION, IN THE ARTICLES OF INCORPORATION, OR IN THE BYLAWS OF THE Association, Declarant hereby retains for the duration of the Declarant Control Period the right to appoint and remove any member or members of the Board of Directors and any officer or officers of the Association. Every grantee of any interest in the Development, by acceptance of a deed or other conveyance of such interest, agrees that Declarant will have the authority to appoint and remove directors and officers of the Association in accordance with the foregoing provisions of this Section 14.1. The provisions of this Section 14.1 are supplemental to, and not in substitution of, other rights retained by Declarant pursuant to this Declaration.

(a) Voting Agreement and Proxy. By acceptance of a deed or other conveyance of a real estate interest subject hereto, an Owner-Member does hereby grant, and if further required, does agree to vote in a manner to provide to Declarant all voting rights and other corporate powers specifically reserved to and designated for Declarant under this Declaration. **IN CONNECTION WITH THIS VOTING AGREEMENT, EACH MEMBER APPOINTS DECLARANT AS PROXY FOR SUCH MEMBER WITH FULL POWER OF SUBSTITUTION TO VOTE FOR THE MEMBER ON ALL SUCH MATTERS ON WHICH THE MEMBER MAY BE ENTITLED TO VOTE, AND WITH RESPECT TO**

WHICH THERE IS A RESERVATION OR DESIGNATION OF VOTING RIGHTS IN DECLARANT UNDER THIS DECLARATION, AND WITH ALL POWERS WHICH THE MEMBER WOULD POSSESS IF PERSONALLY PRESENT AT ANY MEETING OF MEMBERS. SUCH APPOINTMENT WILL BE, UPON A MEMBER'S ACCEPTANCE OF A DEED OR OTHER CONVEYANCE AND WITHOUT THE NECESSITY OF FURTHER ACTION BY THE DECLARANT OR THE MEMBER, A POWER COUPLED WITH AN INTEREST AND IRREVOCABLE. Such appointment will be effective as of the date on which a deed or other conveyance of an interest to the Owner-Member is filed Of Record. This irrevocable proxy will automatically terminate on the date Declarant's voting rights as a Type B Member terminate. The within voting agreement and proxy are in addition to, and not in substitution of, all rights of Declarant herein provided, which will run with the Property.

(b) Creation of New Board Following Control Period. Upon the expiration of the Declarant Control Period, election of the Board will pass to the Owners as provided in the Bylaws. Following election of a new Board of Directors, Declarant will deliver all books, accounts, and records, if any, which Declarant has kept on behalf of the Association and any agreements or contracts executed by or on behalf of the Association during such period and which Declarant has in its possession.

14.2 Amendments by Declarant. During the Declarant Control Period, the Declarant may amend this Declaration or the Bylaws by an instrument in writing filed Of Record without the approval of any Owner or Mortgagee; provided, however, that, (a) in the event that such amendment has a material adverse effect upon any Owner's rights hereunder or adversely affects the title to any Lot or Dwelling, such amendment will be valid only upon the written consent thereto by a majority in number of the then existing Owners affected thereby; and (b) in the event that such amendment would materially and adversely affect the security title and interest of any Mortgagee, such amendment will be valid only upon the written consent thereto of all such Mortgagees so affected. Any amendment made pursuant to this Section 14.2 will be certified by Declarant as having been duly approved by Declarant, and by such Owners and Mortgagees if required, and will be effective only upon it being filed Of Record or at such later date as will be specified in the amendment itself. Furthermore, following the Declarant Control Period, this Declaration and the Bylaws may be amended solely by the Declarant filing same Of Record if such amendment is necessary, in the reasonable determination of the Declarant, (i) to bring any provision hereof or thereof into compliance or conformity with the provisions of any applicable governmental statute, rule, or regulation or any judicial determination which will be in conflict therewith, (ii) to enable any reputable title insurance company to issue title insurance coverage with respect to any properties subject to this Declaration, (iii) if such amendment is required by an institutional or governmental lender or purchaser of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to enable such lender or purchaser to make or purchase mortgage loans on any properties subject to this Declaration, or (iv) to enable any governmental agency or reputable private insurance company to insure Mortgages on the properties or other improvements subject to this Declaration. Each Owner by acceptance of a deed or other conveyance of a Lot or Dwelling agrees to be bound by amendments permitted by this Section 14.2, and further agrees, if requested by the Declarant, such Owner will consent to such amendment.

14.3 Amendments by the Association. Amendments to this Declaration or the Bylaws, other than those authorized by Section 14.2 hereof, will be proposed and adopted in the following manner:

(a) Notice. Notice of the subject matter of the proposed amendment will be included in the notice of the meeting of the Association at which such proposed amendment is to be considered and will be delivered to each Member of the Association.

(b) Resolution to Amend and Vote to Approve. At such meeting, a resolution adopting a proposed amendment may be proposed by either the Board of Directors or Members of the Association. Such amendment must be approved by sixty-seven percent (67%) or more of the votes of the entire Association, by a duly held Referendum or at a duly held meeting of Members called for the purpose of approving a proposed amendment, which percentage will also constitute the quorum required for any such meeting; provided, however, (i) that any amendment which materially and adversely affects the security title and interest of any Mortgagee must be approved by such Mortgagee; (ii) during the Declarant Control Period, such amendment must be approved by Declarant; and (iii) in the event that such amendment also is an amendment to the Bylaws, the amendment will be adopted pursuant to the applicable procedures of the Tennessee Nonprofit Corporation Act.

(c) Execution and Delivery of Approved Amendment. The agreement of the required percentage of the Owners and, where required, Declarant and any Mortgagee, to any amendment of this Declaration pursuant to this Section 14.3 will be evidenced by their execution of such amendment, or, in the alternative, the sworn statement of the President of the Association attached to or incorporated in the amendment executed by the Association, which sworn statement will state unequivocally that the agreement of the required parties was lawfully obtained. Any such amendment of this Declaration will become effective only when filed Of Record or at such later date as may be specified in the amendment itself.

(d) Required Approval of Declarant. Anything contained in this Section 14.3 to the contrary notwithstanding, no amendment under this Declaration shall be made, or any vote therefor, effective, if the result or effect thereof would have a material adverse effect upon Declarant or any right, limitation, approval or easement of Declarant without the prior written approval of the Declarant.

