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DECLARATION OF COVENANTS AND RESTRICTIONS FOR
SIGNAL WATCH TOWNHOMES

AND BY-LAWS FOR SIGNAL WATCH TOWNHOMES OWNERS' ASSOCIATION

This Declaration is made this 5th day of April, 1999, by Glasscock Developments, Inc., a Tennessee corporation, (sometimes hereinafter referred to as "Developer").

Developer is the owner of certain real property as shown on plat of record in Plat Book 60, Page 46, in the Register's Office of Hamilton County, Tennessee, and has created a residential community known as Signal Watch Townhomes with open spaces and other Common Properties for the benefit of the community; and

Developer desires to provide for the preservation of values and amenities in the community and for the maintenance and upkeep of said open spaces and other Common Properties and to this end, desires to subject the real property described in Article II hereof to the covenants, restrictions, easements, affirmative obligations, charges, and liens, hereinafter set forth, each and all of which is and are hereby declared to be for the benefit of the property and each and every Owner of any and all parts thereof; and

Developer has deemed it desirable, for the efficient preservation of the values and amenities in the community, to delegate and assign to the Owners of the 31 Lots of Signal Watch Townhomes the power and authority of holding title to and maintaining and administering the Common Properties and administering and enforcing the covenants and restrictions governing the same and collecting and disbursing all assessments and charges necessary for such maintenance, administration and enforcement, as hereinafter created; and

Developer herein establishes an association to be called Signal Watch Townhomes Owners' Association, for the purpose of exercising the above functions and those which are more fully set out hereafter;

DECLARATION

Now, therefore, the Developer subjects the real property described in Article II hereof, to the terms of this Declaration and declare that the same is and shall be held, transferred, sold, conveyed, leased, occupied, and used subject to the covenants, restrictions, conditions, easements, charges, assessments, affirmative obligations and liens (sometimes referred to as "the Covenants") hereinafter set forth.

(1)

ARTICLE I

DEFINITIONS

The following words and terms, when used in this Declaration or any supplemental Declaration (unless the context shall clearly indicate otherwise) shall have the following meanings:

1.01 Association. "Association" shall mean Signal Watch Townhomes Owners' Association.

1.02 Board of Directors. "Board of Directors" or "Board" shall mean the governing body of the Association established and elected pursuant to this Declaration.

1.03 Common Expense. "Common Expense" shall mean and include (i) expense of administration, maintenance, repair or replacement of the Common Properties; (ii) expenses agreed upon as Common Expenses by the Association; (iii) expenses declared Common Expenses by the provisions of this Declaration; and (iv) all other sums assessed by the Board pursuant to the provisions of this Declaration.

1.04 Common Properties. "Common Properties" shall mean those areas of land with any improvements thereon which are shown on the recorded plat as Community Lot No. 13 and easements appurtenant thereto and required to be maintained by the Association, and are intended for the common use and development of all Owners. Each Lot shall have as an appurtenance thereto a non-severable, undivided 1/30th interest in Community Lot No. 13.

1.05 Covenants. "Covenants" shall mean the covenants, restrictions, conditions, easements, charges, assessments, affirmative obligations and liens set forth in this Declaration.

1.06 Declaration. "Declaration" shall mean this Declaration of Covenants and Restrictions for Signal Watch Townhomes and By-Laws for same and any supplemental declaration filed pursuant to the terms hereof.

1.07 Developer. "Developer" shall mean Glasscock Developments, Inc., a Tennessee corporation.

1.08 Dwelling Unit. "Dwelling Unit" shall mean a townhome situated upon the Properties designated and authorized for use and occupancy by a single family.

1.09 Existing Land. "Existing Land" shall mean the real property described in Article II hereof.

1.10 First Mortgage. "First Mortgage" shall mean a recorded Mortgage with priority over all other mortgages.

1.11 First Mortgagee. "First Mortgagee" shall mean a beneficiary, creditor or holder of a First Mortgage.

1.12 Lot or Lots. "Lot or Lots" shall mean any improved or unimproved plat of land shown as a Lot upon any recorded map of any part of the Properties, with the exception of Common Properties.

1.13 Member or Members. "Member or Members" shall mean any or all Owner or Owners who are Members of the Association.

1.14 Mortgage. "Mortgage" shall mean a deed of trust, as well as a Mortgage.

1.15 Mortgagee. "Mortgagee" shall mean a beneficiary, creditor or holder of a deed of trust, as well as a holder of a Mortgage.

1.16 Owner or Owners. "Owner or Owners" shall mean the recorded Owner or Owners, whether one or more persons, firms, associations, corporations, or other legal entities, of the fee simple title to any Lot situated upon the Properties but, not withstanding any applicable theory of a mortgage, shall not mean or refer to the Mortgagee, unless and until such Mortgagee has acquired title pursuant to foreclosure, nor shall the term "Owner" mean or refer to any lease or tenant of any Owner. The Developer may be an Owner.

1.17 Property or Properties. "Property or Properties" shall mean the Existing Land which is subject to this Declaration or any supplemental declaration under the provisions hereof.

1.18 Record or To Record. "Record or To Record" shall mean to record pursuant to the laws of the State of Tennessee relating to the recordation of deeds and other instruments conveying or affecting title to real property.

ARTICLE II

PROPERTIES, COMMON PROPERTIES AND IMPROVEMENTS THEREON

2.01 Existing Land. The real property which is, and shall be held, transferred, sold, conveyed, leased and occupied, subject to these Covenants, is located in Hamilton County, Tennessee, and is more particularly described as follows:

Lots One (1) through Thirty-one (31), inclusive, Signal

Watch Townhomes, as shown by plat of record in Plat Book 60, Page 46, in the Register's Office of Hamilton County, Tennessee.

