

STEVE HALL
REGISTER OF DEEDS
KNOX COUNTY

THIS INSTRUMENT PREPARED BY:
R. CULVER SCHMID
LONG, RAGSDALE & WATERS, P.C.
1111 NORTSHORE DRIVE
SUITE S-700
KNOXVILLE, TN 37919-4074

PRIOR DEED
REFERENCE: 200403040082848
Map 143, Parcel 110

DECLARATION
OF
COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR
WEATHERSTONE TOWNHOUSES
A
PLANNED UNIT DEVELOPMENT

THIS DECLARATION, made and entered into this 1st day of December, 2004, by WEATHERSTONE, LLC, a limited liability company organized and existing under the laws of the State of Tennessee, with its principal place of business being located in Knoxville, Tennessee, hereinafter referred to as "Declarant" or "Developer."

W I T N E S S E T H:

WHEREAS, the Declarant is the owner of certain real property (the "Property") located and being legally described as follows, to-wit:

SEE EXHIBIT "A" ATTACHED HERETO

WHEREAS, the Declarant recorded with the Knox County Register of Deeds (the "Register's Office") the "Final Plat for Weatherstone Subdivision Unit-1" bearing Instrument Number 200410040028239 and "Final Plat for Weatherstone Subdivision Unit-2" bearing Instrument Number 200410050029266 (such subdivision plats, and all amendments thereto, and new subdivision plats recorded hereafter by Developer for townhouse home development are referred to collectively as the "Plats"), to develop a residential townhouse development on a portion of the Property (the "Development");

WHEREAS, the Declarant is also developing a residential single-family home development on a portion of the Property (the "Subdivision Development") and has recorded in the Register's Office the "Final Plat for Weatherstone Subdivision Unit-3" (the "Subdivision Plat") bearing Instrument Number 200410070029987 in order to provide for the planned development of the residential single-family home subdivision;

WHEREAS, pursuant to a Declaration of Easements and Covenants for Residential Homes and Townhouses by Weatherstone, LLC dated as of December 1, 2004, and recorded with the Register's Office at

Instrument Number 200412010045097, the Declarant seeks to develop the Subdivision Development and the Development described in this Declaration in conjunction with each other by an integrated plan of use and improvements.

NOW, THEREFORE, Declarant hereby declares that the portion of the Property now or hereafter identified as the Development and subject to the terms of the Plats shall be held, sold and conveyed subject to the following easements, restrictions, covenants and conditions, which are for the purpose of protecting the value and desirability of and which shall run with the real property hereinabove-described, and shall be binding on all parties having any right, title or interest in the above-described property, or any part thereof, their respective heirs, successors and assigns, and shall inure to the benefit of every Owner(s) thereof by virtue of such ownership.

ARTICLE I

DEFINITIONS

Section 1. "Association" shall mean and refer to WEATHERSTONE TOWNHOUSE OWNERS ASSOCIATION, INC., a mutual benefit, not-for-profit corporation, organized and existing under the laws of the State of Tennessee, with its principal office being located in Knoxville, Tennessee, its successors and/or assigns, with the charter to take the form attached hereto as Exhibit "C" and the bylaws of the Association to take the form attached hereto as Exhibit "D".

Section 2. "Common Areas" as used herein shall mean all real property, including the improvements thereon, deeded by Declarant to the Association for the common use and enjoyment of the Owner(s), or designated as "Common Areas" on the Plats and being more particularly described in Exhibit "B" attached hereto and made a part hereof.

Section 3. "Declarant" shall mean and refer to Weatherstone, LLC, its successors and assigns. The terms "Declarant" and "Developer" are synonymous for the purposes of this Declaration, and where the term "Developer" is used in the charter of the Association, it refers to Weatherstone, LLC and its successors and assigns.

Section 4. "Developer Control Period" shall have the meaning provided in Article IV, Section 2.

Section 5. "Development" shall mean the townhouse home planned unit development imposed on the Property as described in this Declaration.

Section 6. "Lot" shall mean and refer to any now existing or hereafter created plot of land as part of the Property and shown upon the Plat subdivided pursuant to applicable law, rules and regulations, exclusive of any designated Common Areas as shown on the recorded Plat, and as hereinabove brought within the jurisdiction of the planned unit development described in this Declaration by the recordation of additional plat(s) and/or annexation agreements(s) by the Declarant, its successors and assigns.

Section 7. "Lender" as used herein shall mean and be defined as any lender, whether institutional investor, bank, savings and



loan association, or loan broker, whose loan is secured by a Lot in the Development as shown on the recorded plat.

Section 8. "Member" shall mean and refer to those person(s) entitled to membership in the Association as provided in this Declaration.

Section 9. "Owner(s)" shall mean and refer to the record owner(s), whether one (1) or more persons or entities, of a fee simple title to any Lot which is a part of the "Property," including contract seller(s), but excluding those having such interest merely as security for the performance of an obligation.

Section 10. "Plat" shall mean any now existing or hereafter created subdivision map of the Property for planned unit development of townhouse homes, including but not limited to the "Final Plat for Weatherstone Subdivision Unit-1" bearing Instrument Number 200410040028239 and "Final Plat for Weatherstone Subdivision Unit-2" bearing Instrument Number 200410050029266.

Section 11. "Property" shall mean and refer to that certain real property described on Exhibit "A" hereto.

ARTICLE II

PROPERTY RIGHTS

Section 1. Encumbered Property. The terms and conditions of this Declaration shall apply only to the portion of the Property encumbered by the Plats and shall affect only the portion of the Property dedicated to the Development.

Section 2. Owners' Easements and Enjoyment. Every Owner(s) shall have a right and easement of enjoyment in and to the Common Areas, which shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

(a) the right of the Association to charge reasonable admission and other fees for the use of the Common Areas;

(b) the right of the Association to suspend the voting rights and/or right to use of the Common Areas of an Owner(s) for any period during which any assessment against the Owner(s)' respective Lot remains unpaid, and for a period not to exceed sixty (60) days for any infraction of the Association's published rules and regulations;

(c) the right of the Association to dedicate or transfer all or any part of the Common Areas to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Members; provided that, any such dedication or transfer shall not be effective unless an instrument agreeing to such dedication or transfer signed by two-thirds (2/3) of each class of members of the Association has been recorded (subject to the rights of Declarant). No part of the Common Area shall be mortgaged or conveyed without the consent of at least two-thirds (2/3) of each class of members of the Association (subject to the rights of Declarant).

Section 2. Delegation of Use. Any Owner(s) may delegate, in accordance with the Bylaws, his/her right of enjoyment to the Common Areas and facilities to the members of his/her family, his/her tenant, or contract purchasers who reside on the Property.

Section 3. Common Area Ownership. The Common Area may be deeded by the Declarant to the Association or to a joint venture of the Association and the owners association for the Subdivision Development, as determined by the Declarant in its sole discretion.

ARTICLE III

EXPANSION

Section 1. Development Plan; Expansion. The Declarant hereby reserves the right to amend this Declaration, without consent or approval of Owners or any other party, to create any additional Lots or Common Areas on the Property for incorporation as part of the Development, which right and all rights in consequence thereof are herein referred to as the "Expansion Rights."

Section 2. Restrictions on Developer's Expansion Rights. All Lots created pursuant to the Developer's Expansion Rights will be restricted to permitted uses described herein and subject to the Declaration in the same manner and to the same extent as the Lots created under this Declaration as initially recorded.

This Declaration shall not be construed to constitute a cloud on the Declarant's title rights to the Property prior to its addition, if such addition occurs, to the Development, nor shall it impose any obligation on the Declarant or any other person or entity to improve, develop, or annex any portion of the Property. The rights of the Declarant under this Declaration (including, without limitation, the Developer's Expansion Rights) may be assigned to any successor(s) by an express assignment in a recorded instrument, including without limitation, a deed, an option, or a lease. This Declaration shall not be construed in any way to limit the right of the Declarant at any time prior to such an assignment to establish additional licenses, reservations, and rights of way to itself, to utility companies, or to others as may be reasonably necessary to the proper development and disposal of property owned by the Declarant.

No assurance is made that Declarant will exercise Developer's Expansion Rights with respect to any part of the Property, nor as to which portions of the Property the Declarant will exercise Developer's Expansion Rights or the order in which such portions, or all of the areas, will be developed. The exercise of the Developer's Expansion Rights as to some portions of the Property will not in any way obligate the Declarant to exercise them as to other portions.

ARTICLE IV

MEMBERSHIP AND VOTING RIGHTS

Section 1. Every Owner(s) of a Lot that is subject to assessment shall be a member of the Association (referred to herein as a "Member"). Membership shall be appurtenant to and may not be separated from ownership of any Lot that is subject to assessment. Subject to the rights of the Declarant, each Owner of a Lot shall be entitled to one (1) vote for each Lot owned. For voting purposes, one (1) vote is assigned to each Lot, except that during the Developer Control Period there shall appertain to Lots owned by the Developer a number of votes sufficient to give Developer seventy-five percent (75%) of all votes in the Association and

other Owners shall hold a proportionate share of the remaining votes. When more than one (1) person owns an interest in any Lot, all such person(s) shall be Members, and the vote for such Lot shall be exercised as the co-owners may among themselves determine, but in no event shall more than one (1) vote be cast with respect to any one (1) Lot.

Section 2. Developer agrees and shall have the right to retain control of the Association for a period to expire one hundred twenty (120) days after the date on which the Developer shall have conveyed all of the Lots for the Property to purchasers.

For the purpose of determining whether the Developer shall have conveyed all of the Lots, the number of Lots shall include all the Lots shown on the Plat and any additional lots added to the Plat by amendment or new plat subsequent to the date of recording of this Declaration (such period referred to hereinafter as the "Developer Control Period").

Section 3. The manner of election of directors and officers of the Association, and other voting rights, shall be set out in the Bylaws.

ARTICLE V

COVENANT FOR MAINTENANCE ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each Lot owned within the Property, hereby covenants, and each Owner(s) of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association: (1) annual assessments or charges, and (2) special assessments for capital improvements, such assessments to be established and collected as hereinafter provided, and for other purposes if approved in accordance with the Bylaws. The annual and special assessments, together with interest, costs, and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the Lot against which the assessment is made. Each such assessment, together with interest, costs and reasonable attorney's fees, shall also be the personal obligation of the person(s) who is the Owner(s) of such Lot at the time when the assessment became due. The personal obligation for delinquent assessments shall not pass to their respective successor(s) in title unless expressly assumed by such successors and assigns.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the residents in the Development and for the improvement and maintenance of the Common Areas situated within the Property including, but not limited to cost of repairs, maintenance, replacements, additions, management, insurance maintained in accordance with the Association By-laws, and the employment of professionals to represent the Association when the need arises.

Section 3. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair, or replacement of a capital improvement upon the Common Areas, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of two-thirds (2/3)

of the votes of each class of Members who are eligible to vote and are voting in person or by proxy at a meeting duly called for this purpose (subject to the rights of Declarant). All special assessments shall be fixed at a uniform rate for all Lots and may be collected monthly. The Capital Improvement Fund shall be maintained in a separate bank account in the name of the Association as the Capital Improvement Fund.

Section 4. Notice and Quorum. Written notice of any meeting called for the purpose of taking any action authorized under Section 3 or 4 shall be sent to all Members not less than ten (10) days nor more than thirty (30) days in advance of the meeting. At the first such meeting called, the presence of the Members or of proxies entitled to cast a majority of all the votes of each class of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than thirty (30) days following the preceding meeting.

Section 5. Uniform Rate of Assessment. Both annual and special assessments must be fixed at a uniform rate for all Lots and may be collected on a monthly basis as determined by the Association; provided that, during the continuation of construction and improvement, no assessment shall be applied to unimproved Lots or as otherwise prohibited herein.

Section 6. Date of Commencement of Annual Assessments. The annual assessments provided for herein shall commence as to each Lot on the first day of the month following the conveyance of the Common Areas to the Association. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board of Directors shall fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every Owner(s) subject thereto. The due dates shall be established by the Board of Directors. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid. A properly executed certificate of the Association as to the status of assessments on a Lot is binding upon the Association as of the date of its issuance.

Section 7. Effect of Nonpayment of Assessments. Any assessment not paid within thirty (30) days after the due date shall bear interest from the due date at the highest lawful rate chargeable by the Association. The Association may bring an action at law against the Owner(s) personally obligated to pay the same, or foreclose the lien against the Property, or exercise any or all remedies available at law or in equity. No Owner may waive or otherwise escape liability for the assessments provided for herein by abandonment of his Lot or by non-use of the Common Areas.

Section 8. Subordination of the Lien to Mortgages. The lien of the assessments provided for herein shall be subordinate to the lien of any first mortgage. Sale or transfer of any Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to foreclosure of any first mortgage or any proceeding in lieu thereof, shall extinguish the lien of such assessments as to payments which have become due prior to such sale or transfer. No sale or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof.

Section 9. Exempt Property. All portions of the Property (a) owned by the Association (in whole or in part) or (b) owned by Declarant (whether improved or unimproved) shall not be subject to the assessments provided for herein.

ARTICLE VI

ARCHITECTURAL CONTROL

No building, landscaping, fence, wall, or other structure or improvement shall be commenced, erected or maintained upon any Lot, nor shall any exterior addition, modification, change or alteration therein be made until the plans and specifications showing the nature, kind shape, height, materials and location of such building, fence, wall, or other structure shall have been submitted to and approved in writing as to the harmony and conformity with the exterior design and location of surrounding structures and topography by the Board of Directors of the Association, or by an architectural control committee composed of Three (3) or more representatives appointed by the Board of Directors of the Association. In the event said Board or its designated committee fails to approve or disapprove such design and location within thirty (30) days after said plans and specifications have been submitted to it, approval will not be required and this Article will be deemed to have been fully complied with by the respective Lot Owner(s). Provided, that nothing herein contained shall be construed to permit interference with the development of the Property by Declarant so long as said Property follows the general plan of development.

ARTICLE VII

PARTY WALLS

Section 1. General Rules of Law to Apply. Each wall that is built as a part of the original construction of the residential improvements upon the Property and placed on the dividing line between Lots shall constitute a party wall, and, to the extent not inconsistent with the provisions of this Article, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

Section 2. Sharing of Repair and Maintenance. The cost of reasonable repair and maintenance of a party wall shall be shared equally by the Owners who make use of the wall.

Section 3. Destruction by Fire or Other Casualty. If a party wall is destroyed or damaged by fire or other casualty, any Owner(s) who has used the wall may restore it, and if the other Owner(s) thereafter make use of the wall, they shall contribute to the cost of restoration thereof in proportion to such use without prejudice, however, to the right of any such Owner(s) to call for a larger contribution from the other Owner(s) under any rule of law regarding liability for negligent or willful acts or omissions.

Section 4. Weatherproofing. Notwithstanding any other provision of this Article, an Owner who by his negligent or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.



Section 5. Right to Contribution Runs with Land. The right of any Owner(s) to contribution from any Owner(s) under this Article shall be appurtenant to the land and shall pass to such Owners' respective successor(s) in title.

Section 6. Arbitration. In the event of any dispute arising concerning a party wall, or under the provisions of this Article, each party shall choose one (1) arbitrator, and such arbitrators shall choose one (1) additional arbitrator, and the decision concerning said dispute shall be determined by a simple majority of all the arbitrators.

ARTICLE VIII

EXTERIOR MAINTENANCE

The Association shall provide exterior maintenance upon each Lot which is subject to assessment hereunder, as follows: paint, repair, replacement and care of roofs, gutters, downspouts, exterior building surfaces, trees, shrubs, flowers, all other landscaping needs of each Lot (including seeding, mowing and irrigation of each Lot), sidewalks and any other structures which may exist or hereafter be constructed within the Common Areas shown on the Plat. All landscaping of each Lot shall be performed by the Association according to rules and regulations established by the Association. Each Lot shall contain planting, trees and shrubbery (and an irrigation system to maintain such landscaping) required by the Association.

Such exterior maintenance shall not include glass surfaces except on improvements within the Common Areas.

In the event that the need for such maintenance or repair of a Lot or the improvements thereon is caused through the willful or negligent acts of its Owner(s), or through the willful or negligent acts of the family, guests, or invitees of the Owner(s) of the Lot needing such maintenance or repair, the cost of such exterior maintenance shall be added to and become a part of the assessment to which such Lot is subject, and shall be collected in accordance with the terms of this Declaration.

ARTICLE IX

RESTRICTIONS ON USAGE

Section 1. Land Use and Building Types. Lots shall not be used except for residential purposes.

Section 2. Nuisance. Noxious or offensive activities shall not be conducted upon any Lot nor shall anything be done thereon which may be or become an annoyance or nuisance to the neighborhood and Property.

Section 3. Animals. No animals, livestock or poultry of any kind shall be kept or maintained on any Lot except that dogs, cats, or other household pets may be kept or maintained provided that they are not kept or maintained for commercial purposes; and provided further, that the Association may regulate the keeping and maintaining of household pets.

Section 4. Outside Antennae. Outside radio, television or satellite antennae shall not be erected on any Lot within the Property unless and until permission for the same has been granted by the Board of Directors of the Association or the Association's Architectural Control Committee.

Section 5. Signs. Sign(s) of any kind shall not be displayed to public view on any Lot except one (1) professional sign of not more than five (5) square feet advertising the Property for sale or rent, or signs used by a builder to advertise and market the Property during the construction and sales period.

Section 6. Garbage and Refuse Disposal. Lots shall not be used or maintained as a dumping ground for rubbish, trash, garbage, or other waste, and such refuse shall not be kept except in sanitary containers; all equipment for the storage of such material shall be kept in a clean and sanitary condition; incinerators or other disposal equipment shall not be allowed on any Lot.