14.4 Duration. The provisions of this Declaration will run with and bind title to the Property, will be binding upon and inure to the benefit of all Owners and mortgagees, and will be and remain in effect for a period of thirty (30) years from and after the date this Declaration is filed Of Record, provided that rights and easements which are stated herein to have a longer duration will have such longer duration. Upon the expiration of said thirty (30)-year period, this Declaration will be automatically renewed for successive ten (10)-year periods. The number of ten (10)-year renewal periods will be unlimited, with this Declaration being automatically renewed and extended upon the expiration of each ten (10)-year renewal period for an additional ten (10)-year period; provided, however, that there will be no renewal or extension of this Declaration, if, during the last year of an initial thirty (30)-year period or the last year of any ten (10)-year renewal period, eighty percent (80%) or more of the votes of the entire Association, by a duly held Referendum or at a duly held meeting of Members called for the purpose of approving the proceeding, which percentage will also constitute the quorum required, approve terminating this Declaration at the end of the then current term. In the event that the Association votes to terminate this Declaration, an instrument evidencing such termination will be filed Of Record, such instrument to contain a certificate wherein the President of the Association swears that such termination was duly adopted by the requisite number of votes. Every purchaser or grantee of any interest in any Property, by acceptance of a deed or other conveyance therefor, thereby agrees that the provisions of this Declaration will run with and bind title to the Property as provided hereby.

14.5 Termination of the Association. In the event that this Declaration is declared to be void, invalid, illegal, or unenforceable in its entirety, or in such a significant manner that the Association is not able to function substantially as contemplated by the terms hereof, for any reason, by the adjudication of any court or other tribunal having jurisdiction over the parties hereto and the subject matter hereof, and such adjudication occurs within ten (10) years following the date of recording this Declaration, all Common Areas belonging to the Association at the time of such adjudication will revert to the Declarant, and the Declarant will own and operate said Common Areas as Trustee for use and benefit of Owners within the Property as set forth below. If said adjudication will occur on a date more than ten (10) years after the date of recording of this Declaration, or if the Members of the Association should vote not to renew and extend this Declaration as provided for in Section 14.4, all Common Areas owned by the Association at such time will be transferred to a properly appointed Trustee, which Trustee will own and operate said Common Areas for the use and benefit of Owners within the Property as set forth below:

(a) Each lot, parcel or tract of land located within the Property will be subject to an Annual Assessment which will be paid by the Owner thereof to the Declarant or Trustee, whichever becomes the successor in title to the Association. The amount of such Annual Assessment and its due date will be determined solely by the Declarant or the Trustee, as the case may be, but the amount of such Annual Assessment on any particular lot, parcel or tract of land will not exceed the amount actually assessed against that lot, parcel or tract of land in the last year that Assessments were levied by the Association, subject to the adjustment set forth in subparagraph (b) immediately below.

(b) The rate of the Annual Assessment which may be charged by the Declarant or Trustee hereunder on any particular lot or parcel may be automatically increased each year by either five percent (5%) or the percentage increase between the first month and the last month of the Annual Assessment period in the CPI-U issued by the U.S. Bureau of Labor Statistics in its monthly report, whichever of these two percentage figures is larger. The actual amount of such increase in the regular Annual Assessment on a parcel will equal the regular Annual Assessment on such lot or parcel for the previous year multiplied by the larger of the two percentage factors set forth above. If the CPI-U is discontinued, then there will be used the most similar index published by the United States Government that may be procured indicating changes in the cost of living.

(c) Any past due Annual Assessment together with interest thereon at a rate no greater than eighteen percent (18%) per annum from the due date and all costs of collection including reasonable attorney's fees will be a personal obligation of the Owner at the time that the Annual Assessment becomes past due, and it will also constitute and become a charge and continuing lien on the lot or parcel of land and all improvements thereon, against which the Assessment has been made, in the hands of the then Owner, his heirs, devisees, personal representatives and assigns.

(d) The Declarant, or the Trustee, as the case may be, will be required to use the funds collected as Annual Assessments for the operation, maintenance, repair and upkeep of the Common Areas. Declarant or Trustee may charge as part of the costs of such functions the reasonable value of its services in carrying out the duties herein provided. Neither the Declarant nor the Trustee will have the obligations to provide for operation, maintenance, repair and upkeep of the Common Areas once the funds provided by the Annual Assessment have been exhausted.

(e) The Declarant will have the right to convey title to the Common Areas and to assign its rights and duties hereunder, provided that the transferee accepts such properties subject to the limitations and uses imposed hereby and affirmatively acknowledges its acceptance of the duties imposed hereby.

(f) The Trustee will have the power to dispose of the Common Areas free and clear of the limitations imposed hereby; provided, however, that such disposition will first be approved in writing by fifty-one percent (51%) of the Owners of Property within the Property or in the alternative will be found, in the exercise of reasonable business judgment, to be in the best interest of the Owners of property within the Property. The proceeds of such a sale will first be used for the payment of any debts or obligations constituting a lien on the Common Areas, then for the payment of any obligations incurred by the Trustee in the operation, maintenance, repair and upkeep of such Property, then for the payment of any obligations distributed among the Owners of property within the Development, exclusive of the Trustees, in a proportion equal to the portion that the Default Annual Assessment on property owned by a particular Owner bears to the total Default Annual Assessment for all property located within the Property.

14.6 Perpetuities. If any of the covenants, conditions, restrictions, or other provisions of this Declaration will be unlawful, void, or voidable for violation of the rule against perpetuities, then such provisions will continue only until twenty-one (21) years after the death of the last survivor of the now living descendants of Mrs. Rose Kennedy, mother of U. S. Senator Edward Kennedy.

14.7 Interpretation. In all cases, the provisions set forth or provided for in this Declaration will be construed together and given that interpretation or construction which, in the opinion of Declarant or the Board of Directors will best effect the intent of the general plan of development. The provisions hereof will be liberally interpreted and, if necessary, they will be so extended or enlarged by implication as to make them fully effective. The provisions of this Declaration will be given full force and effect notwithstanding the existence of any zoning ordinance or building codes that are less restrictive. The effective date of this Declaration will be the date of its filing Of Record. The captions of each Article and Section hereof as to the contents of each Article and Section are inserted only for convenience and are in no way to be construed as defining, limiting, extending, or otherwise modifying or adding to the particular Article or Section to which they refer. This Declaration will be construed under and in accordance with the laws of the State of Tennessee.

14.8 No Affirmative Obligation Unless Stated. ANY RESERVATION OR RIGHT OF THE DECLARANT WHICH IS STATED IN OR IMPLIED FROM THIS DECLARATION WILL NOT GIVE RISE TO ANY AFFIRMATIVE OBLIGATION OR DUTY ON THE PART OF THE DECLARANT UNLESS EXPRESSLY STATED IN THIS DECLARATION.