2.02 Common Properties and Improvements Thereon. Being Lot Thirteen (13), Community Lot, and easements appurtenant thereto, as shown on plat of record in Plat Book 60, Page 46, in the Register's Office of Hamilton County, Tennessee.

(A) The Board may, with a simple majority vote, improve the Common Properties with such other improvements as they deem desirable.

ARTICLE III

ASSOCIATION

3.01 Membership. Every person or entity who is a record Owner of a fee simple interest in any Lot which is subject to this Declaration shall be a Member of the Association, provided that any such person or entity who holds such title or interest merely as a security for the performance of an obligation shall not be a Member of the Association. Membership shall automatically be transferred to the new Owner upon the conveyance of any Lot and recording of the Deed of Conveyance in the Register's Office of Hamilton County, Tennessee, plus, payment of any Association initiation fees, assessments, or dues. Membership shall be appurtenant to ownership of any Lot which is subject to assessment.

3.02 Voting Rights. The Association shall have one class of voting membership.

(A) Lot Owners shall have full voting privileges at the Annual Association Meeting concerning all Common Properties, improvements, changes to this Declaration, changes of the Board of Directors, President of the Association, Vice-President of the Association, Secretary-Treasurer, and any interest concerning the Association. Occupants who are not an Owner of a Lot shall have no vote or voice in the affairs of the Association.

In no event shall more than one vote be cast with respect to a Lot. When an Owner signs a proxy such vote shall be counted when such proxy is in a written instrument delivered to the Secretary of the Association before the vote is counted.

ARTICLE IV

THE BOARD OF DIRECTORS AND OFFICERS

4.01 Board of Directors. The administration of the Property on behalf of the Association shall be conducted by a Board of Directors ("Board") which shall consist of 10 natural persons of legal age, each of whom shall be a Member in good standing of the Association, and will maintain such representation during membership on the Board.

4.02 Initial Board of Directors. The Developer shall act as the Board of Directors during the first 24 months following the date of this Declaration or until all units or Lots in Signal Watch Townhomes have been sold by Developer, whichever occurs last. The Developer shall have all powers and authority to act which are granted to the Board of Directors in this Declaration. However, notwithstanding any provision herein to the contrary, Developer shall have the right to terminate its obligations as initial Board of Directors at any time upon giving notice of its intent to do so to all Owners and upon the election of the first Board of Directors and Officers as provided in this Declaration.

4.03 Election. At each annual meeting, subject to the provisions of Section 4.13 hereof, the Association shall elect those members of the Board, President, Vice-President, and Secretary-Treasurer as required under Sections 4.03 and 4.04 who shall serve the terms set out under Section 4.03; provided, however, the members of the Board elected to succeed the prior elected officers may be elected at a special meeting duly called and specifically called for that purpose by the Board, the Board elected at that special meeting to serve until the first annual meeting of the Association held thereafter. Five members of the board shall be elected every other year. The President shall be elected in alternating years with the Vice-President.

4.04 Term. Members of the Board shall serve for a term of one year. Five members shall be elected every other year. The Members of the Board, President, Vice-President and Secretary-Treasurer shall serve until their respective successors are duly elected and qualified, or until their death, resignation or removal. The President, Vice-President and Secretary-Treasurer shall serve for a term of two years.

4.05 Resignation or Removal. Any member of the Board, President, Vice-President, and Secretary-Treasurer may resign at any time by giving written notice to the President or Vice-President should the resigning member be the President. Any member of the Board or elected officer may be removed from elected office by a two-

thirds (2/3) affirmative vote of the Association except that a vacancy on the Board shall be deemed to exist in the event of the death of a member, the disability of a member which, in the opinion of the majority of the Board, renders such member incapable of performing his elected duties, or in the event a member shall cease to be a Member of the Association. Whenever there shall occur a vacancy on the Board for any reason, the remaining Board members shall elect a successor member to serve until the next annual meeting of the Association or a Special Meeting is called for filling vacancies at which time said vacancy shall be filled by the Association for the unexpired term.

4.06 Compensation. The members of the Board and elected officers shall receive no compensation for their services unless expressly provided for by the Association but shall be reimbursed for reasonable expenses incurred by them in the performance of their duties.

4.07 Powers and Authority of the Board. The Board and elected officers, for the benefit of the Property and the Association shall enforce the provisions of this Declaration, these By-Laws, and Rules and Regulations governing the Property. Subject to any provision herein, the Board and elected officers shall have the power and authority to acquire and pay for the following, which shall be deemed Common Expenses of the Association:

(a) Water, sewer, electrical, and other necessary utilities for the Common Properties and Property.

(b) Legal and accounting services necessary or advisable in the operation of the Common Properties and Property and the enforcement of this Declaration, these By-Laws, and any rules and regulations made pursuant thereto.

(c) Painting, maintenance, repair, replacement and landscaping of the Common Properties and Property. The Board shall also have the right from time to time to acquire and dispose of by sale or otherwise and without the necessity of approval by any Owner, furnishings and equipment and other personal property for the Common Properties and to provide maintenance, repair and replacement thereof.

(d) Any other materials, supplies, labor, services, maintenance, repairs structural alterations, insurance, taxes or assessments that the Board is required to secure or pay for pursuant to the terms of this Declaration, these By-Laws or any Rules or Regulations promulgated or which, in its opinion, shall be necessary or advisable for the operation of the Common Properties and Property or for the enforcement of this Declaration, these By-Laws, or the Rules and Regulations.