Section 7. Lawful Use. Immoral, improper, offensive or unlawful use shall not be made of the Lots within the Property, nor any part thereof, and all valid laws, zoning ordinances, and regulations of all governmental bodies having jurisdiction thereof shall be observed.

Section 8. Commercial Business. Commercial business may not be maintained or transacted on any Lot.

Section 9. Sports Apparatus and Equipment. Basketball goals, posts or backboards or any other fixed sports apparatus shall not be erected on the Lot.

Section 10. Vehicles and Parking. Vehicles of any type shall not be permanently or semi-permanently parked on the Property in the vicinity of any Lot for the purpose of accomplishing repairs thereto, or the reconstruction thereof, except as permitted by the Bylaws, Rules and Regulations promulgated by the Association. This restriction shall also apply to all vehicles not in operating condition regardless whether such vehicles are being operated.

Section 11. Recreation Vehicles. There shall not be any parking of recreational vehicles, including, but not limited to, camping trailers, boats, motor homes and the like, except in areas specifically designated for this purpose by the Board of Directors of the Association.

Section 12. Commercial Vehicles. The Association shall have the power to adopt rules and regulations concerning the parking of any commercial vehicles within the Property or on individual residential Lots.

Section 13. Association Approval. For the purpose of further insuring the development of the Development as a townhouse area of high quality and standards, and in order that all improvements on each Lot shall present an attractive and pleasing appearance from all sides and from all points of view, the Association has the exclusive power and discretion to control and approve all of the buildings, structures, and other improvements on each Lot in the manner and to the extent set forth herein. No residence or other building, and no fence, walls, utility yard, delivery, swimming pool or other structure or improvement, regardless of size or purpose, whether attached or detached for the main residence, shall be commenced, placed, erected or allowed to remain on any Lot, nor shall any additional to or exterior change or alteration thereto be

made, unless and until building plans and specifications covering the same and showing the nature, kind, shape, height, size, materials, floor plans, exterior color schemes with paint samples location and orientation of on-site sewage and water facilities, and such other information as the Association shall require, including, if so required, plans for the grading and landscaping of the Lot, showing any changes proposed to be made in the elevation or surface contours of the land, have been submitted to and approved by the Association. The Association shall have the absolute and exclusive right to refuse to approve any such building plans and specifications desirable in its opinion for any reason, including purely aesthetic reasons. All new construction plans must be accompanied by a landscape and site plan in order to ensure proper landscaping of each Lot.

Section 14. Leasing. No owner of any Lot in the Development shall lease or rent the Lot or improvements thereon for a term of less than twelve (12) months. All tenants shall comply with this Declaration.

ARTICLE X

EASEMENTS

Section 1. Utilities and Drainage. Easements deemed necessary by Developer to insure the marketability of any Lot are reserved for the installation and maintenance of utilities (including but not limited to utility easements benefiting any townhouse home) and drainage facilities by Developer. Unless otherwise permitted by Developer or the Association, within these easements, structures, planting or other material shall not be placed or permitted to remain, which may (1) interfere with the installation and maintenance of utilities, (2) change the direction of flow of drainage channels in the easements, or (3) obstruct, alter, or retard the flow of water through drainage channels in the easements.

Section 2. Access. Easements to each individual Lot for ingress and egress shall be provided to each Lot by the Common Areas as shown on the Plat aforesaid. The Common Areas shall remain unobstructed by vehicles of any type.

Section 3. Maintenance. Easements for repair and maintenance of exterior surfaces of each Lot are reserved for the completion of necessary repairs as determined by the Board of Directors of the Association to be required to perpetuate the architectural continuity of the development and preserve the residential structures therein. The Association has a reasonable right of entry upon any Lot to make emergency repairs and to do such other work as reasonably necessary for the proper maintenance, welfare, safety and operation of the Development.

Section 4. Sign Easement. The Declarant shall reserve on the Property an easement for the construction, repair, maintenance and replacement of signs for the Development, such easement area is more particularly shown on the Plat. The Association, on behalf of any Owner in the Development on shall repair, maintain and replace such signs as needed, and the Owners shall proportionately bear the costs related to such activities as more particularly described herein.



ARTICLE XI

DISCLOSURE

Section 1. Owners and Lenders. The Declarant during the period of development and the Association thereafter shall make available to Lot Owners and lenders, and to holders, insurers or guarantors of any first mortgage, current copies of the Declaration, Bylaws, other rules concerning the Development and the books, records and financial statements of the Association. "Available" shall mean available for inspection, upon request, during normal business hours or under other reasonable circumstances.

Section 2. Financial Disclosure. Any lender and holder of a first mortgage on any Lot in said Development is entitled, upon request, to a financial statement for the immediately preceding fiscal year for a reasonable charge.

Section 3. Notice to Lender. Upon written request to the Association identifying the name and address of the holder, insurer or guarantor and the Lot number or address, any mortgage holder, insurer, or guarantor will be entitled to timely written notice of:

- (a) Any condemnation or casualty loss that affects either a material portion of the project or the Lot securing its mortgage;
- (b) Any sixty (60) day delinquency in the payment of assessments or charges owed by a respective Lot Owner(s) on which it holds the mortgage;
- (c) A lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Association; and
- (d) Any proposed action that requires the consent of a specified percentage of mortgage noteholders.

ARTICLE XII

INSURANCE

Section 1. Insurance Required by the Association. The Association shall obtain and maintain casualty, flood and hazard insurance on all insurable improvements and fixtures for the full replacement cost thereof within the Common Areas and public liability insurance on the Common Areas within the Property. The Association may obtain insurance against such other hazards and casualties as the Association may deem desirable, including such other real and/or personal property owned by the Association. The Association shall be the owner and beneficiary of all such insurance policies and fidelity bonds acquired pursuant to this Article. The insurance coverage with respect to the Common Areas shall be written in the name of and the proceeds thereof shall be payable to the Association. Insurance proceeds shall be used by the Association for the repair or replacement of the property for which the insurance was carried. Premiums for all insurance carried by the Association are common expenses included in the common assessments made by the Association as provided herein.

Section 2. Replacement or Repair of Property. In the event of damage to or destruction of any part of the Common Area



improvements, the Association shall repair or replace the same from the insurance proceeds available. If such insurance proceeds are insufficient to cover the costs of repair or replacement of the property damaged or destroyed, the Association may make a Reconstruction Assessment against all Lot Owner(s) to cover the additional cost of repair or replacement not covered by the insurance proceeds, in addition to any other common assessments made against such Lot Owner(s) as provided herein. In the event that the Association is maintaining blanket casualty and fire insurance on the townhouses on the Lots, the Association shall repair or replace the same from the insurance proceeds available.

Section 3. Townhouse Replacement Election. In addition to casualty insurance on the Common Areas, the Association through the Board of Directors shall obtain and continue property and casualty insurance in such form as the Board of Directors deems appropriate in an amount equal to the full replacement value, without deduction for depreciation or coinsurance, of all of the townhouses, including the structural portions and fixtures thereof, owned by such Owner(s). Insurance premiums from any such blanket insurance coverage, and any other insurance premiums paid by the Association shall be a common expense of the Association to be included in the regular common assessments of the Owner(s), as levied by the Association in accordance with the terms hereof. The insurance coverage with respect to the townhouses shall be written in the name of, and the proceeds thereof shall be payable to the Association as Trustee for the Lot Owner(s).

Section 4. Ratable Assessments by the Association. The Association is hereby empowered to assess each Lot ratably for an amount equal to the sum of the current premium for said blanket hazard and casualty insurance based on the valuation of the improvements within the Common Areas. Such premiums shall be held in a separate account and accumulated from monthly assessments and collected for the specific purpose of paying the premiums on such insurance and bonds as the premiums become due.

Section 5. Annual Review of Insurance Policies and Fidelity Bonds. All insurance policies shall be reviewed at least annually by the Board of Directors in order to ascertain whether the coverage contained in the policies is sufficient to make any necessary repairs or replacement of any such property which is covered by said insurance and is subject to damage or destruction.

ARTICLE XIII GENERAL PROVISIONS

Section 1. Enforcement. The Association or any Owner(s) or Owners, shall have the right to enforce by any proceeding at law or in equity all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration. Failure by the Association or by any Owner(s) to enforce any covenant or restriction herein contained shall not in any event be deemed a waiver of the right to do so thereafter.

Section 2. Severability. Invalidation of any one (1) of these covenants or restrictions by judgment or court order shall not in any way affect any other provision, and all other provisions shall remain in full force and effect.

Section 3. Amendment. The covenants and restrictions of this Declaration shall run with and bind the land, for a term of twenty (20) years from the date this Declaration is recorded, after which



time they shall be automatically extended for successive periods of ten (10) years. Subject to the rights of Developer described herein, this Declaration may be amended during the first twenty (20) year period by an instrument signed by not less than seventy-five percent (75%) of the Lot Owner(s). Declarant shall have the authority without the consent of any Owner to amend this Declaration to reflect the recording of amendments or modifications to the Plat or the filing of a new plat affecting the Property subject to the terms of this Declaration. Any amendment will not be effective until it is recorded in the Register's Office of Knox County, Tennessee.

Section 4. Annexation. Additional residential property may be annexed to the Property by the Declarant without the consent of Members within five (5) years from the date of this instrument. Such annexed property shall constitute part of the "Property" described herein and subject to the terms of this Declaration.

Section 5. Encroachments. It is understood that the residential townhouses which adjoin each other and have a party wall built as a part of the original construction of the said townhouses, which is placed upon the dividing line between adjoining Lots, may encroach on such adjoining Lots or Common Areas due to construction or other reasons. Accordingly, an easement is reserved for such encroachments as are contained in the buildings, whether the same now exist or may be caused or created by construction, settlement or movement of the building(s), or by permissible repairs, construction, or alteration. With regard to any differences which may exist on the Plat or in any other lands which may hereafter be platted or annexed to the Property and the party walls and Lot lines which exist on the additional plats and annexations to the Property, the Lot lines and party walls which actually exist shall control over discrepancies in such plats and annexations,

Section 6. Contracts. The Association shall not be liable to the Owner, for any acts or omissions made in good faith as such members of the Association. The Owners shall indemnify and hold harmless each of such members of the Association against all contractual liability to others arising out of contracts made by such members of the Association on behalf of the Owners unless any such contract shall have been made in bad faith or contrary to the provisions of this Declaration. Every member of the Association shall be indemnified by the Owners against all expenses and liabilities, including attorney's fees, reasonably incurred by or imposed upon him or her in connection with any proceeding to which he or she may be a party, or in which he or she may become involved, by reason of his or her being or having been a member of the Association, or any settlement thereof, whether or not he or she is a member at the time such expenses are incurred, except in such cases wherein the member is adjudged guilty or willful misfeasance or malfeasance in the performance of his or her duties. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such member may be entitled.

Section 7. Right of Entry. The Association shall have the reasonable right of entry on any townhouse or Lot to perform emergency repairs or to do other work necessary for the proper maintenance of the Property.

Section 8. Formation of Association. The Association shall be created upon the filing of the Association's Charter prepared in the form attached hereto as Exhibit "C". The Bylaws of the

Association shall take the form attached hereto as Exhibit "D". All use restrictions and other rules set out in such Charter and Bylaws, and all restrictions and rules that may hereafter be set out in any amended form of the Bylaws, are incorporated herein by reference and shall be enforceable to the extent that they are in addition to the requirements of this Declaration and are not in conflict with this Declaration. However, in the event of a conflict between any provision of the Bylaws and this Declaration, the provisions of this Declaration shall control.

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IN WITNESS WHEREOF, the undersigned corporation has hereunto caused its name to be signed by its duly authorized officer the day and year first above written.

WEATHERSTONE, LLC

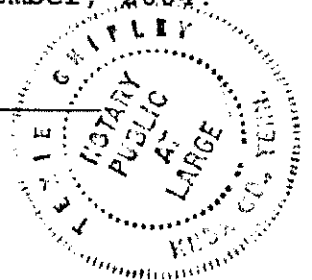
By: [Signature]
Name: Tom Ford
Title: Secretary

STATE OF TENNESSEE
COUNTY OF KNOX

Before me, the undersigned Notary Public of the State and County aforesaid, personally appeared Tom Ford, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, swore to and acknowledged himself to be Secretary of WEATHERSTONE, LLC, the within-named bargainor, a limited liability company, and that he as such Secretary, executed the foregoing instrument for the purpose therein contained, by signing the name of the company by himself as such officer.

WITNESS my hand and seal this 1st day of December, 2004.

[Signature]
Notary Public



My commission expires: 7/29/06

STATE OF TENNESSEE
COUNTY OF KNOX

I hereby swear or affirm that the actual consideration or true value of this transfer, whichever is greater, is \$10.00.

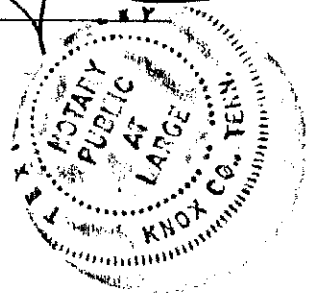
Affiant:

WEATHERSTONE, LLC

By: [Signature]
Name: Tom Ford
Title: Secretary

Sworn to and subscribed before me, this 1st day of December, 2004.

[Signature]
Notary Public



My Commission Expires: 7/29/06



JOINDER OF MORTGAGEE

SUNTRUST BANK ("Bank") is the beneficiary under that certain Construction Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated March 4, 2004, and recorded at Instrument Number 200403040082849 in the Register's Office for Knox County, Tennessee (the "Bank Mortgage") encumbering the Property. Bank hereby joins in the execution of this Declaration for the purpose of: (1) making the lien of the Bank Mortgage (and all amendments and modifications thereof) subject to the terms and provisions of this Declaration, and (2) evidencing its consent to this Declaration. This Declaration and all terms and provisions hereof shall survive any foreclosure, deed in lieu of foreclosure, or exercise of the power of sale pursuant to the Bank Mortgage, and all terms and provisions of this Declaration shall remain in full force and effect after any such foreclosure, deed in lieu of foreclosure, or exercise of the power of sale.

SUNTRUST BANK

By: D. Roach
Name: DAVE ROACH
Title: VICE PRESIDENT

STATE OF TENNESSEE
COUNTY OF KNOX

Before me, a Notary Public of the State and County aforesaid, personally appeared Dave Roach, with whom I am personally acquainted and who, upon oath, acknowledged himself to be Vice President of SUNTRUST BANK, a national banking association, the within named bargainer, and that he as such officer, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing the name of the Bank as such officer.

WITNESS my hand and seal, at office in Knox County this 1st day of December, 2004.

Jessie Chipley
Notary Public

My Commission Expires:
7/29/06

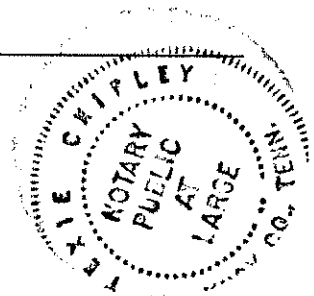


EXHIBIT "A"

LEGAL DESCRIPTION OF TOWNHOUSE AREA

SITUATED, LYING and BEING in the Sixth (6th) Civil District of Knox County, Tennessee, and without the corporate limits of the City of Knoxville, Tennessee, said property being more particularly bounded and described as follows:

BEGINNING at an iron pin in the western line of Fox Road distant in a northerly direction 4,000 feet, more or less, from the point of intersection of the western line of Fox Road with the northern line of Emory Church Road, said POINT OF BEGINNING marking the northeastern corner of property belonging to Crippen; thence South 69 deg. 30 min. West along Crippen's northern line 56.8 feet to an iron pin; thence South 19 deg. 30 min. East along Crippen's western line 75 feet to an iron pin marking the northeastern corner of property belonging to Rhegness; thence South 65 deg. 35 min. West along Rhegness' northern line 339 feet to an iron pin; thence South 35 deg. 30 min. East along Rhegness' western line 1,343 feet to an iron pin in the northern line of property belonging to Carlson; thence South 69 deg. 53 min. West along Carlson's northern line 413.7 feet to an iron pin; thence North 42 deg. 26 min. West along Carlson's eastern line 550.8 feet to an iron pin; thence South 68 deg. 04 min. West along Carlson's northern line 1,737 feet to an iron pin in the eastern line of property belonging to R. Dan Culp; thence North 20 deg. 27 min. West along Culp's eastern line 1,191.5 feet to an iron pin marking the southwestern corner of property belonging to Pirkin; thence North 66 deg. 25 min. East along Pirkin's southern line 2,421 feet to an iron pin in the western line of Fox Road; thence with said line of said Road, the following calls and distances to-wit: South 9 deg. 10 min. West, 123.5 feet to a point; due South 58 feet to a point; South 8 deg. 50 min. East, 54 feet to a point; South 40 deg. 20 min. East, 106 feet to a point; South 47 deg. 45 min. East, 92 feet to an iron pin, the place of BEGINNING, containing 67.32 acres, more or less, including pipeline rights, as shown by survey of G. T. Trotter, Jr., Surveyor, Knoxville, Tennessee, bearing dated October 3, 1980.

THERE IS EXCLUDED from the above described property that certain tract conveyed to the State of Tennessee by deed of record in Deed Book 1996, page 616, in the Knox County Register's Office, to which instrument specific reference is hereby made.

BEING the same property conveyed to Weatherstone, LLC by B. Ray Thompson, Jr. and Juanne J. Thompson by deed dated March 2, 2004, filed for record as Instrument No. 200403040082848, in the Knox County Register's Office.

EXHIBIT "B"

COMMON AREA

Any portion of the Property identified as "Common Area" on (a) the "Final Plat for Weatherstone Subdivision Unit-1" recorded in the Register's Office bearing Instrument Number 200410040028239, (b) the "Final Plat for Weatherstone Subdivision Unit-2" bearing Instrument Number 200410050029266 and (c) any subdivision plat hereafter created by Developer for the Development recorded with the Register's Office.