14.9 No Implied Liabilities or Duties. ANY RULES OR REGULATIONS ESTABLISHED BY THE DECLARANT PURSUANT TO THIS DECLARATION WILL NOT EXPRESSLY OR IMPLIEDLY CREATE ANY DUTY OF CARE TO ANY PROPERTY OWNER.

14.10 Gender and Grammar. The singular wherever used herein will be construed to mean the plural when applicable, and the necessary grammatical changes required to make the provisions hereof apply either to corporations or other entities or to individuals, men or women, will in all cases be assumed as though in each case fully expressed.

14.11 Severability. Whenever possible, each provision of this Declaration shall be interpreted in such manner as to be effective and valid, but if the application of any provision of this Declaration to any person or to any property will be prohibited or held invalid, such prohibition or invalidity will not affect any other provision or the application of any provision which can be given effect without the invalid provision or application, and to this end the provisions of this Declaration are declared to be severable.

14.12 Rights of Third Parties. This Declaration will be filed Of Record for the benefit of Declarant, the Owners, and their Mortgagees as herein provided, and by such recording, no adjoining property owner or third party will have any right, title or interest whatsoever in the Development, except as provided herein, or in the operation or continuation thereof or in the enforcement of any of the provisions hereof, and, subject to the rights of Declarant and Mortgagees as herein provided, the Owners will have the right to extend, modify, amend, or otherwise change the provisions of this Declaration without the consent, permission, or approval of any adjoining owner or third party.

14.13 Notice of Sale, Lease, or Mortgage. In the event an Owner sells, leases, mortgages, or otherwise disposes of any Lot, the Owner must promptly furnish to the Association in writing the name and address of such purchaser, lessee, mortgagee, or transferee.

14.14 No Trespass. Whenever the Association, Declarant, or the ARC are permitted by this Declaration to enter upon, correct, repair, clean, maintain, preserve, or do any other action within any portion of the Development, the entering thereon and the taking of such action will not deem to be trespass.

14.15 Notices. Notices required hereunder will be in writing and will be delivered by hand or sent by United States Mail, postage prepaid. All notices to Owners will be delivered or sent to such addresses as have been designated in writing to the Association, or if no address has been so designated, at the addresses of such Owners' respective Lots. All notices to the Association will be delivered or sent in care of Jason B. Rudd, 106 Stonebridge Blvd., Jackson, Tennessee 38305, or to such other address as the Association may from time to time notify the Owners. All notices to Declarant will be delivered or sent to Declarant in care of Jason B. Rudd, 106 Stonebridge Blvd., Jackson, Tennessee 38305, or to such other address as Declarant may from time to time notify the Association. Notices to Mortgagees will be delivered or sent to such addresses as such Mortgagees specify in writing to the Association. Notices to any other person or persons entitled to same hereunder will be delivered or sent to such address or addresses as such person or persons specify, from time to time, in writing to the sender, or, in the absence thereof, to such address or addresses as will, in the exercise of reasonable judgment by the sender, reasonably expected to be received by such person or persons.

14.16 Tort and Contract Liability.

(a) Neither the Association nor any Owner of a Lot or Dwelling, except the Declarant, is liable for the Declarant's torts in connection with any part of the Development that the Declarant has the responsibility to maintain.

(b) An action alleging a wrong done by the Association shall be brought against the Association and not against an Owner of a Lot or Dwelling.

(c) Any statute of limitations affecting the Association's right of action under this Section 14.16 is tolled until the Declarant's Control Period terminates. An Owner is

not precluded from bringing an action contemplated by this Section 14.17 because the person is a member of the Association.

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IN WITNESS WHEREOF, the undersigned, Declarant herein, has hereby caused this instrument to be executed this 13th day of June, 2005.

RIVER CREST DEVELOPMENT, LLC

By: J. Heath Shuler
Its: President/Chief Manager

STATE OF TENNESSEE §
COUNTY OF COCKE §

I, Jason B. Rudd, a Notary Public for the said County and State, do hereby certify J. Heath Shuler, the President/Chief Manager of River Crest Development, LLC, the authorized Member and Manager of River Crest Development, LLC, a limited liability company, personally appeared before me this day and acknowledged the due execution of the foregoing instrument on behalf of the company.

WITNESS my hand and official seal this 13th day of June, 2005.

[SEAL]

My Commission Expires: 8/23/07

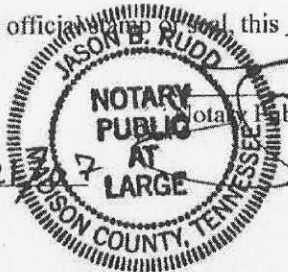


Exhibit "A"

LEGAL DESCRIPTION

Of the Frank Huff Jr., Heirs property known as the Hill Top Farm and being parcel 9, tax map 69. Title: Tenn State Grant No. 27098, dated May 12, 1849 and warranty deed, deed book 6, page 239.