The Board shall have the exclusive right to contact for all goods, services, including security, and insurance, payment for which is to be made from Common Expenses.

4.08 Additional Powers of the Board. The Board shall have the right to acquire, operate, lease, manage, trade and otherwise deal with the Common Properties as may be necessary or convenient in the operation and management of the Common Properties, and in accomplishing the purposes set forth herein.

4.09 Meetings of the Board. Meetings of the Board shall be held at such places within the State of Tennessee as the Board shall determine at least once per quarter. Five members of the Board, the President or Vice-President, and the Secretary-Treasurer (or his appointee from the Board) shall constitute a quorum, and if a quorum is present, the decision of a majority of those present shall be the act of the Board. Meetings of the Board shall be chaired by the President or Vice-President of the Association and the minutes shall be recorded by the Secretary-Treasurer of the Association (or an appointee of the Board). Any action required to be or which may be taken by the Board may be taken without a meeting of the Board pursuant to a written consent, setting forth the action so taken, signed by a majority of the members of the Board.

4.10 Special Meetings. Special meetings of the Board may be called by the President of the Association or by any two Board members.

4.11 Notice of Meetings. Regular meetings of the Board may be held without call or notice. The person or persons calling a special meeting of the Board shall, at least ten (10) days before the meeting, give notice thereof by any usual means of communication. Such notice need not specify the purpose for which the meeting is called. If an agenda is prepared for such a meeting, the meeting need not be restricted to discussions of those items listed on the agenda.

4.12 Waiver of Notice. Any members of the Board may, at any time, waive notice of any meeting of the Board in writing, and such waiver shall be deemed equivalent to the giving of such notice. Attendance of any member of the Board at any meeting thereof shall constitute a waiver of notice of such meeting unless a Board member attends the meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called and does so object by delivering a written document to that effect.

4.13 Fiscal Year. The fiscal year shall be determined by the Board.

4.14. Special Committees. Special Committees shall be appointed by the President. The Board shall have rights to call for the formation of committees by motion.

4.15 Rules and Regulations. The Board shall have the power and right to adopt and amend rules and regulations for the purpose of governing details of the operation and use of the Common Properties and setting forth restrictions on, and requirements respecting the use and maintenance of the Common Properties. Copies of the Rules and Regulations shall be furnished to each Owner prior to the time the same shall become effective.

4.16 Limitation on Capital Additions, Etc. Except as permitted in Article 4.07(e) and Article XI, the Board shall authorize no structural alterations, capital additions to, or capital improvements of the Common Properties, any of which require an expenditure in excess of \$1,000.00 Dollars without approval of the majority vote of the Association; provided, however, that the Board shall have the power to make any such structural alterations, capital additions to, or capital improvements of, the Common Properties as are necessary, in the Board's reasonable judgement, to preserve or maintain the integrity thereof without obtaining such approval, if in the opinion of the Board an emergency exists upon which should be corrected before a meeting of the Association could be reasonably called and held.

4.17 Failure to insist on Strict Performance Not Waiver. The failure of the Board or its agents to insist, in any one or more instances, upon the strict performance of any of the terms, covenants, conditions or restrictions in this Declaration, or the By-Laws or the Rules and Regulations or to exercise any right or option herein contained, or to serve any notice or to institute any action shall not be construed as a waiver or a relinquishment for the future, of such terms, covenant, condition or restriction, right, option or notice; but such term, covenant, condition or restriction, right, option or notice shall remain in full force and effect.

ARTICLE V

THE ASSOCIATION; MEETINGS, OFFICERS, ETC.

5.01 Quorum. The presence in person or by proxy at any meeting of the Association of two-thirds (2/3) of the Owners of Lots subject to assessment in response to notice to all Owners properly given in accordance with Sections 5.02 or 5.03 of the

By-Laws, as the case may be, shall constitute a quorum. Unless otherwise expressly provided in this Declaration, any action may be taken at any meeting of the Association upon the affirmative vote of persons entitled to cast a two-thirds (2/3) majority of the votes which are represented at such meeting. Proxy vote representation shall be recognized and counted, should members not submit a proxy then a vote "For" the recommendation of the Board will be assumed.

5.02 Annual Meeting. There shall be an annual meeting of the Association on the First Monday of September at 6:00 o'clock pm at the Signal Watch Townhomes or at any place or time (but not more than thirty (30) days before or after such date) so designated by the Board. The Secretary-Treasurer shall present a review of the expenses for the prior year and a budget for the coming year or any pertinent actions passed by the Board.

5.03 Special Meeting. Special meetings of the Association may be held at any time and at any reasonable place to consider matters which require the approval of all or some of the Owners, or for any other reasonable purpose. Special meetings shall be called by a majority of the Board, or at least by one-third (1/3) of the Owners by written notice, delivered to all owners not less than fifteen (15) days prior to the date fixed for said meeting. The notice shall contain matters to be considered.

5.04 Parliamentary Rules. Robert's Rules of Order (latest edition) shall govern the conduct of Association meetings when not in conflict with this Declaration or other such rules adopted by the Board.

5.05 Officers. The Officers of the Association shall be a President, Vice-President, and Secretary-Treasurer. Each officer shall be required to be a Member in good standing; and the President must be a member of the Board. No officer shall receive compensation for serving as such. Officers shall be annually elected by the Association and may be removed or replaced by same. The Board may, in its discretion, require that officers be subject to fidelity bond coverage.

(A) President. The President shall preside at all meetings of the Association and of the Board, and may exercise the powers ordinarily allocable to the presiding officer of an association, including the appointment of committees. The President shall be authorized to provide payment for Association expenses not to exceed \$400.00 Dollars.