EXHIBIT "C"

CHARTER OF ASSOCIATION

CHARTER
OF
WEATHERSTONE TOWNHOUSE OWNERS ASSOCIATION, INC.

Pursuant to Section 48-52-102 of the Tennessee Nonprofit Corporation Act, the undersigned incorporator adopts the following, being qualified so to act:

1. The name of the Corporation is Weatherstone Townhouse Owners Association, Inc.

2. The Corporation is a mutual benefit corporation.

3. The address of the Corporation's initial registered office, located in Knoxville, Tennessee, shall be 5731 Lyons View Drive, Suite 226, Knoxville, Tennessee 37919, and the Corporation's initial registered agent at that office is Thomas G. Ford.

4. The name of the incorporator is R. Culver Schmid, and his address is Long, Ragsdale & Waters, P.C., 1111 Northshore Drive, Suite S-700, Knoxville, Tennessee 37919.

5. The address of the initial principal office of the Corporation shall be 5731 Lyons View Drive, Suite 226, Knoxville, Tennessee 37919.

6. The Corporation is not for profit.

7. The Corporation shall have members. Members shall be owners of the Townhouses (defined hereinafter) and shall be admitted to membership in accordance with the criteria and procedures established in the bylaws of the Corporation, and no other person or legal entity shall be entitled to membership.

8. Upon the dissolution of the Corporation;

(a) all liabilities and obligations of the Corporation shall be paid and discharged, or adequate provision shall be made therefor;

(b) assets held by the Corporation upon condition requiring return, transfer, or conveyance, which condition occurs by reason of dissolution, shall be returned, transferred, or conveyed in accordance with such requirements; and

(c) all remaining assets of the Corporation shall be disposed of exclusively for the purposes of the Corporation to (1) such organization or organizations organized and operated exclusively for charitable, educational, religious or scientific purposes as shall at the time qualify as an exempt organization or organizations under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, as the Board of Directors shall choose or (2) to the State of Tennessee or to any county or municipality of such State.

9. The purpose for which the Corporation is organized is to assist with the management, enforcement and implementation of the Declaration of Covenants, Conditions and Restrictions for Weatherstone Townhouses to be recorded in the office of the

Register of Deeds for Knox County, Tennessee, pursuant to the requirements of the Horizontal Property Act, codified at Tennessee Code Annotated Section 66-27-101, et seq. (the "Declaration"). As used herein, the term "Townhouse" or "Townhouses" refers to the townhouse units known as Weatherstone Townhouses created by the horizontal property regime to be established by the Declaration pursuant to the requirements of Tennessee Code Annotated Section 66-27-103.

10. The Corporation shall continue to exist as long as the Townhouses shall be in existence unless sooner dissolved or terminated.

11. No part of the net earnings of the Corporation shall inure to the benefit of, or be distributed to, its directors, officers, or members, except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth hereinabove.

12. No substantial part of the activities of the Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate in, or intervene in, including the publishing or distribution of statements, any political campaign on behalf of any candidate for public office.

13. The Corporation shall be empowered to operate and manage to the extent permitted in the Declaration for the use and benefit of the owners of the Townhouses as the agent of such owners.

14. The Corporation shall be authorized to exercise and enjoy all of the powers, rights, and privileges granted to or conferred upon corporations of a similar character by the provisions of Section 48-51-101, et seq., Tennessee Code Annotated, entitled "Tennessee Nonprofit Corporation Act" now or hereafter in force, and to do any and all things necessary to carry out its operations as a natural person might or could do.

15. All funds and the titles of all interests in properties acquired by this Corporation, whether fee simple or leasehold in nature, and the proceeds thereof shall be held in trust for the owners of the Townhouses in accordance with the provisions of the Declaration and its supporting documents.

16. All of the powers of the Corporation shall be subject to and shall be exercised in accordance with the provisions of the Declaration together with its supporting documents which govern the use of the Townhouses.

17. The incorporators, members, and directors of the Corporation shall have the right to take any action required or permitted by vote without a meeting by written consent pursuant to the provisions of Tennessee Code Annotated Sections 48-57-104 and 48-58-202.

18. The interest, if any, of any member in any real property of the Corporation or in the funds and assets of the Corporation cannot be conveyed, assigned, mortgaged, hypothecated, or transferred in any manner, except as permitted in the Declaration or the bylaws of the Corporation.

19. Voting by the members of the Corporation in the affairs of the Corporation shall be on the basis of one vote for each Townhouse; provided, however, that until the Developer, as defined in the Declaration and its supporting documents, has sold a specified percentage of the Townhouses, the Developer shall retain and reserve certain special voting rights as provided in the Declaration and the bylaws of the Corporation.

20. The provisions of this Charter may be amended, altered, or repealed from time to time in accordance with the provisions of the Declaration and the bylaws of the Corporation and in the manner prescribed by the Tennessee Nonprofit Corporation Act, Tennessee Code Annotated Sections 48-51-101, et seq., and any additional provisions so authorized may be added hereto; provided that the provisions of this Charter shall not be changed, modified, repealed, or expanded in such a manner as to be inconsistent with the purposes for which the Corporation is formed.

In Witness Whereof, this Charter is executed this 3rd day of September, 2004.

R. Culver Schmid, Incorporator

EXHIBIT "D"

BYLAWS OF ASSOCIATION

BYLAWS
OF
WEATHERSTONE TOWNHOUSE OWNERS ASSOCIATION, INC.
A CORPORATION NOT FOR PROFIT

I. GENERAL PURPOSE

WEATHERSTONE TOWNHOUSE OWNERS ASSOCIATION, INC. (hereinafter the "Association") has been organized for the purpose of administering the operation and management of a planned unit development for the use and benefit of the owners of townhouse lots ("Lots") in WEATHERSTONE TOWNHOUSES, a planned unit development located or to be located in Knoxville, Tennessee (hereinafter referred to as "Weatherstone Townhouses"), which is more particularly described in a Declaration of Covenants, Conditions and Restrictions for Weatherstone Townhouses establishing, governing and restricting the planned unit development, to which a copy of these Bylaws is to be attached at the time of recordation in the Register's Office for Knox County, Tennessee (the "Declaration"). The terms and provisions of these Bylaws are expressly subject to the effect of the terms, provisions, conditions and authorizations contained in the Charter of WEATHERSTONE TOWNHOUSE OWNERS ASSOCIATION, INC. (the "Charter") and in the Declaration. The terms and provisions of such Charter and Declaration are incorporated herein by reference and shall be controlling wherever the same may be in conflict herewith. For purposes of these Bylaws initial capitalized terms shall have the meaning set forth in the Declaration unless otherwise stated or the context so requires. As used herein, "Developer" refers to WEATHERSTONE, LLC, a Tennessee limited liability company, and its successors and assigns.

II. MEMBERSHIP AND VOTING RIGHTS

A. Membership. Each person or entity who is a record owner of a fee interest in a Lot or Lots shall automatically be a member of the Association (hereinafter referred to as "Member"). Each Lot is entitled to one vote in the affairs of the Association, so in the event that any Lot is owned by more than one Member, the vote of the Lot shall be cast by the Member named in a certificate signed by all of the Owners of the Lot and filed with the Secretary of the Association, and such certificate shall be valid until revoked by a subsequent certificate. If such a certificate is not on file, the vote of such Members shall not be considered in determining the requirement for a quorum, nor for any other purpose.

B. Change of Membership. Change of membership shall be accomplished by recording in the Knox County Register's Office a deed or other instrument establishing record title to a Lot, and delivery to the Secretary of the Association of a certified copy of such instrument. The membership of the prior Lot Owner shall be thereby terminated.

C. Suspension of Rights. The membership and voting rights of any Member may be suspended by the Board of Directors for

any period during which any Assessment against the Lot to which its membership is appurtenant remains unpaid; but upon payment of such Assessment, and any interest accrued thereon, its rights and privileges shall be restored as of the date of payment. Further, if Rules and Regulations governing the use of the Property and the conduct of persons thereon have been adopted and published, as authorized in these Bylaws, the rights and privileges of any person in violation thereof or in violation of the provisions hereof may be suspended at the discretion of the Board of Directors.

D. Proxies. Proxy ballots shall be permitted with respect to all elections of Directors, and all amendments to the Charter, the Declaration or these Bylaws, or any other matter which is to come before a meeting of the membership of the Association. All proxies shall be in writing, signed by the individual Lot Owner or Owners (or in the case of joint owners by the person named in the certificate described in Section A of this Article II), or by his or her duly authorized representative(s) and delivered to the Secretary of the Association, or such other person as the President may designate, at least twenty-four (24) hours prior to the commencement of the meeting at which ballots are to be cast.

III. MEETINGS OF MEMBERS

A. Place of Meetings. All meetings of the Members of the Association shall be held at the Property or at such other place convenient to the Members as may be designated by the Board of Directors or the President.

B. First Annual Meeting and Regular Annual Meetings. All annual Members' meetings shall be held on the day and month of the year to be established by the Board of Directors. At such meeting the election of Directors shall take place and the Members may transact such other business as may properly come before them.

C. Special Meetings. Special meetings of Members may be called by the President whenever he or she deems such a meeting advisable or shall be called by the Secretary when ordered by a majority of the Board of Directors, or upon the written request of Members of the Association representing at least twenty-five percent (25%) of all votes entitled to be cast at such meeting. Such request shall state the purpose of such meeting and the matters proposed to be acted upon. Unless Members representing at least fifty percent (50%) of all votes entitled to be cast request such a meeting, no special meeting may be called to consider any matter which is substantially the same as a matter voted upon at any meeting of the Association held during the preceding twelve (12) months, which determination shall be made in the sole and absolute discretion of the Board of Directors.

D. Notice. Notice of all Members' meetings, regular or special, shall be given by the President, Vice-President or Secretary of the Association, or other officer of the Association in absence of said officers, to each Member, unless waived in writing, such notice to be written or printed and to state the time and place and purpose for which the meeting is called. Such notice shall be given to each Member not less than twelve (12) days nor more than thirty-five (35) days prior to the date set for such meeting, which notice shall be mailed or presented personally to each Member within said time.

E. Quorum and Adjourned Meetings. A quorum at a Members' meeting shall consist of persons entitled to cast a majority of the votes of the entire membership. The joinder of a Member in the

action of a meeting by signing and concurring in the minutes thereof shall constitute the presence of such person for the purpose of determining a quorum. In the absence of a quorum, the Members who are present, either in person or by proxy, may adjourn the meeting from time to time, until a quorum shall be present or represented.

F. Action by Written Consent. Whenever Members of the Association are required or permitted to take any action by vote, such action may be taken without a meeting on written consent, setting forth the action so taken, signed by all of the persons entitled to vote thereon.

G. Organization. At each meeting of the Association, the President, or, in his or her absence, the Vice-President, or in their absence, Members present in person or represented by proxy and entitled to vote thereat, shall act as a chairperson, and the Secretary, or in his or her absence, a person whom the chairperson shall appoint, shall act as Secretary of the meeting.

H. Voting. During the Developer Control Period (as defined in the Declaration), voting rights shall be as set out in the Declaration. The Developer Control Period began with the formation of the Association and shall terminate as required in the Declaration. Following the Developer Control Period, the Owner or Owners of each Lot shall collectively have one vote in the affairs of the Association. Except as otherwise required by the Charter, the Declaration or any law, the affirmative vote of a majority of the votes represented at any duly called Members' meeting at which a quorum is present shall be binding upon the Members. The election of directors shall be by a secret ballot.

I. Member in Good Standing. A Member shall be deemed to be in good standing and entitled to vote at any annual meeting or at any special meeting if and only if all [Common Expense Assessments] (as defined in the Declaration) appertaining to his or her Lot(s) have been paid, together with all interest, costs, attorneys' fees, penalties and other expenses, if any, properly chargeable to him or her and to his or her Lot or Lots, at least three (3) days prior to the date fixed for such meeting.

J. Order of Business. The order of business at the annual meeting of the Members or at any special meetings insofar as practicable shall be:

- (1) Roll call (or check-in procedure)
- (2) Proof of notice of meeting or waiver of notice
- (3) Reading of minutes of preceding meeting
- (4) Establish number and term of memberships of the Board of Directors (if required and noticed)
- (5) Reports of Committees
- (6) Election of directors (if required and noticed)
- (7) Unfinished Business
- (8) New Business
- (9) Ratification of Budget (if required and noticed)
- (10) Adjournment

K. Special Assessment Meetings. Special meetings may also be called for the purpose of special assessments in the manner, and with the degree of formality and notice, described in the Declaration.

IV. BOARD OF DIRECTORS

A. Number and Qualification. The Board of Directors of the Association shall consist of three (3) persons. At least a majority of the Board of Directors shall be Members of the Association or shall be authorized representatives, officers or employees of the Developer. During the Developer Control Period, the Developer shall have the right to designate and select the persons who shall serve as members of the Board of Directors of the Association. Thereafter, the Board of Directors shall be elected by a majority of the votes and the Developer shall be entitled to vote for election of directors in proportion to the number of Lots it owns in the same manner as other Lot Owners, which is one vote per Lot.

B. Term of Office. For the first Board of Directors, the initial term of office of the two (2) directors receiving the highest number of votes shall be established at two (2) years, and the term of office of the remaining elected director shall be established at one (1) year. After the expiration of the initial term of office of each member of the Board of Directors, his or her successors shall be elected to serve a term of two (2) years, which term shall expire at the second annual meeting following their election, or until their successors are duly elected and qualified, or until removed in the manner elsewhere provided or as may be provided by law.

C. Organizational Meeting. The organizational meeting of a newly elected Board of Directors shall be held within fourteen (14) days of their election at such time and at such place as shall be fixed by the directors at the Association meeting at which they were elected, and no further notice of the organizational meeting shall be necessary in order to legally constitute such a meeting, providing a quorum of the Board of Directors shall be present.

D. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by a majority of the directors, but at least one (1) such meeting shall be held each fiscal year. Notice of regular meetings shall be given by the Secretary or other designated person to each director, personally or by mail, telephone or telegram, at least three (3) days prior to the day named for such meetings, unless notice is waived.

E. Special Meetings. Special meetings of the directors may be called by the President, and must be called by the Secretary at the written request of any two directors. Not less than three (3) days' notice of a meeting shall be given to each Director personally, by mail, telephone or telegram, which notice shall state the time, place and purpose of the meeting.

F. Waiver of Notice. Any director may waive notice of a meeting before or after the meeting and such waiver shall be deemed equivalent to the giving of notice. Actual attendance by a director at any meeting of the Board shall be deemed a waiver of notice by him or her. If all directors are present at any meeting of the Board of Directors, no notice shall be required and any business may be transacted at such meeting. In the discretion of the Board of Directors, meetings of the Board of Directors or portions thereof, may be open to Members of the Association for observation or participation in such manner and to the extent the Board of Directors may deem appropriate.

G. Quorum and Adjourned Meetings. At all meetings of the Board of Directors, a majority of the directors shall constitute a quorum for the transaction of business and acts of the majority of

directors present at a meeting at which a quorum is present shall be acts of the Board of Directors, unless otherwise provided in the Charter and the Declaration. If any directors' meeting cannot be organized because a quorum has not attended, the directors who are present may adjourn the meeting from time to time until a quorum is present. The joinder of a director in the action of a meeting by signing and concurring in the minutes thereof shall constitute the presence of such director for the purpose of determining a quorum.

H. Removal of Members of the Board of Directors. At any duly held regular or special meeting of the Association, any one or more directors may be removed with or without cause by a majority of the votes held by the Members represented, and a successor may be then and there elected to fill the vacancy thus created. Each person so elected shall be a director for the remainder of the term of the director whose term he or she is filling and until his or her successor is duly elected and qualified. Prior to expiration of the Developer Control Period, only the Developer may remove directors in accordance with this paragraph.

I. Vacancies. Vacancies on the Board of Directors caused by any reason other than the removal of a director by a vote of the Members of the Association shall be filled by a vote of a majority of the remaining directors at a special meeting of the Board of Directors held for that purpose promptly after the occurrence of any such vacancy; provided, however, in the event that the vacancies on the Board of Directors result in one (1) or fewer directors remaining on the Board of Directors, a special meeting of the Association shall be called by the President in order to fill such vacancies. Each person so elected at a special meeting of the Association shall serve as a director for the remainder of the term of the director whose term he or she is filling and until his or her successor is duly elected and qualified. If the vacancy has been filled by a vote of the remaining directors, each person so elected shall be a director until his or her successor is elected at the next meeting of the Association. Notwithstanding the foregoing, all vacancies occurring prior to the end of the Developer Control Period shall be filled by decision of the Developer.

J. Consent in Lieu of Meeting and Vote. Anything to the contrary in these Bylaws, the Charter or the Declaration notwithstanding, the entire Board of Directors shall have the power to take action on any matter on which it is authorized to act, without the necessity of a formal meeting and vote if the entire Board of Directors, or all the directors empowered to act, whichever the case may be, shall consent in writing to such action.