Situate in the first civil district, Cocke County, TN. and more particularly described as follows: Beginning at an iron pin on the north bank of the French Broad River in line with a fence, corner to Clarence Sams; Thence with said Sams first, then with tax parcel 8 second, one line: N 30°00'2" E 963.56' to an iron pin in the South right of way of U.S. Hwy. 25 & 70; thence with said Hwy. r/o/w the next (15) fifteen lines: with a curve to the right having a radius of 2298.05' and a length of 356.76'; S 44°10'24" E 1321.19'; with a curve to the right having a radius of 2083.80' and a length of 740.59'; S 23°48'39" E 589.07'; with a curve to the right having a radius of 1609.63' and a length of 253.48'; S 16°56'48" E 396.48'; S 70°46'57" W 20.00'; S 19°02'07" E 122.42'; with a curve to the left having a radius of 1093.96' and a length of 451.33'; S 46°56'44" W 38.72'; with a curve to the left having a radius of 1133.12' and a length of 171.87'; N 34°56'48" E 30.57'; with a curve to the left having a radius of 1103.48' and a length of 1107.04'; N 71°41'11" E 326.58'; N 56°52'10" E 591.97' to an iron pin corner to tax parcel 17.01; thence with said tax parcel 17.01 S 66°37'52" E 1271.36' to an iron pin on the North bank of the French Broad River at an old bridge abutment; thence down and with the North bank of said river the next (53) fifty-three lines: S 7°20'46" E 215.01'; S 00°37'08" E 216.83'; S 12°20'29" W 221.79'; S 4°44'38" E 155.36'; S 6°36'02" W 92.08'; S 10°10'57" E 121.68'; S 9°39'47" W 228.07'; S 20°53'40" W 176.47'; S 24°51'10" W 102.26'; S 32°14'06" W 142.67'; S 34°51'37" W 118.68'; S 41°51'59" W 245.93'; S 45°58'59" W 135.23'; S 50°59'30" W 82.52'; S 57°18'24" W 108.16'; S 65°24'43" W 121.40'; S 77°39'05" W 114.08'; S 81°57'41" W 216.74'; S 73°55'38" W 241.52'; S 78°32'07" W 110.05'; S 84°59'26" W 221.01'; N 76°24'55" W 132.93'; N 78°49'02" W 201.38'; N 75°00'53" W 223.84'; N 74°44'31" W 143.43'; N 69°31'16" W 123.97'; N 46°06'12" W 281.54'; N 32°34'53" W 191.30'; N 27°52'28" W 196.49'; N 29°00'22" W 136.02'; N 23°18'52" W 109.29'; N 29°00'48" W 619.44'; N 23°07'32" W 210.77'; N 21°04'33" W 142.79'; N 19°47'28" W 208.47'; N 26°24'40" W 205.26'; N 22°57'05" W 201.51'; N 25°35'26" W 297.40'; N 26°07'45" W 300.97'; N 32°06'08" W 233.61'; N 21°12'14" W 219.49'; N 44°09'35" W 359.44'; N 38°41'35" W 270.51'; N 34°09'08" W 177.50'; N 31°24'17" W 189.57'; N 38°20'04" W 126.40'; N 30°06'38" W 160.76'; N 29°13'47" W 163.14'; N 36°33'43" W 220.46'; N 35°07'53" W 165.05'; N 49°47'01" W 177.14'; N 60°58'19" W 246.75'; N 50°33'19" W 61' to the point of beginning, containing 242.21 acres more or less, according to a plat of survey prepared by Joseph M. Bible R.L.S. Tenn. Res. No. 168.

Being the property conveyed to River Crest Development, LLC herein by deed of record in Deed Book 1181, page 126, in the Register's Office of Cocke County, Tennessee.

Exhibit B

BYLAWS OF RIVER CREST OWNERS' ASSOCIATION, INC.

ARTICLE I

Name

The name of this corporation is River Crest Owners' Association, Inc. (the "Association"). The principal office of the Association shall be located at the Development, or at such other place as may be designated by the Board.

ARTICLE II

Definitions

Capitalized terms used herein but not otherwise defined herein have the meanings assigned to them in the Declaration of Covenants, Conditions and Protections for River Crest, recorded in the office of the Cocke County Register of Deeds, Cocke County, Tennessee, and any subsequent amendments thereto (the "Declaration").

ARTICLE III

Meeting of Members and Voting

Section 1. Annual Meeting.

The first meeting of the Members, whether annual or a special meeting, shall be held on such date and at such time as the Declarant shall proscribe, which shall be no less than six (6) months following the date of the close of the sale of the first Lot or Dwelling in the Development. Written notice of the first meeting shall be given to the Members at least ten (10) days prior to such meeting. Subsequent annual meetings of the Members shall be held thereafter at an hour and place within thirty (30) days of the same month and day of such first meeting, as set by the Board.

Section 2. Special Meetings.

Special meetings of the Members shall be promptly scheduled at any time by the Board upon vote of a majority of the Board of Directors or upon written request of the President. A special meeting of the Members shall be called upon written demand delivered to the Secretary by the Members representing ten percent (10%) of the total voting power of the Association, notice of which shall be by written notice to all Members within thirty (30) days of the Secretary's receipt of the demand. For purposes of determining the ten percent (10%), the record date shall be thirty (30) days before delivery of the written demand. Upon the failure of the Association to send notice of a special meeting within thirty (30) days following delivery of written demand as aforesaid, any Member signing the demand may set the time and place of the special meeting and give notice thereof to all Members in accordance with the Tennessee Nonprofit Corporation Act.

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Section 3. Notice and Place of Meetings.

Unless otherwise provided in the Declaration, the Articles of Incorporation, these Bylaws, or the Tennessee Nonprofit Corporation Act, written notice of each meeting of the Members, annual or special, shall be given by, or at the direction of the Secretary, by mailing a copy of such notice, first class mail, postage prepaid, at least thirty (30) days, but not more than sixty (60) days before such meeting to each Member, addressed to the Member's address last appearing on the books of the Association, or supplied by such Member to the Association for purpose of notice. In the case of written demand of Members representing ten percent (10%) of the total voting power of the Association, written notice of such meeting shall be given not more than thirty (30) days after written demand is delivered to the Association. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting, and shall provide for voting by proxy. If action is being proposed to be taken at any meeting for approval for any of the following proposals, the notice shall also state the general nature of the proposal: (a) removing a Director without cause; (b) filling vacancies in the Board of Directors by the Members; or (c) amending the Articles of Incorporation. Meetings shall be held within the Development or at a meeting place within the same county, as close to the Development as possible.

Notice of a meeting to Members need not be given to any Member who signs a waiver of notice, in person or by proxy, either before or after the meeting. The waiver must be delivered to the Association for inclusion in the minutes or filing with the corporation records. Attendance of a Member at a meeting, in person or by proxy, shall of itself constitute waiver of notice, except when the Member attends solely for the purpose of stating his objection, at the beginning of the meeting, to the transaction of any business on the ground that the meeting is not lawfully called or convened. Objection by a Member shall be effective only if written objection to the holding of the meeting or to any specific action so taken is filed with the Secretary of the Association.

Section 4. Quorum.

Unless otherwise provided in the Declaration, the Articles of Incorporation, these Bylaws, or the Tennessee Nonprofit Corporation Act, the presence of Members representing one-third (1/3) of the total voting power of the Association, in person or by proxy, shall constitute a quorum for the transaction of business. The Members present at a duly called or held meeting at which such a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal from the meeting of enough Members to leave less than such required quorum, provided that Members representing twenty percent (20%) of the total voting power of the Association remain present in person and/or by proxy, and providing further that any action taken shall be approved by a majority of the voting power that would be required to constitute a quorum. If the required quorum is not present, the meeting may be adjourned to a later date by the affirmative vote of a majority of those present in person or by proxy and another meeting may be called, not less than ten (10) days nor more than sixty (60) days following the first meeting, and the required quorum at the subsequent meeting shall be one-half (1/2) of the quorum requirement applicable to the meeting adjourned for lack of quorum. The quorum requirement shall continue to be reduced by fifty percent (50%) from the required quorum at the previous meeting, as previously reduced, until such time as a quorum is present and business can

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conducted. Unless otherwise provided, any reference hereafter to "votes cast" at a duly called meeting shall be construed to be subject to the quorum requirements established by this Section III.4. If a time and place for adjourned meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to Members in the manner prescribed in Section III.3.