(B) Vice-President. In the absence or inability of the President, the Vice-President shall perform the functions of

the President. Further, the Vice-President shall have the authority and responsibility to schedule the use of the community pavilion.

(C) Secretary-Treasurer. The Secretary shall keep the minutes of all proceedings of the Board and the Association and shall keep such books and records as may be necessary for the records of the Association and the Board, including the minute book wherein the resolutions shall be recorded. As Treasurer he shall be responsible for the fiscal affairs of the Board and the Association.

ARTICLE VI

LIABILITY AND INDEMNIFICATION

6.01 Liability of Members of the Board and Officers. The members of the Board, the officers and any agents and employees of the Association shall: (i) not be liable to the Members or Association as a result of their activities as such for any mistake of judgment, or otherwise, except for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (ii) have no personal liability to a Member or any other person or entity under any agreement, instrument or transaction entered into by them on behalf of the Members in their capacity as such; (iii) have no personal liability in tort to a Member or any other person or entity direct or imputed by virtue of acts performed by them as Board members and/or officers except for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; and (iv) have no personal liability arising out of the use, misuse or condition of the Property, or which might in any other way be assessed against or imputed to them as a result or by virtue of their capacity as such Board members and/or officers.

6.02 Indemnification by Association. To the extent now or hereafter permitted by applicable law, the Association shall indemnify and hold harmless any person, his heirs and personal representatives, from and against any and all personal liability, and all expenses, including without limitation counsel fees and court costs, incurred or imposed, or arising out of or in settlement of any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative instituted by any one or more Members or any other persons or entities, to which he shall be or shall be threatened to be made a party by reason of the fact that he is or was a member of the Board or an officer or agent or employee of the Association; provided, in the case of any settlement, that the Board shall have approved the settlement, which approval is not to be unreasonably withheld. Such right of indemnification shall

not be deemed exclusive of any other rights to which such person may be entitled as a matter of law or agreement or by vote of the Association of the Board, or otherwise. The indemnification by the Association set forth in this Article VI shall be paid by the Board on behalf of the Association and shall constitute a Common Expense.

6.03 Costs of Suit in Actions Brought by One or More Members on Behalf of All Members. No suit shall be brought by one or more but less than all Members on behalf of all Members without approval of a majority of Members and, if approval is obtained, the plaintiffs' expenses, including reasonable counsel's fees and court costs, shall be a Common Expense unless such suit is brought by one or more Members against other Members, the Association or against the Board, the officers, employees, or agents thereof, in their capacities as such, with the result that the ultimate liability asserted would, if proved, be borne by all Members as defendants, in which event the plaintiffs' expenses, including counsel's fees and court costs, shall not be charged as a Common Expense.

6.04 Notice of Suit and Opportunity to Defend. Suits brought against the Association, or the Board, or the officers, employees or agents thereof, in their respective capacities as such, or the Common Properties as a whole, shall be directed to the President of the Association, who shall promptly give written notice thereof to the other members of the Board and any Mortgagees, and shall be defended by the Board, and the Association and all Members shall have no right to participate other than through the Board in such defense. Suits against one or more, but less than all Members shall be directed to such Members, who shall promptly give written notice thereof to the Board and to the Mortgagees of the Lots affected, and shall be defended by such Members at their expense.

ARTICLE VII

PURPOSE, USES AND RESTRICTIONS

7.01 Common Properties. The Common Properties shall not be used except for one or more of the following purposes:

(A) Recreational facilities, the primary purpose of which is to serve the residents and Members of the Signal Watch Townhomes Owners' Association.

(B) For the installation and maintenance of drainage systems, water lines, sewer lines, gas lines, telephone lines, power lines, cable tv lines, and all other utility and/or service lines.

(C) Ingress and Egress.

(D) Construction and maintenance of security fences, gates, alarms, etc.

(e) The Common Properties shall remain permanently as open space and there shall be no development of same. No building, structure or facility shall be placed, installed, erected or constructed in or on said Common Properties, unless it is purely incidental to one or more of the uses above specified. Notwithstanding any other provision of this Declaration to the contrary, no amendment shall be made which impairs or diminishes the rights of the Members of the Association in the Common Properties.

7.02 Dwelling Unit. A Dwelling Unit shall be occupied and used only for a single-family private residence.

7.03 Restrictions.

1. No Dwelling Unit or Lot shall be used except as a single-family dwelling.

2. Unless constructed by Developer, no fence or wall of any type shall be placed, constructed or allowed to remain upon any Lot without the expressed, written consent of Developer. Such written consent shall be recorded in the Register's Office of Hamilton County, Tennessee.

3. No noxious or obnoxious, or offensive activity shall be carried on upon or within any Dwelling Unit or Lot, nor shall anything be done thereon which may be or may become an annoyance or a nuisance to the other Owners or the neighborhood in general.

4. No sign shall be displayed on any Lot other than one of not more than four (4) square feet advertising the Dwelling Unit or Lot for sale or for rent.

5. If any Dwelling Unit shall be used for rental purposes, the Dwelling Unit Owner or his agent shall insure that no objectional or offensive activity is permitted that might disturb any other Dwelling Unit resident or Owner.

6. No animals, livestock, or poultry shall be raised or kept on any Lot, except that one (1) dog or cat as a household pet and providing that they are not kept for commercial purposes.

7. Each Owner shall keep his Lot and Dwelling Unit clean and orderly. No materials or equipment such as disabled autos or other unsightly objects shall be kept on the Lot.