K. Powers and Duties. The Board of Directors may act in all instances on behalf of the Association, except as provided by the Declaration, these Bylaws or applicable law. The Board of Directors shall have, subject to the aforementioned limitations, the powers and duties necessary for the administration of the affairs of the Association and of Weatherstone Townhouses which shall include, but not be limited to the following:

1. To make, levy and collect Assessments against Members and Members' Lots to defray the costs of the ownership, operation and maintenance of Common Areas, and to use the proceeds of said Assessments in the exercise of the powers and duties granted unto the Association;

2. To cause the Common Areas to be maintained according to standards established by the Association and as set forth in the Declaration;

3. To make and amend Rules and Regulations governing the use of the Property, for the use and benefit of the Members, so long as such Rules and Regulations and limitations which may be placed upon the use of such Property do not conflict with the terms of the Charter or the Declaration;

4. To acquire, operate, lease, manage, and otherwise trade and deal with property, real and personal, as may be necessary or convenient in the ownership, operation and management of the Common Areas and in accomplishing the purposes set forth in the Charter;

5. To contract for the management of the Association, and to delegate to such manager all of the powers and duties of the Association, subject to the limitations of the Declaration and applicable law;

6. To comply with and to enforce by legal means all terms and conditions of the Declaration, the Charter, these Bylaws and any Rules and Regulations hereafter promulgated governing use of Weatherstone Townhouses;

7. To pay all taxes and assessments which are liens against any part of the Property, to assess the same against the Members and their respective Lots;

8. To carry insurance for the protection of the Members and the Association as provided in the Declaration;

9. To employ personnel for reasonable compensation to perform the services required for proper administration of the Association;

10. To borrow money for any legitimate purposes which may be necessary for the improvement, maintenance, and well-being of the Property;

11. To cause to be kept a complete record of all its acts and corporate affairs and to present a summary report thereof to the Members at the annual meeting or at any special meeting;

12. To delegate to Members responsibilities concerning the maintenance, repair, and replacement and insurance of portions of the Property; and

13. To exercise any other power necessary and proper for the governance of the Association.

L. Eligibility of Directors. Nothing contained in these Bylaws shall prohibit a director from being an officer, nor preclude the Board of Directors from employing a director as an employee of the Association or contracting with a director for the management of Weatherstone Townhouses subject, however, to the limitations contained herein and in the Declaration.

V. Officers

A. Designation. The executive officers of the Association shall be a President, a Vice-President, a Treasurer and a Secretary, all of whom shall be elected annually by the Board of Directors. The Board of Directors may also appoint such other officers as in its judgment may be necessary to manage the affairs of the Association. Any person may hold two or more offices, except that the President shall not also be the Secretary or an Assistant Secretary.

B. Election of Officers. The officers of the Association shall be elected annually by the Board of Directors at the first Board of Directors meeting following each annual meeting of the Members and such officers shall hold office at the pleasure of the Board of Directors.

C. Removal of Officers. Upon any affirmative vote of a majority of the full number of directors, any officer may be removed, either with or without cause, and his or her successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors called for such purposes.

D. Duties and Responsibilities of Officers.

1. The President shall be the chief executive officer of the Association. He or she shall preside at all meetings of the Association and the Board of Directors. He or she shall have all the powers and duties which are usually vested in the office of the President of an association including but not limited to the power to appoint committees from among the Members from time to time, as he or she may in his or her discretion determine appropriate, to assist in the conduct of the affairs of the Association.

2. The Vice-President shall, in the absence or disability of the President, exercise the powers and perform the duties of the President. If neither the President nor the Vice-President are able to act, the Board of Directors shall appoint some other person to do so on an interim basis. He or she shall also generally assist the President and exercise such other powers and perform such other duties as shall be prescribed by the directors.

3. The Secretary shall keep the minutes of all proceedings of the Board of Directors and the Members. He or she shall attend to the giving and serving of all notices to the Members and directors, and such other notices required by law. He or she shall keep the books and records of the Association, except those of the Treasurer, and shall perform all other duties incident of the office of the Secretary of an association and as may be required by the directors or President. The Assistant Secretary, if any, shall perform the duties of Secretary when the Secretary is absent.

4. The Treasurer shall have custody of all of the property of the Association, including funds, securities and evidences of indebtedness. He or she shall keep the Assessment rolls and accounts of the Members; he or she shall keep the books of the Association in accordance with good accounting practices; and he or she shall perform all other duties incident to the office of Treasurer.

VI. Compensation, Indemnification and Exculpability of Officers, Directors and Committee Members

A. Compensation. No compensation shall be paid to the President or the Vice-President or any director or committee member for acting as such officer or director. The Secretary and/or Treasurer may be compensated for their services if the Board of Directors determines that such compensation is appropriate. Nothing herein stated shall prevent any officer, director, or committee member from being reimbursed for out-of-pocket expenses or compensated for services rendered in any other capacity to or for the Association; provided, however, that any such expenses incurred or services rendered shall have been authorized in advance by the Board of Directors.

B. Indemnification. Each director, officer or committee member of the Association shall be indemnified by the Association against all expenses and liabilities, including counsel fees, reasonably incurred by or imposed upon him or her in connection with any proceeding to which he or she may be a party, or in which he or she may become involved, by reason of his or her being or having been a director, committee member or agent of the Association, and in connection with any settlement thereof, whether or not he or she is a director or officer at the time such expenses are incurred, except in such cases wherein he or she is adjudged guilty of willful misfeasance or gross negligence in the performance of his or her duties; provided that in the event of a settlement the indemnification herein shall apply only when the Board of Directors approves such settlement and reimbursement as being in the best interest of the Association. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such director, officer or committee member may be entitled.

C. Exculpability. Unless acting in bad faith, neither the Board of Directors as a body nor any director, officer, committee member or agent of the Association, shall be personally liable to any Member in any respect for any action or lack of action arising out of the execution of his or her office. Each Member shall be bound by the good faith actions of Board of Directors, officers, committee members or agents of the Association, in the execution of the duties of said directors, officers, committee members or agents.

VII. FISCAL MANAGEMENT

A. Annual Assessments.

1. The Board of Directors shall adopt a budget for each fiscal year of the Association, and such budget shall contain estimates of the amount of monies deemed necessary for the Common Expenses, the manner of expenditure thereof, and the proposed Assessments against each Lot Owner. Each Lot Owner shall be obligated to pay in equal monthly installments on or before the first day of each month, his or her proportionate share of the Common Expenses assessed against him by the Board of Directors in accordance with the Declaration, the Charter, these Bylaws and applicable law.

2. The Board of Directors shall give notice to each Lot Owner, in writing, of the amount estimated by the Board of Directors for Common Expenses for the management and operation of the Association for the next ensuing budget period and the proposed annual Assessments, directed to the Lot Owner at his or her last known address by ordinary mail, or by hand delivery. Said notice

shall be conclusively presumed to have been delivered five (5) days after deposit in the United States mails.

3. The omission by the Board of Directors, before the expiration of any year, to fix the Assessment thereunder for that or the next year shall not be deemed a waiver or modification in any respect of the provisions of the Declaration and these Bylaws or a release of any Owner from the obligation to pay the Assessments, or an installment thereof for that or any subsequent year, but the Assessment fixed for the preceding year shall continue until a new Assessment is fixed.

B. Special Assessments. In addition to the annual Assessments authorized by Section A of this Article, the Board of Directors may levy, in any Assessment year, a Special Assessment, applicable to that year only, for the purposes of defraying, in whole or in part, any unexpected expenses or for other lawful purposes, provided that any such Special Assessment shall be apportioned in the same manner as a regular Assessment and shall receive the assent of seventy-five percent (75%) of all of the votes eligible to be cast by all of the Members.

C. Reserves. The Board of Directors shall not be obligated to expend all of the Assessments collected in any accounting period, but must establish and maintain reasonable reserves for the periodic maintenance, repair and replacement of the Common Areas.

D. Working Capital. In order to insure that the Association will have funds to meet unforeseen expenditures or to purchase equipment and services during the initial start up operations of the Association, each Lot Owner, shall pay an assessment as set out in the Declaration at the time of purchase of his Lot from the Developer. Such amounts shall not be considered advance payment of regular annual Assessments which are required to be paid by each Lot Owner under Section A of this Article. The Association shall maintain the amounts collected in a working capital fund for the use and benefit of the Association.

E. Depository. The depository of the Association shall be such bank or banks and/or federal savings and loan associations as shall be designated from time to time by the Board of Directors and in which the monies of the Association shall be deposited. Withdrawal of monies from such accounts shall be by such persons as are authorized by the Board of Directors.

F. Annual Audit. An audit of the accounts of the Association shall be made annually, the cost the annual audit shall be deemed a Common Expense, and a copy of the audit report shall be furnished to each Member not later than ninety days following the end of the year for which the report is made.

G. Examination of Books and Records. The Board of Directors shall keep a book with a detailed account, in chronological order, of the receipts and expenditures affecting Weatherstone Townhouses and its administration and specifying the maintenance and repair expense of the Common Areas and any other expenses incurred. Such book, the vouchers accrediting the entries made thereon, copies of the Declaration, these Bylaws, the Rules and Regulations and other books, records and financial statements of the Association shall be maintained at the principal office of the Association and shall be available for inspection by Members during normal business hours or under any other reasonable circumstances.

H. Management Contracts. The Association may enter into professional management contracts or other agreements; provided, however, that each such contract or other agreement shall contain a right of termination with or without cause that the Association can exercise at any time after the Developer Control Period; such right to be exercised without penalty on advance notice of more than ninety (90) days.

I. Fidelity Bonds. The Association shall maintain blanket fidelity bonds for all persons who either handle or are responsible for funds held or administered by the Association, whether or not they receive compensation for such services. Any management agent that handles funds for the Association shall also be covered by a fidelity bond.

J. Interest and Attorneys' Fees. The Board of Directors shall have the option, in connection with the collection of any charge or Assessment from a Lot Owner, to impose a late fee, or an interest charge at a rate of eighteen percent (18%) per annum or the highest legal rate then chargeable, whichever is less, from the date the charge or Assessment was due until paid. In the event attorneys' fees are incurred by the Board of Directors in the collection of such charges, the Lot Owner shall be responsible for payment of all reasonable attorneys' fees, in addition to such costs allowable by law.

VIII. OBLIGATIONS AND RESTRICTIONS OF LOT OWNERS

A. Nuisances. No nuisance shall be allowed upon the Property, nor any use or practice which is the source of annoyance to residents or which interferes with the peaceful possession and proper use of the Property by its residents. All parts of the Property shall be kept in a clean and sanitary condition, and no rubbish, refuse or garbage allowed to accumulate, or any fire hazard allowed to exist. No Lot Owner shall permit any use of his or her Lot or of the Common Areas which will increase the rate of insurance upon the Property.

B. Lawful Use. No immoral, improper, offensive or unlawful use shall be made of the Property. All valid laws, zoning ordinances and regulations of all governmental bodies having jurisdiction shall be observed. The responsibility of meeting the requirements of governmental bodies which require maintenance, modification or repair of the Property shall be the same as the responsibility for the maintenance and repair of the property concerned.

C. Rules and Regulations. Reasonable Rules and Regulations concerning the use of Weatherstone Townhouses may be made and amended from time to time by the Association. Copies of such Rules and Regulations and amendments thereto shall be furnished by the Association to all Lot Owners and residents of Weatherstone Townhouses, and such Rules and Regulations shall be of the same force and effect as the provisions of these Bylaws.

D. Commercial Business. All Lots shall be utilized for residential purposes only and no commercial business shall be permitted within the Property. Lot rentals by Owners shall not be considered a commercial use.

E. Obstruction of Common Areas. There shall be no obstruction of the Common Areas.

F. Signs. No sign of any kind shall be displayed for the public view on any portion of the Common Areas except signs used by Developer to advertise the Property during the construction and sales period without the prior approval of the Board of Directors.

G. Insurance. Nothing shall be done or kept in any Lot or in the Common Areas which will increase the rate of insurance on the Common Areas without the prior written consent of the Association. No Owner shall permit anything to be done or kept in its Lot or in the Common Areas which will result in the cancellation of insurance on any Lot or any part of the Common Areas, or which would be in violation of any law.

H. Waste. No waste will be committed of the Common Areas.

I. Exterior Work. There shall be no exterior painting of Lots or patio or yard walls by or on behalf of the Owners thereof, or any person holding thereunder, or repair or replacing of original roofs or utility laterals by such persons nor any major landscaping in front yards by such persons, without the prior approval of the Board of Directors; it being the intention hereunder that such items be regulated by the Association in conjunction with the Association's maintenance of Common Areas in order to preserve the external harmony and overall appearance of the Property.

J. Repair of Vehicles. No vehicles of any type shall be permanently or semi-permanently parked on the Property or in the vicinity of any Lot or in the Common Areas for purposes of accomplishing repairs thereto, or the reconstruction thereof except as permitted by the Rules and Regulations adopted by the Association.

K. Recreational Vehicles and Boats. Parking of boats and all recreational vehicles shall be allowed on the Common Areas only if hereafter approved in accordance with the Declaration.

L. Leasing. All leases of Lots shall be in writing and specifically made subject to the provisions of the Declaration, the Charter and these Bylaws. No Lot may be leased for a period of less than sixty (60) days.

M. Rules of Conduct. In order to assure the peaceful and orderly use and enjoyment of the Lots and the Common Areas, the Lot Owners may, from time to time, adopt, modify and revoke in whole or in part by a vote of the Members present in person or represented by proxy whose aggregate interest in the Common Areas constitutes two-thirds (2/3) of the total interest, at any meeting duly called for the purpose, such reasonable Rules and Regulations, to be called Rules of Conduct and to be consistent with the Declaration and the Bylaws, governing the conduct of said persons on the Property of the Association as it may deem necessary. Such Rules of Conduct, upon adoption, and every amendment, modification and revocation thereof, shall be delivered promptly to each Owner, and shall be binding upon all Lot Owners and occupants of Lots in the planned unit development. The following shall constitute the initial Rules of Conduct for the Association:

1. Residents of the Property shall exercise extreme care to avoid unnecessary noise or the use of musical instruments, radios, televisions or amplifiers that may disturb the other residents.

2. No resident of the Property shall:

(a) Post any advertisements or posters of any kind in or on the Property except as authorized by the Association;

(b) Hang garments, towels, rugs or similar objects from the windows or balconies or from any of the facades of any building on the Property;

(c) Hang dust mops, rugs or similar objects from the windows or balconies, or clean rugs or similar objects out of doors by beating;

(d) Throw trash or garbage outside the disposal installation provided for such purpose in the service areas;

(e) Act so as to interfere unreasonably with the peace and enjoyment of the residents of the other Lots; or

(f) Maintain any pets which cause distress to the other Lot Owners through barking, biting, scratching or damaging of property.

3. No Lot Owner or residents or lessee shall install wiring for electrical or telephone installations, television antennae, machines or air conditioning units, or similar objects outside his or her Lot which protrude through the walls or roof of his or her Lot except as authorized by the Board of Directors.

IX. INSURANCE

A. By the Board.

1. The Board of Directors shall be required to obtain and maintain to a reasonable extent insurance as provided in the Declaration.

B. By Lot Owners. Lot Owners should carry insurance for their own benefit insuring their Lots, provided, that all such policies shall contain waivers of subrogation and further provided that the liability of the carriers issuing insurance obtained by the Board shall not be affected or diminished by reason of any such additional insurance carried by any Lot Owner.

X. ENFORCEMENT

A. Enforcement. The Board shall have the power, at its sole option, to enforce the terms of this instrument or any rule or regulation promulgated pursuant thereto, by any or all of the following: lawful self-help; sending notice to the offending party to cause certain things to be done or undone, restoring the Association to its original position and charging the breaching party with the entire cost or any part thereof; complaint to the duly constituted authorities; or by taking any other action before any court, summary or otherwise, as may be provided by law.

B. Fines. The Board shall also have the power to levy fines against any Lot Owner(s) for violation(s) of any Rule or Regulation of the Association or for any covenants or restrictions contained in the Declaration or Bylaws in accordance with applicable law.

C. Waiver. No restriction, condition, obligation or covenant contained in these Bylaws shall be deemed to have been abrogated or waived by reason of the failure to enforce the same

irrespective of the number of violations or breaches thereof which may occur.

XI. AMENDMENTS

Subject to the provisions contained in the Declaration, these Bylaws may be altered or repealed, or new Bylaws may be made, at any meeting of the Association duly held for such purpose, previous to which written notice shall have been sent, a quorum being present, by an affirmative vote of two-thirds (2/3) of the Members of the Association. Directors and Members not present at the meetings considering the amendment may express their approval in writing.

An amendment when adopted shall become effective only after being recorded in the Register's Office of Knox County, Tennessee, as an Amendment to the Declaration. These Bylaws shall be amended, if necessary, so as to make the same consistent with the provisions of the Declaration.

XII. CONFLICT; INVALIDITY

A. Conflict. If any provision of these Bylaws conflicts with the Declaration, the Declaration shall be controlling. If any provision of these Bylaws conflicts with the Charter, the Charter shall be controlling.

B. Severability. The invalidity of any part of these Bylaws shall not impair or affect in any manner the enforceability or affect the remaining provisions of the Bylaws.

The foregoing were adopted as Bylaws of WEATHERSTONE TOWNHOUSE OWNERS ASSOCIATION, INC., a corporation not for profit organized under the laws of the State of Tennessee, at the meeting of the Board of Directors on the _____ day of _____, 2004.

President

ATTEST:

Secretary

STEVE HALL
REGISTER OF DEEDS
KNOX COUNTY

THIS INSTRUMENT PREPARED BY:
R. CULVER SCHMID
LONG, RAGSDALE & WATERS, P.C.
1111 NORTSHORE DRIVE
SUITE S-700
KNOXVILLE, TN 37919-4074

AMENDED AND RESTATED

DECLARATION

OF

COVENANTS, CONDITIONS, AND RESTRICTIONS

FOR

WEATHERSTONE TOWNHOUSES

A

PLANNED UNIT DEVELOPMENT

THIS AMENDED AND RESTATED DECLARATION, made and entered into this 17th day of June, 2005, by WEATHERSTONE, LLC, a limited liability company organized and existing under the laws of the State of Tennessee, with its principal place of business being located in Knoxville, Tennessee, hereinafter referred to as "Declarant" or "Developer."