Section 5. Ballots and Representative Voting.

(a) Voting Referendum; Written Ballots.

Any vote of Members on a matter that would be cast at an annual, regular or special meeting may be taken, without a meeting, by written ballot delivered to every Member by the Association. The ballot shall set forth the matter to be voted upon and provide thereon a place to vote for or against such matter. Approval by written ballot without a meeting shall be effective only when the number of votes cast by ballot equals or exceeds the quorum required to be present had the matter been considered at a meeting, and the number voting for the matter equals or exceeds the number of votes required to approve it had the matter been considered at a meeting at which the requisite quorum is present. A solicitation of votes by ballot shall: (1) indicate the record date for Members eligible to vote; (2) indicate the number of returned ballots voting for or against the matter that is required to satisfy the quorum requirement; (3) state the required number of votes or percentage voting in favor of the matter required to approve it (except in the case of election of directors, which shall be by plurality); and (4) state the date and time by which a Member's completed ballot must be received by the Secretary in order to be counted in the vote to be taken. A ballot, once delivered to the Secretary, may not be revoked. A Member's signed ballot shall be delivered to the Secretary by hand delivery, by U.S. mail, or by such other means as shall be permitted under Tennessee law, including, but not limited to and if allowed, overnight courier service, facsimile, e-mail transmission, internet form submission, or by any other technology or medium, now existing or hereafter devised, provided in every such case the sender retains proof of transmission and receipt.

(b) Proxies.

All of the provisions of this Section III.5(b) are subject to Section 14.1(a) of the Declaration. To the extent that a provision set forth in this Section is inconsistent with Section 14.1(a) of the Declaration, the provisions of Section 14.1(a) of the Declaration shall control. At all meetings of Members, each Member may vote in person or by proxy. The appointment form of proxy shall be in writing and received by the Secretary before the appointed time of the meeting. Every proxy appointment shall automatically cease upon conveyance by the Member of his Lot or Dwelling, or upon receipt of written notice by the Secretary of the death or judicially declared incompetence of a Member prior to the counting of the vote, upon revocation of the appointment of the proxy in accordance with the Tennessee Nonprofit Corporation Act, or upon the expiration of eleven (11) months from the date of the proxy. Unless the proxy appointment form otherwise states,

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it shall be deemed to confer the authority to execute consents and waivers and to exercise the right to examine the books and records of the Association. Any proxy appointment distributed by and person to the membership of the Association shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon set forth in the notice of the meeting and shall be dated. The appointment shall provide that, where the Member specifies a choice, the vote shall be cast by the proxy in accordance with that choice. The form shall also identify the person or persons acting as the proxy and length of time it will be valid. In addition, voting by a proxy shall comply with any other applicable requirements of the Tennessee Nonprofit Corporation Act. The Member's signed proxy appointment form shall be delivered to the Secretary by hand delivery, by U.S. mail, or by such other means as shall be permitted under Tennessee law, including, but not limited to and if allowed, overnight courier service, facsimile, e-mail transmission, internet form submission, or by any other technology or medium, now existing or hereafter devised, provided in every such case the sender retains proof of transmission and receipt.

Section 6. Membership and Voting.

Membership in the Association will be as set forth in the Declaration and in the Articles of Incorporation.

Except as otherwise provided in the Declaration, the Articles of Incorporation, these Bylaws, or any applicable state law, any action by the Association which much have the approval of the Members before being undertaken shall require voting approval by a majority of the votes cast by Members present at which the required quorum is present. An abstention shall be counted as a negative vote in calculating the majority. Members are divided into Type A and Type B Members for the sole purpose of computing voting rights and shall not vote as a class. Owners of Lots and Dwellings in all phases shall have the same voting rights.

Section 7. Eligibility to Vote.

Voting rights attributable to Lots and Dwellings shall not vest until Assessments against those Lots and Dwellings have been levied by the Association. Only Members in good standing shall be entitled to vote on any issue or matter presented to the Members for approval. In order to be in good standing, a Member must be current in the payment of all assessments levied against the Member's Lots or Dwellings and not subject to any suspension of voting privileges as a result of disciplinary proceeding conducted in accordance with the Declaration. A Member's good standing shall be determined as of the record date established in accordance with Section III.8. The Association shall not be obligated to conduct a hearing in order to suspend a Member's voting privileges on the basis of nonpayment of assessments, although a delinquent Member shall be entitled to request such a hearing.

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Tennessee Nonprofit Corporation Act. Any form of written ballot distributed by any person to the membership of the Association shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon, except it shall not be mandatory that a candidate for election to the Board be named in the written ballot. The written ballot shall provide that, where the Member specifies a choice, the vote shall be cast in accordance with that choice.

Section 10. Conduct of Meetings.

Meetings of the membership of the Association shall be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedure as the Association may adopt. Except as otherwise provided by law, any proper matter may be presented at the meeting for action. Members of the Association shall have access to Association records in accordance with the Tennessee Nonprofit Corporation Act. No Member of the Association shall have the right as an Association Member to attend any meeting of the Board, except such meetings of the Board as the Board of Directors shall, in the exercise of its sole discretion, open to the membership or any other person. In any matter relating to the discipline of an Association Member, the Board shall always meet in closed session if requested by that Member, and the Member shall be entitled to attend such closed session.

ARTICLE IV

Board of Directors; Selection; Term of Office

Section 1. Number.

The affairs of the Association shall be managed by a Board of Directors, all of whom must be Members of the Association, or an officer, director, employee or agent of a Member, including Declarant. The initial Board of Directors shall consist of three (3) Directors who shall be appointed by the Declarant. The Declarant shall have the sole right to appoint and remove any member or members of the Board of Directors of the Association pursuant to the Declaration until the expiration Declarant Control Period. Within sixty (60) days after the expiration of the Declarant Control Period, the Members shall elect five (5) Directors. The Association shall either call, and give not less than thirty (30) days' and not more than sixty (60) days' notice of, such special meeting of the Members to elect the Board of Directors, or the date on which the Association shall count the written ballots distributed to the Members with such notice for the election of the Board of Directors. Each year thereafter, the Members shall elect such number of Directors as shall exist whose terms are expiring.

Section 2. Term of Office.