8. Access, drainage and utility easements are as shown on plat recorded in Plat Book 60, Page 46, in the Register's Office of Hamilton County, Tennessee.

9. No Dwelling Unit shall be altered on the outside including color of paint and roof unless written consent shall be given by the Board of Directors.

10. Each wall which is built as a part of the original construction of the Dwelling Units upon the Lots and placed on the dividing lines between the Lots shall constitute a party wall and the general rules of law regarding party walls and liability for property damage from negligence or willful acts or omissions shall apply thereto. The cost of reasonable repair and maintenance of a party wall shall be shared by the Owners who made use of the wall in equal proportions to such use.

11. Each Owner shall perform promptly all maintenance and repair work within his Dwelling Unit which, if permitted, would affect the Property in its entirety or in a part belonging to other Owner(s) and each Owner is expressly responsible for damages and liability which result from his failure to promptly perform such maintenance and repair work. Unless otherwise provided in other Articles of this Declaration, each Owner shall be responsible for the costs of performing all such maintenance and repair work. Maintenance and repairs needed outside the living area of a particular Dwelling Unit shall be the responsibility of and at the expense of that Dwelling Unit's Owner which includes painting, roofing, grounds, parking areas, fences and all other outside repairs and maintenance needs, whether by normal usage, weather related, preventive or incidental repairs, unless the Association has agreed to make such repairs and maintenance as a Common Expense.

12. If a partywall is destroyed or damaged by fire or other casualty, any Owner who uses the wall may restore it. If other Owners make use of this wall, they shall contribute to the restoration cost in proportion to such use, without prejudice, however, to the right of any such Owner to call for a larger contribution from the Owner under any rule of law regarding liability for negligent or willful acts or omissions.

13. Notwithstanding any other provisions herein to the contrary, 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 repairs as needed.

14. In the event of any dispute arising concerning a party wall, or under the provisions of this Declaration, the Association shall govern with its decision to be final and conclusive.

15. Each Owner shall obtain fire and extended coverage insurance on his Dwelling Unit in an amount which shall be equal to the maximum insurable replacement value as determined annually and shall annually provide a certificate evidencing the existence of insurance to the Secretary of the Association. Each Owner shall purchase public liability insurance in an amount not less than \$300,000.00 Dollars to protect himself against claims due to accidents within his Dwelling Unit and on the outside ground of his Dwelling Unit and the Common Properties, and annually provide a certificate evidencing same to the Secretary of the Association. Payment of any claim for damage or loss to a Dwelling Unit shall be used exclusively for the cost of repair and restoration of such damaged Dwelling Unit in its entirety.

16. Each Owner shall pay his property tax as billed. If any taxing authority shall levy and tax against any Common Properties, then each Owner shall pay an equal share of said tax.

17. Annual Termite Contracts are to be kept in force by each Owner with a Pest Control Company of their choice, and annually provide a certificate evidencing same to the Secretary of the Association. This is to insure that no termite damage will occur between Dwelling Units.

18. Owners shall promptly remove any deposits or wastes made by their pets upon the Common Properties or the properties of other Owners.

19. The front balcony of any two story Dwelling Unit shall not be screened in or enclosed. However, it shall be permissible for the rear patio of any one and one-half or one story Dwelling Unit to be screened in with the permission of Developer.

20. No carports shall be enclosed or converted into a garage.

21. Motor Homes and Towed Vehicles. No motor type home shall be placed or permitted to remain on any Lot unless permission is obtained from the Board. No boat trailers, campers, or other towed vehicles shall be stored on the Common Properties.

7.04 Violations and Enforcement. In the event of violations of any one or more of the provisions of this Article or this Declaration, the Association, its successors and assigns, including all parties hereafter becoming Owners of any one or more of the Lots to which the provisions of this Declaration apply, may bring action or actions against the Owner seeking to enjoin such violation, or attempted violation, and the Owner shall be further liable for such damages as may accrue, including court costs and reasonable attorney's fees incident to any such proceedings, which costs and fees shall constitute liquidated damages. By reason of the rights of enforcement of the provisions of this Declaration being given unto Owners of Lots (subject to rights of variance reserved by the Board), it shall not be incumbent upon the Association to enforce the provisions of this Declaration or to prosecute any violation thereof. In the event of a violation of these restrictions, a waiver thereof may be made by the Board in its sole discretion, if said waiver does not adversely affect the purposes contained herein.

ARTICLE VIII

ASSESSMENTS

8.01 Creation of Lien and Personal Obligation of Assessments. Each Owner by acceptance of a Deed conveying a Lot, whether it be expressed in any such deed or other conveyance, by submission of such Lots to this Declaration under the provisions of Section 2.01 hereof, shall be deemed to covenant and agree to all of the terms and provisions of this Declaration and pay to the Association Annual Assessments and Special Assessments for the purposes set forth in Section 8.04 of this Article, at such time as hereinafter provided. The Owner of the Lot shall be personally liable to the Association for the payments of all Assessments, whether annual or special, which may be levied while such party is Owner of a Lot. The Assessments, together with interest thereon and costs of collection therefore as hereinafter provided, shall be a charge and continuing lien on the Lot and all of the improvements thereon against which each such Assessment is made. Unpaid Assessments shall bear such interest from due date to date of payment at a rate set by the Board.

8.02 Purpose of Assessments. The Assessments levied by the Board shall be used exclusively to promote the recreation, health, safety and welfare of the Owners and for the improvement and maintenance of the Common Properties and Property. Special Assessments shall be used as set forth in Section 8.04 of this Article.