W I T N E S S E T H:

WHEREAS, the Declarant is the owner of certain real property (the "Property") located and being legally described as follows, to-wit:

SEE EXHIBIT "A" ATTACHED HERETO

WHEREAS, the Declarant previously restricted the Property pursuant to the terms of the Declaration of Covenants, Conditions and Restrictions for Weatherstone Townhouses, a Planned Unit Development dated December 1, 2004 recorded with the Knox County Register of Deeds (the "Register's Office") at Instrument Number 200412010045098 (the "Prior Declaration");

WHEREAS, the Declarant recorded with the Register's Office the "Final Plat for Weatherstone Subdivision Unit-1" bearing Instrument Number 200410040028239 and "Final Plat for Weatherstone Subdivision Unit-2" bearing Instrument Number 200410050029266 (such subdivision plats, and all amendments thereto, and new subdivision plats recorded hereafter by Developer for townhouse home development are referred to collectively as the "Plats"), to develop a residential townhouse development on a portion of the Property (the "Development");

WHEREAS, the Declarant is also developing a residential single-family home development on a portion of the Property (the "Subdivision Development") and has recorded in the Register's Office the "Final Plat for Weatherstone Subdivision Unit-3" (the

"Subdivision Plat") bearing Instrument Number 200410070029987 in order to provide for the planned development of the residential single-family home subdivision;

WHEREAS, pursuant to a Declaration of Easements and Covenants for Residential Homes and Townhouses by Weatherstone, LLC dated as of December 1, 2004, and recorded with the Register's Office at Instrument Number 200412010045097, the Declarant seeks to develop the Subdivision Development and the Development described in this Declaration in conjunction with each other by an integrated plan of use and improvements;

WHEREAS, Declarant wishes to amend and restate the Prior Declaration pursuant to the terms described herein; and

NOW, THEREFORE, Declarant hereby declares that the portion of the Property now or hereafter identified as the Development and subject to the terms of the Plats shall be held, sold and conveyed subject to the following easements, restrictions, covenants and conditions, which are for the purpose of protecting the value and desirability of and which shall run with the real property hereinabove-described, and shall be binding on all parties having any right, title or interest in the above-described property, or any part thereof, their respective heirs, successors and assigns, and shall inure to the benefit of every Owner(s) thereof by virtue of such ownership.

ARTICLE I

DEFINITIONS

Section 1. "Association" shall mean and refer to WEATHERSTONE TOWNHOUSE OWNERS ASSOCIATION, INC., a mutual benefit, not-for-profit corporation, organized and existing under the laws of the State of Tennessee, with its principal office being located in Knoxville, Tennessee, its successors and/or assigns, with the charter to take the form attached hereto as Exhibit "C" and the bylaws of the Association to take the form attached hereto as Exhibit "D".

Section 2. "Common Areas" as used herein shall mean all real property, including the improvements thereon, deeded by Declarant to the Association for the common use and enjoyment of the Owner(s), or designated as "Common Areas" on the Plats and being more particularly described in Exhibit "B" attached hereto and made a part hereof.

Section 3. "Declarant" shall mean and refer to Weatherstone, LLC, its successors and assigns. The terms "Declarant" and "Developer" are synonymous for the purposes of this Declaration, and where the term "Developer" is used in the charter of the Association, it refers to Weatherstone, LLC and its successors and assigns.

Section 4. "Developer Control Period" shall have the meaning provided in Article IV, Section 2.

Section 5. "Development" shall mean the townhouse home planned unit development imposed on the Property as described in this Declaration.

Section 6. "Lot" shall mean and refer to any now existing or hereafter created plot of land as part of the Property and shown upon the Plat subdivided pursuant to applicable law, rules and regulations, exclusive of any designated Common Areas as shown on

the recorded Plat, and as hereinabove brought within the jurisdiction of the planned unit development described in this Declaration by the recordation of additional plat(s) and/or annexation agreements(s) by the Declarant, its successors and assigns.

Section 7. "Lender" as used herein shall mean and be defined as any lender, whether institutional investor, bank, savings and loan association, or loan broker, whose loan is secured by a Lot in the Development as shown on the recorded plat.

Section 8. "Member" shall mean and refer to those person(s) entitled to membership in the Association as provided in this Declaration.

Section 9. "Owner(s)" shall mean and refer to the record owner(s), whether one (1) or more persons or entities, of a fee simple title to any Lot which is a part of the "Property," including contract seller(s), but excluding those having such interest merely as security for the performance of an obligation.

Section 10. "Plat" shall mean any now existing or hereafter created subdivision map of the Property for planned unit development of townhouse homes, including but not limited to the "Final Plat for Weatherstone Subdivision Unit-1" bearing Instrument Number 200410040028239 and "Final Plat for Weatherstone Subdivision Unit-2" bearing Instrument Number 200410050029266.

Section 11. "Property" shall mean and refer to that certain real property described on Exhibit "A" hereto.

Section 12. "Townhouse" shall mean any townhouse unit permitted by the terms of this Declaration to be constructed by an Owner on a Lot.

ARTICLE II

PROPERTY RIGHTS

Section 1. Encumbered Property. The terms and conditions of this Declaration shall apply only to the portion of the Property encumbered by the Plats and shall affect only the portion of the Property dedicated to the Development.

Section 2. Owners' Easements and Enjoyment. Every Owner(s) shall have a right and easement of enjoyment in and to the Common Areas, which shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

(a) the right of the Association to charge reasonable admission and other fees for the use of the Common Areas;

(b) the right of the Association to suspend the voting rights and/or right to use of the Common Areas of an Owner(s) for any period during which any assessment against the Owner(s)' respective Lot remains unpaid, and for a period not to exceed sixty (60) days for any infraction of the Association's published rules and regulations;

(c) the right of the Association to dedicate or transfer all or any part of the Common Areas to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Members; provided that, any such dedication or transfer shall not be effective unless an instrument agreeing to

such dedication or transfer signed by two-thirds (2/3) of each class of members of the Association has been recorded (subject to the rights of Declarant). No part of the Common Area shall be mortgaged or conveyed without the consent of at least two-thirds (2/3) of each class of members of the Association (subject to the rights of Declarant).

Section 2. Delegation of Use. Any Owner(s) may delegate, in accordance with the Bylaws, his/her right of enjoyment to the Common Areas and facilities to the members of his/her family, his/her tenant, or contract purchasers who reside on the Property.

Section 3. Common Area Ownership. The Common Area may be deeded by the Declarant to the Association or to a joint venture of the Association and the owners association for the Subdivision Development, as determined by the Declarant in its sole discretion.

ARTICLE III

EXPANSION

Section 1. Development Plan; Expansion. The Declarant hereby reserves the right to amend this Declaration, without consent or approval of Owners or any other party, to create any additional Lots or Common Areas on the Property for incorporation as part of the Development, which right and all rights in consequence thereof are herein referred to as the "Expansion Rights."

Section 2. Restrictions on Developer's Expansion Rights. All Lots created pursuant to the Developer's Expansion Rights will be restricted to permitted uses described herein and subject to the Declaration in the same manner and to the same extent as the Lots created under this Declaration as initially recorded.

This Declaration shall not be construed to constitute a cloud on the Declarant's title rights to the Property prior to its addition, if such addition occurs, to the Development, nor shall it impose any obligation on the Declarant or any other person or entity to improve, develop, or annex any portion of the Property. The rights of the Declarant under this Declaration (including, without limitation, the Developer's Expansion Rights) may be assigned to any successor(s) by an express assignment in a recorded instrument, including without limitation, a deed, an option, or a lease. This Declaration shall not be construed in any way to limit the right of the Declarant at any time prior to such an assignment to establish additional licenses, reservations, and rights of way to itself, to utility companies, or to others as may be reasonably necessary to the proper development and disposal of property owned by the Declarant.

No assurance is made that Declarant will exercise Developer's Expansion Rights with respect to any part of the Property, nor as to which portions of the Property the Declarant will exercise Developer's Expansion Rights or the order in which such portions, or all of the areas, will be developed. The exercise of the Developer's Expansion Rights as to some portions of the Property will not in any way obligate the Declarant to exercise them as to other portions.



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ARTICLE IV

MEMBERSHIP AND VOTING RIGHTS

Section 1. Every Owner(s) of a Lot that is subject to assessment shall be a member of the Association (referred to herein as a "Member"). Membership shall be appurtenant to and may not be separated from ownership of any Lot that is subject to assessment. Subject to the rights of the Declarant, each Owner of a Lot shall be entitled to one (1) vote for each Lot owned. For voting purposes, one (1) vote is assigned to each Lot, except that during the Developer Control Period there shall appertain to Lots owned by the Developer a number of votes sufficient to give Developer seventy-five percent (75%) of all votes in the Association and other Owners shall hold a proportionate share of the remaining votes. When more than one (1) person owns an interest in any Lot, all such person(s) shall be Members, and the vote for such Lot shall be exercised as the co-owners may among themselves determine, but in no event shall more than one (1) vote be cast with respect to any one (1) Lot.

Section 2. Developer agrees and shall have the right to retain control of the Association for a period to expire one hundred twenty (120) days after the date on which the Developer shall have conveyed all of the Lots for the Property to purchasers. For the purpose of determining whether the Developer shall have conveyed all of the Lots, the number of Lots shall include all the Lots shown on the Plat and any additional lots added to the Plat by amendment or new plat subsequent to the date of recording of this Declaration (such period referred to hereinafter as the "Developer Control Period").

Section 3. The manner of election of directors and officers of the Association, and other voting rights, shall be set out in the Bylaws.

ARTICLE V

COVENANT FOR MAINTENANCE ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each Lot owned within the Property, hereby covenants, and each Owner(s) of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association: (1) annual assessments or charges, and (2) special assessments for capital improvements, such assessments to be established and collected as hereinafter provided, and for other purposes if approved in accordance with the Bylaws. The annual and special assessments, together with interest, costs, and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the Lot against which the assessment is made. Each such assessment, together with interest, costs and reasonable attorney's fees, shall also be the personal obligation of the person(s) who is the Owner(s) of such Lot at the time when the assessment became due. The personal obligation for delinquent assessments shall not pass to their respective successor(s) in title unless expressly assumed by such successors and assigns.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the residents in the Development and for the improvement and maintenance of the Common

Areas situated within the Property including, but not limited to cost of repairs, maintenance, replacements, additions, management, insurance maintained in accordance with the Association By-laws, and the employment of professionals to represent the Association when the need arises.

Section 3. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair, or replacement of a capital improvement upon the Common Areas, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of two-thirds (2/3) of the votes of each class of Members who are eligible to vote and are voting in person or by proxy at a meeting duly called for this purpose (subject to the rights of Declarant). All special assessments shall be fixed at a uniform rate for all Lots and may be collected monthly. The Capital Improvement Fund shall be maintained in a separate bank account in the name of the Association as the Capital Improvement Fund.

Section 4. Notice and Quorum. Written notice of any meeting called for the purpose of taking any action authorized under Section 3 or 4 shall be sent to all Members not less than ten (10) days nor more than thirty (30) days in advance of the meeting. At the first such meeting called, the presence of the Members or of proxies entitled to cast a majority of all the votes of each class of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than thirty (30) days following the preceding meeting.

Section 5. Uniform Rate of Assessment. Both annual and special assessments must be fixed at a uniform rate for all Lots and may be collected on a monthly basis as determined by the Association; provided that, during the continuation of construction and improvement, no assessment shall be applied to unimproved Lots or as otherwise prohibited herein.

Section 6. Date of Commencement of Annual Assessments. The annual assessments provided for herein shall commence as to each Lot on the day of the acquisition of a Lot and annually thereafter. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board of Directors shall fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every Owner(s) subject thereto. The due dates shall be established by the Board of Directors. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid. A properly executed certificate of the Association as to the status of assessments on a Lot is binding upon the Association as of the date of its issuance.

Section 7. Effect of Nonpayment of Assessments. Any assessment not paid within thirty (30) days after the due date shall bear interest from the due date at the highest lawful rate chargeable by the Association. The Association may bring an action at law against the Owner(s) personally obligated to pay the same, or foreclose the lien against the Property, or exercise any or all remedies available at law or in equity. No Owner may waive or

otherwise escape liability for the assessments provided for herein by abandonment of his Lot or by non-use of the Common Areas.

Section 8. Subordination of the Lien to Mortgages. The lien of the assessments provided for herein shall be subordinate to the lien of any first mortgage. Sale or transfer of any Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to foreclosure of any first mortgage or any proceeding in lieu thereof, shall extinguish the lien of such assessments as to payments which have become due prior to such sale or transfer. No sale or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof.

Section 9. Exempt Property. All portions of the Property (a) owned by the Association (in whole or in part) or (b) owned by Declarant (whether improved or unimproved) shall not be subject to the assessments provided for herein.

ARTICLE VI

ARCHITECTURAL CONTROL

No Townhouse, building, landscaping, fence, wall, or other structure or improvement shall be commenced, erected or maintained upon any Lot, nor shall any exterior addition, modification, change or alteration therein be made until the plans and specifications showing the nature, kind shape, height, materials and location of such building, fence, wall, or other structure shall have been submitted to and approved in writing as to the harmony and conformity with the exterior design and location of surrounding structures and topography by the Board of Directors of the Association, or by an architectural control committee composed of Three (3) or more representatives appointed by the Board of Directors of the Association. In the event said Board or its designated committee fails to approve or disapprove such design and location within thirty (30) days after said plans and specifications have been submitted to it, approval will not be required and this Article will be deemed to have been fully complied with by the respective Lot Owner(s). Provided, that nothing herein contained shall be construed to permit interference with the development of the Property by Declarant so long as said Property follows the general plan of development.

ARTICLE VII

PARTY WALLS

Section 1. General Rules of Law to Apply. Each wall that is built as a part of the original construction of the residential improvements upon the Property and placed on the dividing line between Lots shall constitute a party wall, and, to the extent not inconsistent with the provisions of this Article, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

Section 2. Sharing of Repair and Maintenance. The cost of reasonable repair and maintenance of a party wall shall be shared equally by the Owners who make use of the wall.

Section 3. Destruction by Fire or Other Casualty. If a party wall is destroyed or damaged by fire or other casualty, any Owner(s) who has used the wall may restore it, and if the other

Owner(s) thereafter make use of the wall, they shall contribute to the cost of restoration thereof in proportion to such use without prejudice, however, to the right of any such Owner(s) to call for a larger contribution from the other Owner(s) under any rule of law regarding liability for negligent or willful acts or omissions.

Section 4. Weatherproofing. Notwithstanding any other provision of this Article, an Owner who by his negligent or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

Section 5. Right to Contribution Runs with Land. The right of any Owner(s) to contribution from any Owner(s) under this Article shall be appurtenant to the land and shall pass to such Owners' respective successor(s) in title.

Section 6. Arbitration. In the event of any dispute arising concerning a party wall, or under the provisions of this Article, each party shall choose one (1) arbitrator, and such arbitrators shall choose one (1) additional arbitrator, and the decision concerning said dispute shall be determined by a simple majority of all the arbitrators.

ARTICLE VIII

EXTERIOR MAINTENANCE

The Association shall provide exterior maintenance upon each Lot which is subject to assessment hereunder, as follows: paint, repair, replacement and care of roofs, gutters, downspouts, exterior building surfaces, trees, shrubs, flowers, all other landscaping needs of each Lot (including seeding, mowing and irrigation of each Lot), sidewalks and any other structures which may exist or hereafter be constructed within the Common Areas shown on the Plat. All landscaping of each Lot shall be performed by the Association according to rules and regulations established by the Association. Each Lot shall contain planting, trees and shrubbery (and an irrigation system to maintain such landscaping) required by the Association. The Association shall assess each Lot Owner on or after the Owner's purchase of a Lot for costs attributable to such maintenance as an assessment permitted by the terms of this Declaration.

Such exterior maintenance shall not include glass surfaces except on improvements within the Common Areas.

In the event that the need for such maintenance or repair of a Lot or the improvements thereon is caused through the willful or negligent acts of its Owner(s), or through the willful or negligent acts of the family, guests, or invitees of the Owner(s) of the Lot needing such maintenance or repair, the cost of such exterior maintenance shall be added to and become a part of the assessment to which such Lot is subject, and shall be collected in accordance with the terms of this Declaration.

ARTICLE IX

RESTRICTIONS ON USAGE

Section 1. Land Use and Building Types. Lots shall not be used except for residential purposes.

Section 2. Nuisance. Noxious or offensive activities shall not be conducted upon any Lot nor shall anything be done thereon which may be or become an annoyance or nuisance to the neighborhood and Property.

Section 3. Animals. No animals, livestock or poultry of any kind shall be kept or maintained on any Lot except that dogs, cats, or other household pets may be kept or maintained provided that they are not kept or maintained for commercial purposes; and provided further, that the Association may regulate the keeping and maintaining of household pets.

Section 4. Outside Antennae. Outside radio, television or satellite antennae shall not be erected on any Lot within the Property unless and until permission for the same has been granted by the Board of Directors of the Association or the Association's Architectural Control Committee.

Section 5. Signs. Sign(s) of any kind shall not be displayed to public view on any Lot except one (1) professional sign of not more than five (5) square feet advertising the Property for sale or rent, or signs used by a builder to advertise and market the Property during the construction and sales period.

Section 6. Garbage and Refuse Disposal. Lots shall not be used or maintained as a dumping ground for rubbish, trash, garbage, or other waste, and such refuse shall not be kept except in sanitary containers; all equipment for the storage of such material shall be kept in a clean and sanitary condition; incinerators or other disposal equipment shall not be allowed on any Lot.

Section 7. Lawful Use. Immoral, improper, offensive or unlawful use shall not be made of the Lots within the Property, nor any part thereof, and all valid laws, zoning ordinances, and regulations of all governmental bodies having jurisdiction thereof shall be observed.