The election of Directors shall by plurality, the number of nominees equal to the number of vacancies to be filled receiving the greatest number of votes being elected. However, at the meeting of the Association following expiration of the Declarant Control Period held to elect five (5) Directors or the date following expiration of the Declarant Control Period when written ballots are to be counted for the election of such Directors pursuant to Section IV.1, the two (2) nominees receiving the highest number of votes will each be elected for a term of two (2) years,

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Section 8. Record Dates.

(a) Record Dates Established by the Board.

For the purpose of determining which Members are entitled to receive notice of any meeting, vote, act by written ballot without a meeting, or exercise any rights in respect to any other lawful action, the Board may fix, in advance, a "record date" and only Members of record on the date so fixed are entitled to notice, to vote, or to take action by written ballot or otherwise, as the case may be, notwithstanding any transfer of any membership on the books of the Association after the record date, except as otherwise provided for in the Articles of Incorporation, by agreement, or in the Tennessee Nonprofit Corporation Act. The record dates established by the Board pursuant to this Section shall be as follows:

- (i) Record Date for Notice of Members. In the case of determining those Members entitled to notice of a meeting, the record date shall be no more than ninety (90) days nor less than ten (10) days before the date of the meeting;
- (ii) Record Date for Voting. In the case of determining those Members entitled to vote at a meeting, the record date shall be no more than sixty (60) days before the day of the meeting;
- (iii) Record Date for Action by Written Ballot Without Meeting. In the case of determining Members entitled to cast written ballots, the record date shall be no more than sixty (60) days before the day on which the first written ballot is mailed or solicited;
- (iv) Record Date for Other Lawful Action. In the case of determining Members entitled to exercise any rights in respect to other lawful action, the record date shall be no more than sixty (60) days prior to the date of such other action; and
- (v) "Record Date" Means as of the Close of Business. For purposes of this subparagraph, a person holding a membership as of the close of business on the record date shall be deemed the Member of record.

(b) Failure of the Board to Fix a Record Date.

If the Board, for any reason, fails to establish a record date, rules set forth in the Tennessee Nonprofit Corporation Act shall apply.

Section 9. Action Without Meeting.

Any action that may be taken at any annual or special meeting of Members (except the election of Directors) may be taken without a meeting in accordance with the provisions of the

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ARTICLE V **Nomination and Election of Directors**

Section 1. Nomination.

A Nominating Committee shall make nomination for election to the Board of Directors. Notice to the Members of the meeting shall include the names of all those who are nominees at the time the notice is sent. Nominations to be placed on the ballot may also be solicited by the Nominating Committee or the Board from the membership, and if the election is to take place at a meeting and not solely by written ballot, nominations may also be made from the floor at the meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two (2) or more Members of the Association. The Nominating Committee shall be appointed by the Board of Directors not less than sixty (60) days prior to the meeting of the Members at which the election is to be held, or if the election is to take place solely by written ballot not less than sixty (60) days prior to the date set on the ballot as the election date when ballots are to be counted, and shall serve until the close of the election. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. All candidates shall have reasonable opportunity to communicate their qualifications and to solicit votes.

Section 2. Election.

The first election of the Board shall be conducted as set forth in Section IV.1. At such election the Members or their proxies may cast as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. No cumulative voting shall be permitted. Voting for Directors at a meeting shall be by secret written ballot. Voting for Directors may also be conducted by written ballot pursuant to Section III.5(a).

Article VI **Meetings of Directors**

Section 1. Regular Meetings.

Regular meetings of the Board of Directors shall be held at least annually at such place within the Development, and at such hour as may be fixed from time to time by resolution of the Board. If a larger meeting room is required than exists within the Development, the Board shall select a room as close as possible to the Development. Should a regularly scheduled meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday, excluding Saturday and Sunday.

Section 2. Special Meetings.

Special meetings of the Board of Directors shall be held when called by written notice signed by the President, Vice President or Secretary of the Association, or by any two (2)

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and the next three (3) nominees receiving the highest number of votes will each be elected for a term of one (1) year. At the expiration of the initial term of office of each respective Director, his successor shall be elected to serve for a term of two (2) years. Unless vacated sooner, each Director shall hold office until the Director's term expires and a successor is elected.

Section 3. Removal Vacancies.

The Declarant may only remove a Director appointed by the Declarant; otherwise, a Director may be removed from office, with or without cause, at any regular or special meeting of the Members by a majority of the votes of the Members voting in person or by proxy at a meeting at which a quorum is present. A successor to any removed Director may be elected at the same meeting at which the vacancy is created by the removal of the Director. A Director whose removal is proposed to be voted upon at any meeting shall be given notice of the proposed removal not less than ten (10) days prior to the date of the meeting and shall be given an opportunity to be heard at the meeting. In the event of death or resignation of a Director, the vacancy shall be filled by majority vote of the Board at a duly held meeting, or by the sole remaining Director. A successor Director shall serve for the unexpired term of his or her predecessor. The Members may elect a Director at any time to fill any vacancy not filled by the Directors.

Section 4. Compensation.

No Director shall receive any compensation for any service rendered to the Association. However, any Director may be reimbursed for his actual expenses, if reasonable, that are incurred in the performance of his or her duties, including, but not limited to, travel expenses.

Section 5. Liability and Indemnification of Corporate Agents.

No Director, officer or committee member of the Association shall be personally liable to the Association or any of its Members, for monetary damages for breach of fiduciary duty as a Director, officer or committee member except that this provision shall not eliminate or limit the liability of a Director for any breach of a director's duty of loyalty to the Association or for acts or omission not in good faith or which involve intentional misconduct or a knowing violation of Tenn. Code Ann. § 48-18-304.

The Association shall indemnify and hold harmless each of its Directors and Officers and any committee members from and against all contractual and other liabilities to others arising out of contracts properly made or other proper acts of such persons on behalf of the Association, or arising out of their status as Directors, Officers, or committee members, to the extent permissible and allowable under Tennessee law.

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Section 8. Action Without Meeting.

Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board, individually or collectively, consent in writing to that action. Such action by written consent shall have the same force and effect as a unanimous vote of the Board of Directors. Such written consent or consents shall be filed with the minutes of the proceedings of the Board.

Section 9. Notices Generally.