8.03 Amount of Monthly Assessments. The Monthly Assessment per Lot shall be Forty (\$40.00) Dollars payable monthly unless a majority of the Board should elect to increase or reduce said amount at an annual or special meeting approved by two-thirds (2/3) of the Members in attendance. Monthly Assessments shall start when unit is ready for Occupancy.

8.04 Special Assessments for Improvements and Additions. The Board may levy Special Assessments for the purpose of defraying, in whole or in part, the cost (more than \$3,000.00) of any construction or reconstruction, unexpected repair or replacement of a described capital improvement upon the Common Properties or Property, including necessary fixtures and personal property related thereto or addition to the Common Properties, provided that such Assessment shall have the approval of two-thirds (2/3) of the Owners at a duly called meeting of the Association, written notice shall be sent to Members thirty (30) days in advance setting forth the purposes of said meeting.

8.05 Date of Commencement of Monthly Assessments. The Monthly Assessment shall commence on the date fixed by the Board to be the date of commencement. Such Monthly Assessment will be due and payable on the same date of each month. The due date shall be fixed in the resolution authorizing such Assessment.

8.06 Lien. Recognizing that the necessity for providing proper operation and management of the Common Properties and Property entails the continuing payment of costs and expenses therefor, the Association is hereby granted a lien upon each Lot and the improvements thereon as security for payment of all Assessments against said Lot, now or hereafter assessed, which lien shall also secure all costs and expenses, and reasonable attorney's fees and court costs, which may be incurred by the Association in the enforcement of the lien upon said Lot. The lien granted to the Association may be foreclosed as other liens are foreclosed in the State of Tennessee. Failure by the Owner to pay any Assessment, annual or special, on or before the due dates set by the Association for such payment shall constitute a default, and this lien may be foreclosed by the Association.

8.07 Lease, Sale or Mortgage of Lot. Whenever any Lot may be leased, sold or mortgaged by the Owner thereof, which lease, sale or mortgage shall be concluded only upon compliance with other provisions of this Declaration, the Association, upon written request of the Owner of such Lot, shall furnish to the proposed lessee, purchaser or mortgagee, a statement verifying the status of payment of any Assessments which shall be due and payable to the Association by the Owner of such Lot; such statement shall include whether there exists any matter in dispute between the Owner of such Lot and the Association under this Declaration.

Such statement shall be executed by an officer of the Association, and any lessee, purchaser or mortgagee may rely upon such statement in concluding the proposed lease, purchase or mortgage transaction, and the Association shall be bound by such statement.

Should payment of any Assessment be in default when such lease, sale or mortgage should be transacted, then the rent, proceeds of purchase or mortgage shall be applied by the lessee, purchaser or mortgagee first to payment of any delinquent Assessment to the Association before payment of any rent, proceeds of purchase or mortgage to the Owner of any Lot who is responsible for payment of such delinquent Assessment.

In any voluntary conveyance of a Lot, the grantee shall be jointly and severally liable with the grantor for all unpaid Assessments against the grantor and the Lot made prior to the time of such voluntary conveyance, without prejudice to the rights of the grantee to recover from the grantor the amounts paid by the grantee therefor.

ARTICLE IX

MORTGAGES, MORTGAGEES AND PROCEDURES AND RIGHTS RELATING THERETO

9.01 MORTGAGES AND OTHER LIENS. (a) Each Owner shall have the right, subject to the provisions herein, to make or create, or cause to be made or created, any mortgage or other lien on or affecting said Owner's respective Lot together with said Owner's respective ownership interest in the Common Properties, provided however that, from the date this Declaration is recorded, no Owner shall have the right or authority to make or create, or cause to be made or created, any mortgage or other lien on or affecting the Property or any part thereof, except only to the extent of said Owner's own Lot and the respective interest in the Common Properties corresponding thereto.

(b) Subsequent to the recording of this Declaration, no liens of any nature shall be created or arise against any portion of the Property except against an individual Lot. No labor performed or materials furnished with the consent or at the request of a particular Owner shall be the basis for the filing of a mechanic's lien claim against any other Lot. If the performance of the labor or furnishing of the materials is expressly authorized by the Association, each Owner shall be deemed to have expressly authorized and consented to such performance of labor and furnishing of materials, and each Owner

shall be liable for the payment thereof in a proportionate share of any due and payable indebtedness, as set forth in this Declaration. An Owner shall not be liable for any claims, damages or judgments entered as a result of any action or inaction of the Association other than for mechanic's liens as set forth above. Each Owner's liability for any judgment entered against the Association shall be limited to said Owner's proportionate share of the indebtedness, as set forth in this Declaration whether collection is sought through assessment or otherwise.

9.02 RIGHTS OF MORTGAGEES. (a) Each of the following actions shall require, as of the date such action is taken, the prior written approval of all holders or owners of a subsequently recorded mortgage or deed of trust constituting a first mortgage lien on any one or more Lots:

(i) abandonment or termination of the Association or removal of the Property from the provisions of this Declaration, except for removal provided by law, or in the case of destruction by fire or other casualty or in the case of a taking by condemnation or eminent domain;

(ii) any amendment to this Declaration which changes the interest of the Owners in the Common Properties;

(iii) use of hazard insurance proceeds for losses to the Common Properties for other than the repair, replacement, or reconstruction of such improvements.

(iv) any amendment to this Article or to any other provision in this Declaration which specifically grants rights to the holders of such first mortgages or deeds of trust.