Section 8. Commercial Business. Commercial business may not be maintained or transacted on any Lot.

Section 9. Sports Apparatus and Equipment. Basketball goals, posts or backboards or any other fixed sports apparatus shall not be erected on the Lot.

Section 10. Vehicles and Parking. Vehicles of any type shall not be permanently or semi-permanently parked on the Property in the vicinity of any Lot for the purpose of accomplishing repairs thereto, or the reconstruction thereof, except as permitted by the Bylaws, Rules and Regulations promulgated by the Association. This restriction shall also apply to all vehicles not in operating condition regardless whether such vehicles are being operated.

Section 11. Recreation Vehicles. There shall not be any parking of recreational vehicles, including, but not limited to, camping trailers, boats, motor homes and the like, except in areas specifically designated for this purpose by the Board of Directors of the Association.

Section 12. Commercial Vehicles. The Association shall have the power to adopt rules and regulations concerning the parking of any commercial vehicles within the Property or on individual residential Lots.

Section 13. Association Approval. For the purpose of further insuring the development of the Development as a townhouse area of

high quality and standards, and in order that all improvements on each Lot shall present an attractive and pleasing appearance from all sides and from all points of view, the Association has the exclusive power and discretion to control and approve all of the buildings, structures, and other improvements on each Lot in the manner and to the extent set forth herein. No residence or other building, and no fence, walls, utility yard, delivery, swimming pool or other structure or improvement, regardless of size or purpose, whether attached or detached for the main residence, shall be commenced, placed, erected or allowed to remain on any Lot, nor shall any additional to or exterior change or alteration thereto be made, unless and until building plans and specifications covering the same and showing the nature, kind, shape, height, size, materials, floor plans, exterior color schemes with paint samples location and orientation of on-site sewage and water facilities, and such other information as the Association shall require, including, if so required, plans for the grading and landscaping of the Lot, showing any changes proposed to be made in the elevation or surface contours of the land, have been submitted to and approved by the Association. The Association shall have the absolute and exclusive right to refuse to approve any such building plans and specifications desirable in its opinion for any reason, including purely aesthetic reasons. All new construction plans must be accompanied by a landscape and site plan in order to ensure proper landscaping of each Lot.

Section 14. Leasing. No owner of any Lot in the Development shall lease or rent the Townhouse, Lot or improvements thereon for a term of less than twelve (12) months. All tenants shall comply with this Declaration.

ARTICLE X

EASEMENTS

Section 1. Utilities and Drainage. Easements deemed necessary by Developer to insure the marketability of any Lot are reserved for the installation and maintenance of utilities (including but not limited to utility easements benefiting any townhouse home) and drainage facilities by Developer. Unless otherwise permitted by Developer or the Association, within these easements, structures, planting or other material shall not be placed or permitted to remain, which may (1) interfere with the installation and maintenance of utilities, (2) change the direction of flow of drainage channels in the easements, or (3) obstruct, alter, or retard the flow of water through drainage channels in the easements.

Section 2. Access. Easements to each individual Lot for ingress and egress shall be provided to each Lot by the Common Areas as shown on the Plat aforesaid. The Common Areas shall remain unobstructed by vehicles of any type.

Section 3. Maintenance. Easements for repair and maintenance of exterior surfaces of each Lot are reserved for the completion of necessary repairs as determined by the Board of Directors of the Association to be required to perpetuate the architectural continuity of the development and preserve the residential structures therein. The Association has a reasonable right of entry upon any Lot to make emergency repairs and to do such other work as reasonably necessary for the proper maintenance, welfare, safety and operation of the Development.

Section 4. Sign Easement. The Declarant shall reserve on the Property an easement for the construction, repair, maintenance and replacement of signs for the Development, such easement area is more particularly shown on the Plat. The Association, on behalf of any Owner in the Development on shall repair, maintain and replace such signs as needed, and the Owners shall proportionately bear the costs related to such activities as more particularly described herein.

ARTICLE XI

DISCLOSURE

Section 1. Owners and Lenders. The Declarant during the period of development and the Association thereafter shall make available to Lot Owners and lenders, and to holders, insurers or guarantors of any first mortgage, current copies of the Declaration, Bylaws, other rules concerning the Development and the books, records and financial statements of the Association. "Available" shall mean available for inspection, upon request, during normal business hours or under other reasonable circumstances.

Section 2. Financial Disclosure. Any lender and holder of a first mortgage on any Lot in said Development is entitled, upon request, to a financial statement for the immediately preceding fiscal year for a reasonable charge.

Section 3. Notice to Lender. Upon written request to the Association identifying the name and address of the holder, insurer or guarantor and the Lot number or address, any mortgage holder, insurer, or guarantor will be entitled to timely written notice of:

- (a) Any condemnation or casualty loss that affects either a material portion of the project or the Lot securing its mortgage;
- (b) Any sixty (60) day delinquency in the payment of assessments or charges owed by a respective Lot Owner(s) on which it holds the mortgage;
- (c) A lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Association; and
- (d) Any proposed action that requires the consent of a specified percentage of mortgage noteholders.

ARTICLE XII

INSURANCE

Section 1. Insurance Required by the Association. The Association shall obtain and maintain casualty, flood and hazard insurance on all insurable improvements and fixtures for the full replacement cost thereof within the Common Areas and public liability insurance on the Common Areas within the Property. The Association may obtain insurance against such other hazards and casualties as the Association may deem desirable, including such other real and/or personal property owned by the Association. The Association shall be the owner and beneficiary of all such insurance policies and fidelity bonds acquired pursuant to this

Article. The insurance coverage with respect to the Common Areas shall be written in the name of and the proceeds thereof shall be payable to the Association. Insurance proceeds shall be used by the Association for the repair or replacement of the property for which the insurance was carried. Premiums for all insurance carried by the Association are common expenses included in the common assessments made by the Association as provided herein.

Section 2. Replacement or Repair of Property. In the event of damage to or destruction of any part of the Common Area improvements, the Association shall repair or replace the same from the insurance proceeds available. If such insurance proceeds are insufficient to cover the costs of repair or replacement of the property damaged or destroyed, the Association may make a Reconstruction Assessment against all Lot Owner(s) to cover the additional cost of repair or replacement not covered by the insurance proceeds, in addition to any other common assessments made against such Lot Owner(s) as provided herein. In the event that the Association is maintaining blanket casualty and fire insurance on the townhouses on the Lots, the Association shall repair or replace the same from the insurance proceeds available.

Section 3. Townhouse Replacement Election. Each Owner shall obtain and continue property and casualty insurance for the Townhouse owned by such Owner in such form as the Board of Directors deems appropriate in an amount equal to the full replacement value, without deduction for depreciation or coinsurance, (including the structural portions and fixtures thereof). Insurance premiums from any such blanket insurance coverage, and any other property and casualty insurance premiums for such Townhouses constructed on a Lot shall be the expense solely of the Owner of such Townhouse. The Association shall have no obligation to obtain and continue property and casualty insurance for a Townhouse. Each Owner shall provide at the request of the Association certified copies of all insurance policies required by the terms of this Declaration to be obtained by any Owner. Each owner shall cause such property and casualty insurance policies to list the Association as an additional insured. Failure to maintain such insurance shall constitute a default by the Owner under the terms of this Declaration and the Association may impose all legal and equitable remedies available to remedy such default.

In the event any Owner fails to maintain such insurance for such Owner's Townhouse, the Association shall have the right to secure such insurance as deemed reasonable by the Association and all costs of such insurance shall be the obligation of such Owner payable upon request by the Association.

Section 4. Ratable Assessments by the Association. The Association is hereby empowered to assess each Lot ratably for an amount equal to the sum of the current premium for said blanket hazard and casualty insurance based on the valuation of the improvements within the Common Areas. Such premiums shall be held in a separate account and accumulated from monthly assessments and collected for the specific purpose of paying the premiums on such insurance and bonds as the premiums become due.

Section 5. Annual Review of Insurance Policies and Fidelity Bonds. All insurance policies shall be reviewed at least annually by the Board of Directors in order to ascertain whether the coverage contained in the policies is sufficient to make any necessary repairs or replacement of any such property which is covered by said insurance and is subject to damage or destruction.

Section 6. Duty to Rebuild and Repair. In the event a Townhouse is destroyed or damaged, in whole or in part, the Owner, or his successors and assigns shall have the obligation to rebuild or repair such Townhouse within nine (9) months after such damage or destruction in a manner consistent with the requirements of this Declaration. If the Owner fails to rebuild or repair, the Association may rebuild or repair such Townhouse and assess the Owner all costs incurred for such rebuilding or repair pursuant to the terms provided herein. The Owner of a damaged Townhouse shall take all actions necessary immediately after any damage or destruction to prevent damage to any adjoining Townhouses including but not limited to prevention of any water damage. The Association may in connection with such actions exercise all rights and remedies granted herewith including imposition and enforcement of a lien as permitted by the terms of this Declaration.

ARTICLE XIII GENERAL PROVISIONS

Section 1. Enforcement. The Association or any Owner(s) or Owners, shall have the right to enforce by any proceeding at law or in equity all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration. Failure by the Association or by any Owner(s) to enforce any covenant or restriction herein contained shall not in any event be deemed a waiver of the right to do so thereafter.

Section 2. Severability. Invalidation of any one (1) of these covenants or restrictions by judgment or court order shall not in any way affect any other provision, and all other provisions shall remain in full force and effect.

Section 3. Amendment. The covenants and restrictions of this Declaration shall run with and bind the land, for a term of twenty (20) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years. Subject to the rights of Developer described herein, this Declaration may be amended during the first twenty (20) year period by an instrument signed by not less than seventy-five percent (75%) of the Lot Owner(s). Declarant shall have the authority without the consent of any Owner to amend this Declaration to reflect the recording of amendments or modifications to the Plat or the filing of a new plat affecting the Property subject to the terms of this Declaration. Any amendment will not be effective until it is recorded in the Register's Office of Knox County, Tennessee.

Section 4. Annexation. Additional residential property may be annexed to the Property by the Declarant without the consent of Members within five (5) years from the date of this instrument. Such annexed property shall constitute part of the "Property" described herein and subject to the terms of this Declaration.

Section 5. Encroachments. It is understood that the residential townhouses which adjoin each other and have a party wall built as a part of the original construction of the said townhouses, which is placed upon the dividing line between adjoining Lots, may encroach on such adjoining Lots or Common Areas due to construction or other reasons. Accordingly, an easement is reserved for such encroachments as are contained in the buildings, whether the same now exist or may be caused or created by construction, settlement or movement of the building(s), or by permissible repairs, construction, or alteration. With regard to any differences which may exist on the Plat or in any other lands which may hereafter be platted or annexed to the Property and the



party walls and Lot lines which exist on the additional plats and annexations to the Property, the Lot lines and party walls which actually exist shall control over discrepancies in such plats and annexations,

Section 6. Contracts. The Association shall not be liable to the Owner, for any acts or omissions made in good faith as such members of the Association. The Owners shall indemnify and hold harmless each of such members of the Association against all contractual liability to others arising out of contracts made by such members of the Association on behalf of the Owners unless any such contract shall have been made in bad faith or contrary to the provisions of this Declaration. Every member of the Association shall be indemnified by the Owners against all expenses and liabilities, including attorney's fees, reasonably incurred by or imposed upon him or her in connection with any proceeding to which he or she may be a party, or in which he or she may become involved, by reason of his or her being or having been a member of the Association, or any settlement thereof, whether or not he or she is a member at the time such expenses are incurred, except in such cases wherein the member is adjudged guilty or willful misfeasance or malfeasance in the performance of his or her duties. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such member may be entitled.

Section 7. Right of Entry. The Association with appropriate notice shall have the reasonable right of entry on any townhouse or Lot to perform emergency repairs or to do other work necessary for the proper maintenance of the Property.

Section 8. Formation of Association. The Association shall be created upon the filing of the Association's Charter prepared in the form attached hereto as Exhibit "C". The Bylaws of the Association shall take the form attached hereto as Exhibit "D". All use restrictions and other rules set out in such Charter and Bylaws, and all restrictions and rules that may hereafter be set out in any amended form of the Bylaws, are incorporated herein by reference and shall be enforceable to the extent that they are in addition to the requirements of this Declaration and are not in conflict with this Declaration. However, in the event of a conflict between any provision of the Bylaws and this Declaration, the provisions of this Declaration shall control.

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Instr: 200506210103146
PAGE: 14 OF 34

IN WITNESS WHEREOF, the undersigned corporation has hereunto caused its name to be signed by its duly authorized officer the day and year first above written.

WEATHERSTONE, LLC

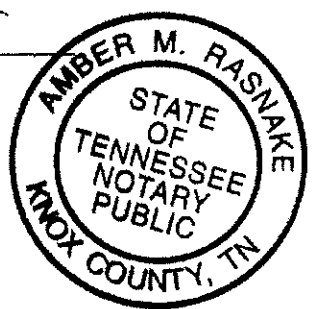
By: [Signature]
Name: Tom Ford
Title: Secretary

STATE OF TENNESSEE
COUNTY OF KNOX

Before me, the undersigned Notary Public of the State and County aforesaid, personally appeared Tom Ford, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, swore to and acknowledged himself to be Secretary of WEATHERSTONE, LLC, the within-named bargainor, a limited liability company, and that he as such Secretary, executed the foregoing instrument for the purpose therein contained, by signing the name of the company by himself as such officer.

WITNESS my hand and seal this 17th day of June, 2005.

[Signature]
Notary Public



My commission expires: 7/13/2008

STATE OF TENNESSEE
COUNTY OF KNOX

I hereby swear or affirm that the actual consideration or true value of this transfer, whichever is greater, is \$10.00.

Affiant:

WEATHERSTONE, LLC

By: [Signature]
Name: Tom Ford
Title: Secretary

Sworn to and subscribed before me, this 17th day of June, 2005.

[Signature]
Notary Public



My Commission Expires: 7/13/2008



JOINDER OF MORTGAGEE

SUNTRUST BANK ("Bank") is the beneficiary under that certain Construction Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated March 4, 2004, and recorded at Instrument Number 200403040082849 in the Register's Office for Knox County, Tennessee (the "Bank Mortgage") encumbering the Property. Bank hereby joins in the execution of this Declaration for the purpose of: (1) making the lien of the Bank Mortgage (and all amendments and modifications thereof) subject to the terms and provisions of this Declaration, and (2) evidencing its consent to this Declaration. This Declaration and all terms and provisions hereof shall survive any foreclosure, deed in lieu of foreclosure, or exercise of the power of sale pursuant to the Bank Mortgage, and all terms and provisions of this Declaration shall remain in full force and effect after any such foreclosure, deed in lieu of foreclosure, or exercise of the power of sale.

SUNTRUST BANK

By: David Roach
Name: DAVID ROACH
Title: VICE PRESIDENT

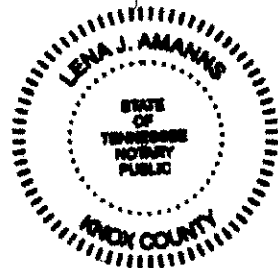
STATE OF TENNESSEE
COUNTY OF KNOX

Before me, a Notary Public of the State and County aforesaid, personally appeared David Roach, with whom I am personally acquainted and who, upon oath, acknowledged himself to be vice president of SUNTRUST BANK, a national banking association, the within named bargainer, and that he as such officer, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing the name of the Bank as such officer.

WITNESS my hand and seal, at office in Knox County this 17th day of June, 2006.

Lena J. Amann
Notary Public

My Commission Expires:
09-03-08



Instr: 200606210103146
PAGE: 18 OF 34

EXHIBIT "A"

LEGAL DESCRIPTION OF TOWNHOUSE AREA

SITUATED, LYING and BEING in the Sixth (6th) Civil District of Knox County, Tennessee, and without the corporate limits of the City of Knoxville, Tennessee, said property being more particularly bounded and described as follows:

BEGINNING at an iron pin in the western line of Fox Road distant in a northerly direction 4,000 feet, more or less, from the point of intersection of the western line of Fox Road with the northern line of Emory Church Road, said POINT OF BEGINNING marking the northeastern corner of property belonging to Crippen; thence South 69 deg. 30 min. West along Crippen's northern line 56.8 feet to an iron pin; thence South 19 deg. 30 min. East along Crippen's western line 75 feet to an iron pin marking the northeastern corner of property belonging to Rhegness; thence South 65 deg. 35 min. West along Rhegness' northern line 339 feet to an iron pin; thence South 35 deg. 30 min. East along Rhegness' western line 1,343 feet to an iron pin in the northern line of property belonging to Carlson; thence South 69 deg. 53 min. West along Carlson's northern line 413.7 feet to an iron pin; thence North 42 deg. 26 min. West along Carlson's eastern line 550.8 feet to an iron pin; thence South 68 deg. 04 min. West along Carlson's northern line 1,737 feet to an iron pin in the eastern line of property belonging to R. Dan Culp; thence North 20 deg. 27 min. West along Culp's eastern line 1,191.5 feet to an iron pin marking the southwestern corner of property belonging to Pirkin; thence North 66 deg. 25 min. East along Pirkin's southern line 2,421 feet to an iron pin in the western line of Fox Road; thence with said line of said Road, the following calls and distances to-wit: South 9 deg. 10 min. West, 123.5 feet to a point; due South 58 feet to a point; South 8 deg. 50 min. East, 54 feet to a point; South 40 deg. 20 min. East, 106 feet to a point; South 47 deg. 45 min. East, 92 feet to an iron pin, the place of BEGINNING, containing 67.32 acres, more or less, including pipeline rights, as shown by survey of G. T. Trotter, Jr., Surveyor, Knoxville, Tennessee, bearing dated October 3, 1980.