Notice of any meeting of the Board of Directors, whether regular or special, shall be given to each Director by one (1) of the following methods: (a) by personal delivery; (b) written notice by first class mail, postage prepaid; (c) by telephone communication, either directly to the Director or to a person at the Director's office who would reasonably be expected to communicate such notice promptly to the Director; (d) by telegram charges prepaid; or (e) by facsimile transmission to the fax number of the Directors or to the e-mail address of the Directors, with proof of transmission and receipt thereof being retained in the minutes of the meeting. All such notices shall be given or sent the Director's address, telephone number, fax number or e-mail address as shown on the records of the Association. Such notice shall be sent to all Directors not less than seventy-two (72) hours prior to the scheduled time of the meeting, provided, however, notices sent by first class mail shall be deposited into a United States mailbox at least four (4) days before the time set for the meeting. Notices given by personal delivery, telephone, telegraph, facsimile transmission or e-mail shall be delivered, telephoned, given to the telegraph company, fax or e-mailed, as the case may be, at least seventy-two (72) hours before the time set for the meeting. Notice of any meeting need not be given to any Director who has signed a waiver of notice or written consent to holding of the meeting.

ARTICLE VII

Powers and Duties of the Board of Directors

Section 1. Duties.

It shall be the duty of the Board of Directors:

- (a) Maintenance. Perform the maintenance described in the Declaration, including, but not limited to, the maintenance of the common wastewater collection and disposal facilities described therein.
- (b) Insurance. Maintain insurance as required by the Declaration.
- (c) Discharge of Liens. Discharge by payment, if necessary, any lien against the Common Areas and assess the cost thereof to the Members or Members responsible for the existence of the lien (after notice and hearing as required by these Bylaws).
- (d) Assessments. Fix, levy, collect and enforce Assessments as set forth in the Declaration.

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Directors. Notice of the special meeting shall specify the time and place of the meeting and the nature of the special business to be considered.

Section 3. Quorum.

A majority of the Directors then in office (but not less than two (2)) shall constitute a quorum for the transaction of business. Every act performed or decisions made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be shall be regarded as the act of the Board. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of Directors, if any action taken is approved by majority of the required quorum for that meeting.

Section 4. Executive Session.

The Board may, with approval of a majority of the Directors present at a meeting in which a quorum for the transaction of business has been established, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel and matters involving contracts of which the Association is a party, litigation in which the Association is or may become involved, and orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session.

Section 5. Telephone Meetings.

Any meeting, regular or special, may be held by conference telephone or similar communication equipment, so long as all Directors participating in the meeting can hear one another, and all such Directors shall be deemed to be present in person at such meeting. An explanation of the action shall be filed with the minutes of the proceedings of the Board.

Section 6. Waiver of Notice.

The transaction of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if (a) a quorum is present, and (b) either before or after the meeting, each of the Directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minute. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting shall also be deemed given to any Director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

Section 7. Notice of Adjourned Meeting.

Notice of the time and place of holding an adjourned meeting need not be given, unless the meeting is adjourned for more than twenty-four (24) hours, in which case personal notice of the time and place shall be given before the time of the adjourned meeting to the Directors who were not present at the time of the adjournment.

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(b) Adoption of Rules. Adopt rules in accordance with the Declaration, including rules setting aside Common Area parking spaces as handicapped parking only, and adopt rules limiting the number of cars which will be permitted to be parked in the Common Area parking spaces.

(c) Assessments, Liens and Fines. Levy and collect Assessments and impose fines as provided in the Declaration.

(d) Enforcement. Enforce these Bylaws and/or the Declaration as provided in Article 12 of the Declaration.

(e) Contracts. Contract for goods and/or services in accordance with the Declaration.

(f) Delegation. Delegate its authority and powers to committees, officers or employees of the Association or to a manager employed by the Association. However, the Board may not delegate the authority to procure insurance, make capital expenditures for additions or improvements chargeable against the reserve funds; to conduct hearings concerning the compliance by an Owner or his tenant, lessee, guest or invitee with the Declaration or rules and regulations promulgated by the Board, or to make a decision to levy monetary fines, impose special Assessments against individual Lots and Dwellings, temporarily suspended an owner's rights as a Member of the Association or otherwise impose discipline following any such hearing; to make a decision to levy Annual or Special Assessments; or to make a decision to bring suit, record a claim of lien, or institute foreclosure proceedings for the default in payment of Assessments. Any such delegation shall be revocable by the Board at any time. The members of the Board, individually or collectively, shall not be liable for any omission or improper exercise by the manager of any such duty, power or function so delegated by written instrument executed by a majority of the Board.

(g) Appointment of Trustee. Appoint a trustee as provided in the Declaration.

(h) Borrowings. Borrow money (i) for the purpose of improving the Development, or any portion thereof, (ii) for constructing, repairing, maintaining or improving any facilities located or to be located within the Development, (iii) for providing services authorized herein, and (iv) to give as security for the payment of any such loan a mortgage or security instrument conveying all or any portion of the Common Areas; provided, however, that the lien and encumbrance of any such security instrument given by the Association will be subject and subordinate to any and all rights, interest, options, licenses, easements and privileges herein reserved or established for the benefit of Declarant, any Owner, or the holder of the mortgage, irrespective of when such mortgage is executed or given.

(i) Other Powers. In addition to any other power contained herein or in the Declaration, and the Association may exercise the powers granted to a nonprofit corporation as enumerated in the Tennessee Nonprofit Corporation Act.

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(e) Expenses and Obligations. Pay all expenses and obligations incurred by the Association in the conduct of its business including, without limitation, all licenses, taxes or governmental charges levied or imposed against the property of the Association.

(f) Records. Cause to be kept minutes of the annual meetings of Members and to present such minutes to the Members at the next annual meeting of the Members; minutes of any special meeting when such statement is requested in writing by one-fourth (¼) of the Class "A" Members; and to keep adequate and correct books and records of accounts, minutes of proceedings of its Board and committees, and a roll of its Members giving their names and addresses and classes of membership.

(g) Supervision. Supervise all officers, agents and employees of the Association, and to see that their duties are properly performed.

(h) Review of Financial Records. Review on at least a quarterly basis a current reconciliation of the Association's operating and reserve accounts, the current year's actual reserve revenues and expenses compared to the current year's budget, and an income and expense statement for the Association's operating and reserve accounts. In addition, the Board shall review the latest account statements prepared by the financial institutions where the Association has its operating and reserve accounts. For purposes herein, "reserve accounts" shall mean monies that the Association's Board has identified for use to defray the future repair or replacement of, or additions to, the Common Areas, structures, components, and facilities that the Association is obligated to maintain.

(i) Reserve Account Withdrawal Restrictions. Require that at least two (2) signatures are needed for the withdrawal of monies from the Association's reserve accounts at least one (1) of whom shall be a member of the Board. One (1) signature may be that of the Association's manager or such manager's designee.

(j) Reserve Account Fund Management. The Board shall not expend funds designated as reserve funds for any purpose other than the repair, restoration, replacement, or maintenance of, or litigation involving the repair, restoration, replacement, or maintenance of, the components which the Association is obligated to repair, restore, replace, or maintain and for which the reserve fund was established.