(b) Upon written request, any mortgagee subject to this Declaration shall be entitled to:

(i) inspect the books and records of the Association during normal business hours, upon reasonable notice;

(ii) receive a copy of the annual financial statement of the Association which is prepared for the Association and distributed to the Owner's;

(iii) receive written notice of all meetings of the Association and permitted to designate a representative to attend all such meetings;

(iv) receive written notice of any default in the obligations hereunder of any Owner of such Lot encumbered by such

first mortgage lien, not cured within thirty (30) days after notice of such default has been sent to such Owner by the Association; and

(v) receive written notice of any material amendment to this Declaration or the Bylaws of the Association.

However, the Association's failure to provide any of the foregoing to a first mortgagee who has so requested same shall not affect the validity of any action or decision which is related to the foregoing, nor shall the Association have any liability on account of its good faith failures to so provide.

(c) Upon written request, a first mortgagee of any one or more Lots shall be entitled to timely written notice in the event of any substantial damage or destruction of any part of the Common Properties or if the Common Properties or any portion thereof is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority. No Owner or other party shall be entitled to priority over such first mortgagee with respect to the distribution to such Owner or other party, with respect to such Lot, of any insurance proceeds payable by reason of such damage or destruction or of the proceeds of any such condemnation award or settlement.

(d) The provisions hereof are in addition to all other rights of mortgagees herein contained or under law.

(e) When notice is to be given to any first mortgagee hereunder, the Board shall also give such notice to the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Veterans Administration, the Federal Housing Administration, the Government National Mortgage Association and any other public or private secondary mortgage market entity participating in purchasing or guaranteeing mortgages of Lots in the Development, if the Board has notice of such participation.

9.02 Subordination. The liens provided for in this Declaration shall be subordinate to the lien of any prior recorded mortgage or deed of trust on the Property or Lot or any portion thereof, or on any interest of such Owner, which mortgage or deed of trust is recorded prior to the date such lien for unpaid Common Expenses attaches and is owed, or held by any lender, except for the amount of said proportionate share of such Common Expenses which become due and payable from and after the date on which such lender either takes possession of the Lot or interest encumbered by such mortgage or deed of trust, or accepts a conveyance, transfer or assignment of the Lot or of any interest

therein (other than as security) in lieu of any foreclosure of such mortgage or deed of trust. This provision shall not be amended, modified or rescinded without the prior written consent of all lenders who are the holders or owners of a mortgage or deed of trust recorded prior to the date of such amendment, modification or rescission.

An Owner or mortgagee of a Lot shall have the right to acquire from the Association a certificate showing the amount of unpaid assessments with respect to the Lot. The Association may not enforce against a mortgagee who relies on the certificate any indebtedness as of that date in excess of the amount shown thereon.

By subordination agreement executed by a majority of the Board, the benefits of this Article may be extended to mortgages other than first mortgages.

ARTICLE X

DEFAULT/REMEDIES

10.1 EVENT OF DEFAULT; NOTICE. If any Owner (either by said Owner's own conduct or by the conduct of any occupant of said Owner's Lot) shall violate any provision of this Declaration, the Bylaws or the Rules and Regulations, and if such default or violation shall continue for twenty (20) days after written notice to the Owner from the Association, or shall occur repeatedly during any ten (10) day period after such written notice, then such violation shall constitute an event of default ("Event of Default") and the Association shall have the power to issue to said defaulting Owner a notice in writing terminating the rights of said defaulting Owner to occupy, control, use and enjoy the Common Properties and to vote as a Member of the Association.

10.2 REMEDIES IN THE EVENT OF DEFAULT. (a) In an Event of Default the Association, or its successors and assigns, or its agent, shall have each and all of the rights and remedies which may be provided for in this Declaration or the laws of the State of Tennessee, or which may be provided or permitted at law or in equity, and may prosecute an action or other proceedings against such defaulting Owner and/or others for enforcement of any lien and the appointment of a receiver for the Lot and ownership interest of such Owner, or for damages or injunction or specific performance, or for judgment for payment of money and collection thereof, or the right to take possession of the Lot and such Owner's interest in the Property, and to sell the same, as hereinafter in this Declaration provided, or for any combination

of remedies, or for any other relief. All expenses of the Association in connection with any such actions or proceedings, including court costs and attorney's fees and other fees and expenses and all damages, liquidated or otherwise, together with interest thereon at the maximum contract rate per annum permitted by law shall be charged to and assessed against such defaulting Owner until paid, and shall be added to and deemed part of said Owner's respective share of the Common Expenses, and the Association shall have a lien for all of the same, as well as for non-payment of said Owner's respective share of the Common Expenses, upon the Lot and ownership interest in the Common Elements of such defaulting Owner and upon all of said Owner's additions and improvements thereto; provided, however, that such lien shall be subordinate to the lien of any prior recorded first mortgage or deed of trust on the Property or any portion thereof, or on any interest of such Owner, except for the amount of the proportionate share of said Common Expenses which became due and payable from and after the date on which the said mortgage owner or holder either takes possession of the Lot or interest encumbered by such mortgage or deed of trust, accepts a conveyance of any interest therein (other than as a security) or files suit or commences other proceedings to foreclose such mortgage or deed of trust and causes a receiver to be appointed. In the Event of Default by any Owner, the Board shall have the authority to correct such Default, and to do whatever may be necessary for such purpose and all expenses in connection therewith shall be charged to and assessed against such defaulting Owner, together with interest thereon at the rate aforesaid. Any and all such rights and remedies may be exercised at any time and from time to time, cumulatively or otherwise, by the Association. This provision shall not be amended, modified or rescinded without the prior written consent of all lenders who are the holders or owners of a mortgage or deed of trust recorded prior to the date of such amendment, modification or rescission.