THERE IS EXCLUDED from the above described property that certain tract conveyed to the State of Tennessee by deed of record in Deed Book 1996, page 616, in the Knox County Register's Office, to which instrument specific reference is hereby made.

BEING the same property conveyed to Weatherstone, LLC by B. Ray Thompson, Jr. and Juane J. Thompson by deed dated March 2, 2004, filed for record as Instrument No. 200403040082848, in the Knox County Register's Office.



EXHIBIT "B"

COMMON AREA

Any portion of the Property identified as "Common Area" on (a) the "Final Plat for Weatherstone Subdivision Unit-1" recorded in the Register's Office bearing Instrument Number 200410040028239, (b) the "Final Plat for Weatherstone Subdivision Unit-2" bearing Instrument Number 200410050029266 and (c) any subdivision plat hereafter created by Developer for the Development recorded with the Register's Office.



Instr: 200606210103146
PAGE: 18 OF 34

EXHIBIT "C"

CHARTER OF ASSOCIATION

CHARTER
OF
WEATHERSTONE TOWNHOUSE OWNERS ASSOCIATION, INC.

Pursuant to Section 48-52-102 of the Tennessee Nonprofit Corporation Act, the undersigned incorporator adopts the following, being qualified so to act:

1. The name of the Corporation is Weatherstone Townhouse Owners Association, Inc.
2. The Corporation is a mutual benefit corporation.
3. The address of the Corporation's initial registered office, located in Knoxville, Tennessee, shall be 5731 Lyons View Drive, Suite 226, Knoxville, Tennessee 37919, and the Corporation's initial registered agent at that office is Thomas G. Ford.
4. The name of the incorporator is R. Culver Schmid, and his address is Long, Ragsdale & Waters, P.C., 1111 Northshore Drive, Suite S-700, Knoxville, Tennessee 37919.
5. The address of the initial principal office of the Corporation shall be 5731 Lyons View Drive, Suite 226, Knoxville, Tennessee 37919.
6. The Corporation is not for profit.
7. The Corporation shall have members. Members shall be owners of the Townhouses (defined hereinafter) and shall be admitted to membership in accordance with the criteria and procedures established in the bylaws of the Corporation, and no other person or legal entity shall be entitled to membership.
8. Upon the dissolution of the Corporation;
 - (a) all liabilities and obligations of the Corporation shall be paid and discharged, or adequate provision shall be made therefor;
 - (b) assets held by the Corporation upon condition requiring return, transfer, or conveyance, which condition occurs by reason of dissolution, shall be returned, transferred, or conveyed in accordance with such requirements; and
 - (c) all remaining assets of the Corporation shall be disposed of exclusively for the purposes of the Corporation to (1) such organization or organizations organized and operated exclusively for charitable, educational, religious or scientific purposes as shall at the time qualify as an exempt organization or organizations under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, as the Board of Directors shall choose or (2) to the State of Tennessee or to any county or municipality of such State.
9. The purpose for which the Corporation is organized is to assist with the management, enforcement and implementation of the Declaration of Covenants, Conditions and Restrictions for Weatherstone Townhouses to be recorded in the office of the Register of Deeds for Knox County, Tennessee, pursuant to the



requirements of the Horizontal Property Act, codified at Tennessee Code Annotated Section 66-27-101, et seq. (the "Declaration"). As used herein, the term "Townhouse" or "Townhouses" refers to the townhouse units known as Weatherstone Townhouses created by the horizontal property regime to be established by the Declaration pursuant to the requirements of Tennessee Code Annotated Section 66-27-103.

10. The Corporation shall continue to exist as long as the Townhouses shall be in existence unless sooner dissolved or terminated.

11. No part of the net earnings of the Corporation shall inure to the benefit of, or be distributed to, its directors, officers, or members, except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth hereinabove.

12. No substantial part of the activities of the Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate in, or intervene in, including the publishing or distribution of statements, any political campaign on behalf of any candidate for public office.

13. The Corporation shall be empowered to operate and manage to the extent permitted in the Declaration for the use and benefit of the owners of the Townhouses as the agent of such owners.

14. The Corporation shall be authorized to exercise and enjoy all of the powers, rights, and privileges granted to or conferred upon corporations of a similar character by the provisions of Section 48-51-101, et seq., Tennessee Code Annotated, entitled "Tennessee Nonprofit Corporation Act" now or hereafter in force, and to do any and all things necessary to carry out its operations as a natural person might or could do.

15. All funds and the titles of all interests in properties acquired by this Corporation, whether fee simple or leasehold in nature, and the proceeds thereof shall be held in trust for the owners of the Townhouses in accordance with the provisions of the Declaration and its supporting documents.

16. All of the powers of the Corporation shall be subject to and shall be exercised in accordance with the provisions of the Declaration together with its supporting documents which govern the use of the Townhouses.

17. The incorporators, members, and directors of the Corporation shall have the right to take any action required or permitted by vote without a meeting by written consent pursuant to the provisions of Tennessee Code Annotated Sections 48-57-104 and 48-58-202.

18. The interest, if any, of any member in any real property of the Corporation or in the funds and assets of the Corporation cannot be conveyed, assigned, mortgaged, hypothecated, or transferred in any manner, except as permitted in the Declaration or the bylaws of the Corporation.

19. Voting by the members of the Corporation in the affairs of the Corporation shall be on the basis of one vote for each Townhouse; provided, however, that until the Developer, as defined



in the Declaration and its supporting documents, has sold a specified percentage of the Townhouses, the Developer shall retain and reserve certain special voting rights as provided in the Declaration and the bylaws of the Corporation.

20. The provisions of this Charter may be amended, altered, or repealed from time to time in accordance with the provisions of the Declaration and the bylaws of the Corporation and in the manner prescribed by the Tennessee Nonprofit Corporation Act, Tennessee Code Annotated Sections 48-51-101, et seq., and any additional provisions so authorized may be added hereto; provided that the provisions of this Charter shall not be changed, modified, repealed, or expanded in such a manner as to be inconsistent with the purposes for which the Corporation is formed.

In Witness Whereof, this Charter is executed this 3rd day of September, 2004.

R. Culver Schmid, Incorporator



Instr: 200506210103146
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EXHIBIT "D"

BYLAWS OF ASSOCIATION

BYLAWS
OF
WEATHERSTONE TOWNHOUSE OWNERS ASSOCIATION, INC.
A CORPORATION NOT FOR PROFIT

I. GENERAL PURPOSE

WEATHERSTONE TOWNHOUSE OWNERS ASSOCIATION, INC. (hereinafter the "Association") has been organized for the purpose of administering the operation and management of a planned unit development for the use and benefit of the owners of townhouse lots ("Lots") in WEATHERSTONE TOWNHOUSES, a planned unit development located or to be located in Knoxville, Tennessee (hereinafter referred to as "Weatherstone Townhouses"), which is more particularly described in a Declaration of Covenants, Conditions and Restrictions for Weatherstone Townhouses establishing, governing and restricting the planned unit development, to which a copy of these Bylaws is to be attached at the time of recordation in the Register's Office for Knox County, Tennessee (the "Declaration"). The terms and provisions of these Bylaws are expressly subject to the effect of the terms, provisions, conditions and authorizations contained in the Charter of WEATHERSTONE TOWNHOUSE OWNERS ASSOCIATION, INC. (the "Charter") and in the Declaration. The terms and provisions of such Charter and Declaration are incorporated herein by reference and shall be controlling wherever the same may be in conflict herewith. For purposes of these Bylaws initial capitalized terms shall have the meaning set forth in the Declaration unless otherwise stated or the context so requires. As used herein, "Developer" refers to WEATHERSTONE, LLC, a Tennessee limited liability company, and its successors and assigns.

II. MEMBERSHIP AND VOTING RIGHTS

A. Membership. Each person or entity who is a record owner of a fee interest in a Lot or Lots shall automatically be a member of the Association (hereinafter referred to as "Member"). Each Lot is entitled to one vote in the affairs of the Association, so in the event that any Lot is owned by more than one Member, the vote of the Lot shall be cast by the Member named in a certificate signed by all of the Owners of the Lot and filed with the Secretary of the Association, and such certificate shall be valid until revoked by a subsequent certificate. If such a certificate is not on file, the vote of such Members shall not be considered in determining the requirement for a quorum, nor for any other purpose.

B. Change of Membership. Change of membership shall be accomplished by recording in the Knox County Register's Office a deed or other instrument establishing record title to a Lot, and delivery to the Secretary of the Association of a certified copy of such instrument. The membership of the prior Lot Owner shall be thereby terminated.

C. Suspension of Rights. The membership and voting rights of any Member may be suspended by the Board of Directors for any period during which any Assessment against the Lot to which its

membership is appurtenant remains unpaid; but upon payment of such Assessment, and any interest accrued thereon, its rights and privileges shall be restored as of the date of payment. Further, if Rules and Regulations governing the use of the Property and the conduct of persons thereon have been adopted and published, as authorized in these Bylaws, the rights and privileges of any person in violation thereof or in violation of the provisions hereof may be suspended at the discretion of the Board of Directors.

D. Proxies. Proxy ballots shall be permitted with respect to all elections of Directors, and all amendments to the Charter, the Declaration or these Bylaws, or any other matter which is to come before a meeting of the membership of the Association. All proxies shall be in writing, signed by the individual Lot Owner or Owners (or in the case of joint owners by the person named in the certificate described in Section A of this Article II), or by his or her duly authorized representative(s) and delivered to the Secretary of the Association, or such other person as the President may designate, at least twenty-four (24) hours prior to the commencement of the meeting at which ballots are to be cast.

III. MEETINGS OF MEMBERS

A. Place of Meetings. All meetings of the Members of the Association shall be held at the Property or at such other place convenient to the Members as may be designated by the Board of Directors or the President.

B. First Annual Meeting and Regular Annual Meetings. All annual Members' meetings shall be held on the day and month of the year to be established by the Board of Directors. At such meeting the election of Directors shall take place and the Members may transact such other business as may properly come before them.

C. Special Meetings. Special meetings of Members may be called by the President whenever he or she deems such a meeting advisable or shall be called by the Secretary when ordered by a majority of the Board of Directors, or upon the written request of Members of the Association representing at least twenty-five percent (25%) of all votes entitled to be cast at such meeting. Such request shall state the purpose of such meeting and the matters proposed to be acted upon. Unless Members representing at least fifty percent (50%) of all votes entitled to be cast request such a meeting, no special meeting may be called to consider any matter which is substantially the same as a matter voted upon at any meeting of the Association held during the preceding twelve (12) months, which determination shall be made in the sole and absolute discretion of the Board of Directors.

D. Notice. Notice of all Members' meetings, regular or special, shall be given by the President, Vice-President or Secretary of the Association, or other officer of the Association in absence of said officers, to each Member, unless waived in writing, such notice to be written or printed and to state the time and place and purpose for which the meeting is called. Such notice shall be given to each Member not less than twelve (12) days nor more than thirty-five (35) days prior to the date set for such meeting, which notice shall be mailed or presented personally to each Member within said time.

E. Quorum and Adjourned Meetings. A quorum at a Members' meeting shall consist of persons entitled to cast a majority of the votes of the entire membership. The joinder of a Member in the action of a meeting by signing and concurring in the minutes thereof shall constitute the presence of such person for the

purpose of determining a quorum. In the absence of a quorum, the Members who are present, either in person or by proxy, may adjourn the meeting from time to time, until a quorum shall be present or represented.

F. Action by Written Consent. Whenever Members of the Association are required or permitted to take any action by vote, such action may be taken without a meeting on written consent, setting forth the action so taken, signed by all of the persons entitled to vote thereon.

G. Organization. At each meeting of the Association, the President, or, in his or her absence, the Vice-President, or in their absence, Members present in person or represented by proxy and entitled to vote thereat, shall act as a chairperson, and the Secretary, or in his or her absence, a person whom the chairperson shall appoint, shall act as Secretary of the meeting.

H. Voting. During the Developer Control Period (as defined in the Declaration), voting rights shall be as set out in the Declaration. The Developer Control Period began with the formation of the Association and shall terminate as required in the Declaration. Following the Developer Control Period, the Owner or Owners of each Lot shall collectively have one vote in the affairs of the Association. Except as otherwise required by the Charter, the Declaration or any law, the affirmative vote of a majority of the votes represented at any duly called Members' meeting at which a quorum is present shall be binding upon the Members. The election of directors shall be by a secret ballot.

I. Member in Good Standing. A Member shall be deemed to be in good standing and entitled to vote at any annual meeting or at any special meeting if and only if all [Common Expense Assessments] (as defined in the Declaration) appertaining to his or her Lot(s) have been paid, together with all interest, costs, attorneys' fees, penalties and other expenses, if any, properly chargeable to him or her and to his or her Lot or Lots, at least three (3) days prior to the date fixed for such meeting.

J. Order of Business. The order of business at the annual meeting of the Members or at any special meetings insofar as practicable shall be:

- (1) Roll call (or check-in procedure)
- (2) Proof of notice of meeting or waiver of notice
- (3) Reading of minutes of preceding meeting
- (4) Establish number and term of memberships of the Board of Directors (if required and noticed)
- (5) Reports of Committees
- (6) Election of directors (if required and noticed)
- (7) Unfinished Business
- (8) New Business
- (9) Ratification of Budget (if required and noticed)
- (10) Adjournment

K. Special Assessment Meetings. Special meetings may also be called for the purpose of special assessments in the manner, and with the degree of formality and notice, described in the Declaration.

IV. BOARD OF DIRECTORS

A. Number and Qualification. The Board of Directors of the Association shall consist of three (3) persons. At least a majority of the Board of Directors shall be Members of the

Association or shall be authorized representatives, officers or employees of the Developer. During the Developer Control Period, the Developer shall have the right to designate and select the persons who shall serve as members of the Board of Directors of the Association. Thereafter, the Board of Directors shall be elected by a majority of the votes and the Developer shall be entitled to vote for election of directors in proportion to the number of Lots it owns in the same manner as other Lot Owners, which is one vote per Lot.

B. Term of Office. For the first Board of Directors, the initial term of office of the two (2) directors receiving the highest number of votes shall be established at two (2) years, and the term of office of the remaining elected director shall be established at one (1) year. After the expiration of the initial term of office of each member of the Board of Directors, his or her successors shall be elected to serve a term of two (2) years, which term shall expire at the second annual meeting following their election, or until their successors are duly elected and qualified, or until removed in the manner elsewhere provided or as may be provided by law.

C. Organizational Meeting. The organizational meeting of a newly elected Board of Directors shall be held within fourteen (14) days of their election at such time and at such place as shall be fixed by the directors at the Association meeting at which they were elected, and no further notice of the organizational meeting shall be necessary in order to legally constitute such a meeting, providing a quorum of the Board of Directors shall be present.

D. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by a majority of the directors, but at least one (1) such meeting shall be held each fiscal year. Notice of regular meetings shall be given by the Secretary or other designated person to each director, personally or by mail, telephone or telegram, at least three (3) days prior to the day named for such meetings, unless notice is waived.

E. Special Meetings. Special meetings of the directors may be called by the President, and must be called by the Secretary at the written request of any two directors. Not less than three (3) days' notice of a meeting shall be given to each Director personally, by mail, telephone or telegram, which notice shall state the time, place and purpose of the meeting.

F. Waiver of Notice. Any director may waive notice of a meeting before or after the meeting and such waiver shall be deemed equivalent to the giving of notice. Actual attendance by a director at any meeting of the Board shall be deemed a waiver of notice by him or her. If all directors are present at any meeting of the Board of Directors, no notice shall be required and any business may be transacted at such meeting. In the discretion of the Board of Directors, meetings of the Board of Directors or portions thereof, may be open to Members of the Association for observation or participation in such manner and to the extent the Board of Directors may deem appropriate.

G. Quorum and Adjourned Meetings. At all meetings of the Board of Directors, a majority of the directors shall constitute a quorum for the transaction of business and acts of the majority of directors present at a meeting at which a quorum is present shall be acts of the Board of Directors, unless otherwise provided in the Charter and the Declaration. If any directors' meeting cannot be organized because a quorum has not attended, the directors who are



present may adjourn the meeting from time to time until a quorum is present. The joinder of a director in the action of a meeting by signing and concurring in the minutes thereof shall constitute the presence of such director for the purpose of determining a quorum.

H. Removal of Members of the Board of Directors. At any duly held regular or special meeting of the Association, any one or more directors may be removed with or without cause by a majority of the votes held by the Members represented, and a successor may be then and there elected to fill the vacancy thus created. Each person so elected shall be a director for the remainder of the term of the director whose term he or she is filling and until his or her successor is duly elected and qualified. Prior to expiration of the Developer Control Period, only the Developer may remove directors in accordance with this paragraph.

I. Vacancies. Vacancies on the Board of Directors caused by any reason other than the removal of a director by a vote of the Members of the Association shall be filled by a vote of a majority of the remaining directors at a special meeting of the Board of Directors held for that purpose promptly after the occurrence of any such vacancy; provided, however, in the event that the vacancies on the Board of Directors result in one (1) or fewer directors remaining on the Board of Directors, a special meeting of the Association shall be called by the President in order to fill such vacancies. Each person so elected at a special meeting of the Association shall serve as a director for the remainder of the term of the director whose term he or she is filling and until his or her successor is duly elected and qualified. If the vacancy has been filled by a vote of the remaining directors, each person so elected shall be a director until his or her successor is elected at the next meeting of the Association. Notwithstanding the foregoing, all vacancies occurring prior to the end of the Developer Control Period shall be filled by decision of the Developer.