(k) Reserve Studies. At least every five years, the Board should cause an independent analysis of the reserve component of the operating budget to be conducted to confirm that component replacement cost and useful lives are accurately reflected in the reserve allocation.

Section 2. Powers.

The Board of Directors shall have the power to:

(a) Manager. Employee a manager as provided in the Declaration.

Exhibit B

Section 7. Duties.

The duties of the officers are as follows:

(a) **President.**

The President shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall sign all promissory notes. The President shall have the general powers and duties of management usually vested in the office of the President of a Tennessee nonprofit corporation, and shall have such powers and duties as may be prescribed by the Board or by these Bylaws.

(b) **Vice president.**

The Vice Presidential shall act in the place of the President in the event of his or her absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required by the Board.

(c) **Secretary.**

The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; serve notice of meetings of the Board and of the Members; keep appropriate current records showing the Members of the Association together with the addresses, and shall perform such other duties as required by the Board. The ministerial functions of the Secretary in recording votes, keeping minutes, sending notices and keeping the records of names and addresses of Members may be delegated to an Association manager.

(d) **Treasurer.**

The Treasurer shall: (1) receive and deposit in appropriate bank accounts all monies of the Association and disperse such funds as directed by resolution of the Board of Directors; (2) sign all promissory notes of the Association; (3) keep proper books of account; and (4) prepare and distribute budgets and statements. The ministerial functions of the Treasurer in sending Assessment notices, receiving and depositing Assessments, keeping books and ledgers of account, and preparing and distributing budgets and statements may be delegated to an Association manager.

ARTICLE IX Committees

Section I. Appointment.

An Architectural Review Committee may be appointed as provided in the Declaration, and a Nominating Committee shall be appointed as provided in these bylaws. In addition, the

Exhibit B

Section 3. Prohibited acts.

The Board shall not take any actions prohibited of it under the Declaration except that the vote or written consent of a majority of the members of their then Declarant.

ARTICLE VIII Officers and Their Duties

Section 1. Enumeration of Officers.

The officers of this Association shall be a President and Secretary, who shall at all times be members of the Board of Directors, a Vice President and Treasurer, and such other officers as the Board may from time to time by resolution create.

Section 2. Election of Officers.

The Declarant shall have the sole right to appoint and remove officers during the Declarant Control Period. Thereafter, all officers shall hold office at the pleasure of the Board.

Section 3. Term.

The Board shall elect the officers of this Association annually and each shall hold office for one (1) year unless he or she shall sooner resign, or shall be removed, or otherwise disqualified to serve.

Section 4. Special Appointments.

The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 5. Resignation and Removal.

Any officer may be removed from office (but not from the Board, if the officer is also a Board member) by the Board with or without cause. Any officer may resign at any time by giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies.

A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

Exhibit B

Board of Directors may appoint other committees as deemed appropriate in carrying out its purpose. No committee, regardless of board resolution, may: (a) take any final action on matters which, under the Tennessee Nonprofit Corporation Act, also requires Members' approval; (b) fill vacancies on the Board of Directors or in any committee; (c) amend or repeal Bylaws or adopt new Bylaws; (d) amend or repeal any resolution of the Board of Directors; (e) appoint any other committees of the Board of Directors or the members of those committees; nor (f) approve any transactions which the Association is a party and in which one or more Directors or committee members have a material financial interest.

ARTICLE X Books and Records

Section 1. Inspection by Members.

The membership register (including names, mailing addresses, telephone numbers and voting rights), books of account and minutes of meetings of the Members, of the Board (including drafts and summaries), and of committee shall be made available for inspection and copying by any Member of the Association, or by his duly appointed representative, at any reasonable time and for a purpose reasonably related to his interest as a Member, at the office of the Association or such other place within the Development as the Board shall prescribe. Board minutes shall be available to members within thirty (30) days of the meeting, and shall be distributed to any Member upon request and upon reimbursement of the cost in making that distribution.

Section 2. Rules for Inspection.

The Board shall establish reasonable rules with respect to:

- (a) Notice to be given to the custodian of the records by the Member desiring to make the inspection;
- (b) Hours and days of the week when such an inspection may be made;
- (c) Payment of the cost of reproducing copies of documents requested by a Member.

Section 3. Inspection by Directors.

Every director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and the physical properties under or controlled by the Association. The right of inspection by a Director includes the right to make extracts and copies of documents at the expense of the Association.

Section 4. Documents Provided by the Board.

Upon written request, the Board shall, within ten (10) days of the mailing or delivery of such request, provide an Owner with a copy of the governing documents of the Development, a

Exhibit B

copy of the most recent budget and statements of the Association, and a true statement in writing from an authorized representative of the Association as to the amount of the Association's current Annual and Special Assessments and fees, as well as any Assessments levied upon the Owner's interest which, as of the date of the statement, are or may be made by a lien upon the Owner's Lots or Dwellings. The Board may impose a fee for providing the foregoing which may not exceed the reasonable cost to prepare and reproduce the requested documents.

ARTICLE XI Miscellaneous

Section 1. Amendments.

Prior to the close or the sale of the first Lot or Dwelling, Declarant may amend these Bylaws. After sale of the first Lot or Dwelling, these Bylaws may be amended, only as provided in the Declaration or the Tennessee Nonprofit Corporation Act.

Section 2. Conflicts.

In the case of any conflict between the Articles of Incorporation and the Bylaws, the Articles of Incorporation shall control; in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control; in the case of any conflict between the Bylaws and the Tennessee Nonprofit Corporation Act, the Tennessee Nonprofit Corporation Act shall control.

Section 3. Fiscal year.

Unless directed otherwise by the Board, the fiscal year of the Association shall begin on the first day of January and end on the thirty-first (31st) day of December of every year, except that the first fiscal year should begin on the date of incorporation.

CERTIFICATION

I certify that these Bylaws were adopted by the organizational meeting of the Corporation held on the ____ day of June, 2005.

BK/PG: 1196/279-346
05046095

58 POS : AL - RESTRICTIONS	
LINDA BAYCH: 6658	
06/16/2005 - 11:33 AM	
VALUE	0.00
MORTGAGE TAX	0.00
TRANSFER TAX	0.00
RECORDING FEE	340.00
DP FEE	2.00
REGISTER'S FEE	0.00
TOTAL FEE/DUES	342.00

STATE OF TENNESSEE, COCKER COUNTY
LINDA BENSON
REGISTER OF DEEDS

By: _____

Secretary

Copy