J. Consent in Lieu of Meeting and Vote. Anything to the contrary in these Bylaws, the Charter or the Declaration notwithstanding, the entire Board of Directors shall have the power to take action on any matter on which it is authorized to act, without the necessity of a formal meeting and vote if the entire Board of Directors, or all the directors empowered to act, whichever the case may be, shall consent in writing to such action.

K. Powers and Duties. The Board of Directors may act in all instances on behalf of the Association, except as provided by the Declaration, these Bylaws or applicable law. The Board of Directors shall have, subject to the aforementioned limitations, the powers and duties necessary for the administration of the affairs of the Association and of Weatherstone Townhouses which shall include, but not be limited to the following:

1. To make, levy and collect Assessments against Members and Members' Lots to defray the costs of the ownership, operation and maintenance of Common Areas, and to use the proceeds of said Assessments in the exercise of the powers and duties granted unto the Association;

2. To cause the Common Areas to be maintained according to standards established by the Association and as set forth in the Declaration;

3. To make and amend Rules and Regulations governing the use of the Property, for the use and benefit of the Members, so long as such Rules and



Regulations and limitations which may be placed upon the use of such Property do not conflict with the terms of the Charter or the Declaration;

4. To acquire, operate, lease, manage, and otherwise trade and deal with property, real and personal, as may be necessary or convenient in the ownership, operation and management of the Common Areas and in accomplishing the purposes set forth in the Charter;

5. To contract for the management of the Association, and to delegate to such manager all of the powers and duties of the Association, subject to the limitations of the Declaration and applicable law;

6. To comply with and to enforce by legal means all terms and conditions of the Declaration, the Charter, these Bylaws and any Rules and Regulations hereafter promulgated governing use of Weatherstone Townhouses;

7. To pay all taxes and assessments which are liens against any part of the Property, to assess the same against the Members and their respective Lots;

8. To carry insurance for the protection of the Members and the Association as provided in the Declaration;

9. To employ personnel for reasonable compensation to perform the services required for proper administration of the Association;

10. To borrow money for any legitimate purposes which may be necessary for the improvement, maintenance, and well-being of the Property;

11. To cause to be kept a complete record of all its acts and corporate affairs and to present a summary report thereof to the Members at the annual meeting or at any special meeting;

12. To delegate to Members responsibilities concerning the maintenance, repair, and replacement and insurance of portions of the Property; and

13. To exercise any other power necessary and proper for the governance of the Association.

L. Eligibility of Directors. Nothing contained in these Bylaws shall prohibit a director from being an officer, nor preclude the Board of Directors from employing a director as an employee of the Association or contracting with a director for the management of Weatherstone Townhouses subject, however, to the limitations contained herein and in the Declaration.

V. Officers

A. Designation. The executive officers of the Association shall be a President, a Vice-President, a Treasurer and a Secretary, all of whom shall be elected annually by the Board of Directors. The Board of Directors may also appoint such other officers as in its judgment may be necessary to manage the affairs of the Association. Any person may hold two or more offices,

except that the President shall not also be the Secretary or an Assistant Secretary.

B. Election of Officers. The officers of the Association shall be elected annually by the Board of Directors at the first Board of Directors meeting following each annual meeting of the Members and such officers shall hold office at the pleasure of the Board of Directors.

C. Removal of Officers. Upon any affirmative vote of a majority of the full number of directors, any officer may be removed, either with or without cause, and his or her successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors called for such purposes.

D. Duties and Responsibilities of Officers.

1. The President shall be the chief executive officer of the Association. He or she shall preside at all meetings of the Association and the Board of Directors. He or she shall have all the powers and duties which are usually vested in the office of the President of an association including but not limited to the power to appoint committees from among the Members from time to time, as he or she may in his or her discretion determine appropriate, to assist in the conduct of the affairs of the Association.

2. The Vice-President shall, in the absence or disability of the President, exercise the powers and perform the duties of the President. If neither the President nor the Vice-President are able to act, the Board of Directors shall appoint some other person to do so on an interim basis. He or she shall also generally assist the President and exercise such other powers and perform such other duties as shall be prescribed by the directors.

3. The Secretary shall keep the minutes of all proceedings of the Board of Directors and the Members. He or she shall attend to the giving and serving of all notices to the Members and directors, and such other notices required by law. He or she shall keep the books and records of the Association, except those of the Treasurer, and shall perform all other duties incident of the office of the Secretary of an association and as may be required by the directors or President. The Assistant Secretary, if any, shall perform the duties of Secretary when the Secretary is absent.

4. The Treasurer shall have custody of all of the property of the Association, including funds, securities and evidences of indebtedness. He or she shall keep the Assessment rolls and accounts of the Members; he or she shall keep the books of the Association in accordance with good accounting practices; and he or she shall perform all other duties incident to the office of Treasurer.

VI. Compensation, Indemnification and Exculpability of Officers, Directors and Committee Members

A. Compensation. No compensation shall be paid to the President or the Vice-President or any director or committee member for acting as such officer or director. The Secretary and/or Treasurer may be compensated for their services if the Board of Directors determines that such compensation is appropriate. Nothing herein stated shall prevent any officer, director, or committee member from being reimbursed for out-of-pocket expenses or compensated for services rendered in any other capacity to or



for the Association; provided, however, that any such expenses incurred or services rendered shall have been authorized in advance by the Board of Directors.

B. Indemnification. Each director, officer or committee member of the Association shall be indemnified by the Association against all expenses and liabilities, including counsel fees, reasonably incurred by or imposed upon him or her in connection with any proceeding to which he or she may be a party, or in which he or she may become involved, by reason of his or her being or having been a director, committee member or agent of the Association, and in connection with any settlement thereof, whether or not he or she is a director or officer at the time such expenses are incurred, except in such cases wherein he or she is adjudged guilty of willful misfeasance or gross negligence in the performance of his or her duties; provided that in the event of a settlement the indemnification herein shall apply only when the Board of Directors approves such settlement and reimbursement as being in the best interest of the Association. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such director, officer or committee member may be entitled.

C. Exculpability. Unless acting in bad faith, neither the Board of Directors as a body nor any director, officer, committee member or agent of the Association, shall be personally liable to any Member in any respect for any action or lack of action arising out of the execution of his or her office. Each Member shall be bound by the good faith actions of Board of Directors, officers, committee members or agents of the Association, in the execution of the duties of said directors, officers, committee members or agents.

VII. FISCAL MANAGEMENT

A. Annual Assessments.

1. The Board of Directors shall adopt a budget for each fiscal year of the Association, and such budget shall contain estimates of the amount of monies deemed necessary for the Common Expenses, the manner of expenditure thereof, and the proposed Assessments against each Lot Owner. Each Lot Owner shall be obligated to pay in equal monthly installments on or before the first day of each month, his or her proportionate share of the Common Expenses assessed against him by the Board of Directors in accordance with the Declaration, the Charter, these Bylaws and applicable law.

2. The Board of Directors shall give notice to each Lot Owner, in writing, of the amount estimated by the Board of Directors for Common Expenses for the management and operation of the Association for the next ensuing budget period and the proposed annual Assessments, directed to the Lot Owner at his or her last known address by ordinary mail, or by hand delivery. Said notice shall be conclusively presumed to have been delivered five (5) days after deposit in the United States mails.

3. The omission by the Board of Directors, before the expiration of any year, to fix the Assessment thereunder for that or the next year shall not be deemed a waiver or modification in any respect of the provisions of the Declaration and these Bylaws or a release of any Owner from the obligation to pay the Assessments, or an installment thereof for that or any subsequent

year, but the Assessment fixed for the preceding year shall continue until a new Assessment is fixed.

B. Special Assessments. In addition to the annual Assessments authorized by Section A of this Article, the Board of Directors may levy, in any Assessment year, a Special Assessment, applicable to that year only, for the purposes of defraying, in whole or in part, any unexpected expenses or for other lawful purposes, provided that any such Special Assessment shall be apportioned in the same manner as a regular Assessment and shall receive the assent of seventy-five percent (75%) of all of the votes eligible to be cast by all of the Members.

C. Reserves. The Board of Directors shall not be obligated to expend all of the Assessments collected in any accounting period, but must establish and maintain reasonable reserves for the periodic maintenance, repair and replacement of the Common Areas.

D. Working Capital. In order to insure that the Association will have funds to meet unforeseen expenditures or to purchase equipment and services during the initial start up operations of the Association, each Lot Owner, shall pay (if required by the Association) an assessment in an amount determined by the Association at the time of purchase of such Owner's Lot. Such amounts shall not be considered advance payment of regular annual Assessments which are required to be paid by each Lot Owner under Section A of this Article. The Association shall maintain the amounts collected in a working capital fund for the use and benefit of the Association.

E. Depository. The depository of the Association shall be such bank or banks and/or federal savings and loan associations as shall be designated from time to time by the Board of Directors and in which the monies of the Association shall be deposited. Withdrawal of monies from such accounts shall be by such persons as are authorized by the Board of Directors.

F. Annual Audit. An audit of the accounts of the Association shall be made annually, the cost the annual audit shall be deemed a Common Expense, and a copy of the audit report shall be furnished to each Member not later than ninety days following the end of the year for which the report is made.

G. Examination of Books and Records. The Board of Directors shall keep a book with a detailed account, in chronological order, of the receipts and expenditures affecting Weatherstone Townhouses and its administration and specifying the maintenance and repair expense of the Common Areas and any other expenses incurred. Such book, the vouchers accrediting the entries made thereon, copies of the Declaration, these Bylaws, the Rules and Regulations and other books, records and financial statements of the Association shall be maintained at the principal office of the Association and shall be available for inspection by Members during normal business hours or under any other reasonable circumstances.

H. Management Contracts. The Association may enter into professional management contracts or other agreements; provided, however, that each such contract or other agreement shall contain a right of termination with or without cause that the Association can exercise at any time after the Developer Control Period; such right to be exercised without penalty on advance notice of more than ninety (90) days.

I. Fidelity Bonds. The Association shall maintain blanket fidelity bonds for all persons who either handle or are responsible

for funds held or administered by the Association, whether nor not they receive compensation for such services. Any management agent that handles funds for the Association shall also be covered by a fidelity bond.

J. Interest and Attorneys' Fees. The Board of Directors shall have the option, in connection with the collection of any charge or Assessment from a Lot Owner, to impose a late fee, or an interest charge at a rate of eighteen percent (18%) per annum or the highest legal rate then chargeable, whichever is less, from the date the charge or Assessment was due until paid. In the event attorneys' fees are incurred by the Board of Directors in the collection of such charges, the Lot Owner shall be responsible for payment of all reasonable attorneys' fees, in addition to such costs allowable by law.

VIII. OBLIGATIONS AND RESTRICTIONS OF LOT OWNERS

A. Nuisances. No nuisance shall be allowed upon the Property, nor any use or practice which is the source of annoyance to residents or which interferes with the peaceful possession and proper use of the Property by its residents. All parts of the Property shall be kept in a clean and sanitary condition, and no rubbish, refuse or garbage allowed to accumulate, or any fire hazard allowed to exist. No Lot Owner shall permit any use of his or her Lot or of the Common Areas which will increase the rate of insurance upon the Property.

B. Lawful Use. No immoral, improper, offensive or unlawful use shall be made of the Property. All valid laws, zoning ordinances and regulations of all governmental bodies having jurisdiction shall be observed. The responsibility of meeting the requirements of governmental bodies which require maintenance, modification or repair of the Property shall be the same as the responsibility for the maintenance and repair of the property concerned.

C. Rules and Regulations. Reasonable Rules and Regulations concerning the use of Weatherstone Townhouses may be made and amended from time to time by the Association. Copies of such Rules and Regulations and amendments thereto shall be furnished by the Association to all Lot Owners and residents of Weatherstone Townhouses, and such Rules and Regulations shall be of the same force and effect as the provisions of these Bylaws.

D. Commercial Business. All Lots shall be utilized for residential purposes only and no commercial business shall be permitted within the Property. Lot rentals by Owners shall not be considered a commercial use.

E. Obstruction of Common Areas. There shall be no obstruction of the Common Areas.

F. Signs. No sign of any kind shall be displayed for the public view on any portion of the Common Areas except signs used by Developer to advertise the Property during the construction and sales period without the prior approval of the Board of Directors.

G. Insurance. Nothing shall be done or kept in any Lot or in the Common Areas which will increase the rate of insurance on the Common Areas without the prior written consent of the Association. No Owner shall permit anything to be done or kept in its Lot or in the Common Areas which will result in the cancellation of insurance on any Lot or any part of the Common Areas, or which would be in violation of any law.



H. Waste. No waste will be committed of the Common Areas.

I. Exterior Work. There shall be no exterior painting of Lots or patio or yard walls by or on behalf of the Owners thereof, or any person holding thereunder, or repair or replacing of original roofs or utility laterals by such persons nor any major landscaping in front yards by such persons, without the prior approval of the Board of Directors; it being the intention hereunder that such items be regulated by the Association in conjunction with the Association's maintenance of Common Areas in order to preserve the external harmony and overall appearance of the Property.

J. Repair of Vehicles. No vehicles of any type shall be permanently or semi-permanently parked on the Property or in the vicinity of any Lot or in the Common Areas for purposes of accomplishing repairs thereto, or the reconstruction thereof except as permitted by the Rules and Regulations adopted by the Association.

K. Recreational Vehicles and Boats. Parking of boats and all recreational vehicles shall be allowed on the Common Areas only if hereafter approved in accordance with the Declaration.

L. Leasing. All leases of Lots shall be in writing and specifically made subject to the provisions of the Declaration, the Charter and these Bylaws. No Lot may be leased for a period of less than sixty (60) days.

M. Rules of Conduct. In order to assure the peaceful and orderly use and enjoyment of the Lots and the Common Areas, the Lot Owners may, from time to time, adopt, modify and revoke in whole or in part by a vote of the Members present in person or represented by proxy whose aggregate interest in the Common Areas constitutes two-thirds (2/3) of the total interest, at any meeting duly called for the purpose, such reasonable Rules and Regulations, to be called Rules of Conduct and to be consistent with the Declaration and the Bylaws, governing the conduct of said persons on the Property of the Association as it may deem necessary. Such Rules of Conduct, upon adoption, and every amendment, modification and revocation thereof, shall be delivered promptly to each Owner, and shall be binding upon all Lot Owners and occupants of Lots in the planned unit development. The following shall constitute the initial Rules of Conduct for the Association:

1. Residents of the Property shall exercise extreme care to avoid unnecessary noise or the use of musical instruments, radios, televisions or amplifiers that may disturb the other residents.

2. No resident of the Property shall:

(a) Post any advertisements or posters of any kind in or on the Property except as authorized by the Association;

(b) Hang garments, towels, rugs or similar objects from the windows or balconies or from any of the facades of any building on the Property;

(c) Hang dust mops, rugs or similar objects from the windows or balconies, or clean rugs or similar objects out of doors by beating;

(d) Throw trash or garbage outside the disposal installation provided for such purpose in the service areas;



(e) Act so as to interfere unreasonably with the peace and enjoyment of the residents of the other Lots; or

(f) Maintain any pets which cause distress to the other Lot Owners through barking, biting, scratching or damaging of property.

3. No Lot Owner or residents or lessee shall install wiring for electrical or telephone installations, television antennae, machines or air conditioning units, or similar objects outside his or her Lot which protrude through the walls or roof of his or her Lot except as authorized by the Board of Directors.

IX. INSURANCE

A. By the Board.

1. The Board of Directors shall be required to obtain and maintain to a reasonable extent insurance as provided in the Declaration.

B. By Lot Owners. Lot Owners should carry insurance for their own benefit insuring their Lots, provided, that all such policies shall contain waivers of subrogation and further provided that the liability of the carriers issuing insurance obtained by the Board shall not be affected or diminished by reason of any such additional insurance carried by any Lot Owner.

X. ENFORCEMENT

A. Enforcement. The Board shall have the power, at its sole option, to enforce the terms of this instrument or any rule or regulation promulgated pursuant thereto, by any or all of the following: lawful self-help; sending notice to the offending party to cause certain things to be done or undone, restoring the Association to its original position and charging the breaching party with the entire cost or any part thereof; complaint to the duly constituted authorities; or by taking any other action before any court, summary or otherwise, as may be provided by law.

B. Fines. The Board shall also have the power to levy fines against any Lot Owner(s) for violation(s) of any Rule or Regulation of the Association or for any covenants or restrictions contained in the Declaration or Bylaws in accordance with applicable law.

C. Waiver. No restriction, condition, obligation or covenant contained in these Bylaws shall be deemed to have been abrogated or waived by reason of the failure to enforce the same irrespective of the number of violations or breaches thereof which may occur.

XI. AMENDMENTS

Subject to the provisions contained in the Declaration, these Bylaws may be altered or repealed, or new Bylaws may be made, at any meeting of the Association duly held for such purpose, previous to which written notice shall have been sent, a quorum being present, by an affirmative vote of two-thirds (2/3) of the Members of the Association. Directors and Members not present at the meetings considering the amendment may express their approval in writing.



An amendment when adopted shall become effective only after being recorded in the Register's Office of Knox County, Tennessee, as an Amendment to the Declaration. These Bylaws shall be amended, if necessary, so as to make the same consistent with the provisions of the Declaration.

XII. CONFLICT; INVALIDITY

A. Conflict. If any provision of these Bylaws conflicts with the Declaration, the Declaration shall be controlling. If any provision of these Bylaws conflicts with the Charter, the Charter shall be controlling.

B. Severability. The invalidity of any part of these Bylaws shall not impair or affect in any manner the enforceability or affect the remaining provisions of the Bylaws.

The foregoing were adopted as Bylaws of WEATHERSTONE TOWNHOUSE OWNERS ASSOCIATION, INC., a corporation not for profit organized under the laws of the State of Tennessee, at the meeting of the Board of Directors on the _____ day of _____, 2004.

President

ATTEST:

Secretary