ARTICLE XI
GENERAL PROVISIONS

11.01 ACCEPTANCE OF PROVISIONS. Each Owner, by the acceptance of a deed of conveyance, accepts the same subject to all easements, restrictions, conditions, covenants, reservations, liens and charges, and the jurisdiction, rights and powers created or reserved by this Declaration, and all easements, rights, benefits and privileges of every character hereby granted, created, reserved or declared, and all impositions and obligations imposed hereby shall be deemed and taken to be covenants running with the land, shall bind any person having at any time any interest or estate in said land and shall inure to the benefit of such person in like manner as though the provisions of this Declaration were recited and stipulated at length in each and every deed of conveyance.

11.02 NOTICES. Any notices required or permitted to be given under this Declaration unless otherwise specified shall be either personally hand delivered or sent registered or certified mail with return receipt requested, at the respective address of the

Owners, or the Association or to such other address as an Owner or the Association may from time to time designate in writing to the Association. Any notice shall be deemed to have been given at the time it is hand delivered or it is placed in the mails with sufficient postage prepaid.

11.03 AMENDMENTS. This Declaration may be amended in accordance with the following procedures:

(A) An Amendment to this Declaration may be considered at any annual or special meeting of the Association; provided however, that if an annual meeting, notice of consideration of the Amendment and a general description of the terms of such Amendment shall be included in the notice of the annual meeting provided for in Section 5.02, and if a special meeting, a similar notice shall be included in the notice of the special meeting provided for in Section 5.03. Notice of any meeting to consider an Amendment shall also be sent to each Mortgagee listed upon the register of the Association.

(B) At any such meeting, the Amendment must be approved by an affirmative two-thirds (2/3) vote of those Owners present and voting.

(C) If an Amendment is approved as set forth in Paragraph B of this Section, the Secretary shall mail a true copy of the Amendment to each Owner, informing each Owner that he shall have twenty (20) days from such notice within which to reply, in writing, to the Secretary of the Association and to indicate his approval or disapproval of such Amendment. If seventy-five (75) percent of those Owners responding within said twenty (20) day period shall indicate their approval of the Amendment, it shall be deemed adopted.

(D) An Amendment adopted under Paragraph C of this Section shall become effective upon its recording in the Register's Office of Hamilton County, Tennessee, and the President and Secretary shall execute, acknowledge and record the Amendment and the Secretary shall certify on its face that it has been adopted in accordance with the provisions of this Section; provided that in the event of the disability or incapacity of either, the Vice-President shall be empowered to execute, acknowledge and record the Amendment. The certificate shall be conclusive evidence to any person who relies thereon in good faith, including, without

limitation, any Mortgagee, prospective purchaser, tenant, lien or title insurance company that the Amendment was adopted in accordance with the provisions of this Section.

(E) This certificate referred to in Paragraph D of the Section shall be in substantially the following form:

C E R T I F I C A T E

I, BARRY K. GLASSCOCK, do hereby certify that I am the Secretary of Signal Watch Townhomes Owners' Association and that the within Amendment to the Declaration of Covenants and Restrictions and By-Laws for Signal Watch Townhomes Owners' Association was duly adopted by the Owners of said Association in accordance with the provisions of Section 12.02 of said Declaration.

Witness my hand this 16th day of April, 1999.


Secretary

(F) No Amendment shall be made affecting the Common Properties which is in any manner inconsistent with the permitted uses and purposes for such properties set out in Section 7.01. No Amendment to this Declaration shall be made without the prior approval of the Hamilton County Planning Commission. No Amendment to this Declaration shall be made which shall adversely affect the rights of Mortgagees under Section 9.03.

11.04 SEVERABILITY. The invalidity of any restriction hereby imposed, or any provision hereof, or of any part of any such restriction or provision, shall not impair or affect in any manner the validity, enforceability or effect of the rest of this Declaration and all of the terms hereof are hereby declared to be severable.

11.05 CONSTRUCTION. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development and operation of a first class residential townhome community.

11.06 CONVEYANCE OF INTEREST IN COMMON ELEMENTS. The undivided interest in the Common Properties shall not be separated from the Lot to which such interest appertains and shall be deemed conveyed or encumbered with the Lot even though such interest is not expressly mentioned or described in the deed of conveyance or other instrument.

11.07 EFFECTIVE DATE. This Declaration shall be effective upon recordation.

11.08 HEADINGS. The headings of paragraphs and sections in this Declaration are for convenience or reference only and shall not in any way limit or define the content or substance or such paragraphs and sections.

11.09 NUMBER AND GENDER. As used in this Declaration, the singular shall include the plural, and masculine, feminine, and neuter pronouns shall be fully interchangeable, where the context so requires.

11.10 PERPETUITIES AND RESTRAINTS ON ALIENATION. If any of the options, privileges, covenants or rights created by this Declaration shall be unlawful, void or voidable for violation of the rule of property known as the rule against perpetuities, then such provision shall continue in force and effect only until twenty-one (21) years after the termination of Glasscock Developments, Inc.

IN WITNESS WHEREOF, Developer has caused this instrument to be executed as of the day and date first above written.

GLASSCOCK DEVELOPMENTS, INC.,
a Tennessee corporation

By: [Signature]
Name: BARRY K. GLASSCOCK
Title: VICE PRESIDENT

STATE OF TENNESSEE
COUNTY OF HAMILTON

Before me, LORIE R. MARSH, of the
state and county aforesaid, personally appeared
BARRY K. GLASSCOCK with whom I
am personally acquainted (or proved to me on the basis of
satisfactory evidence), and who upon oath, acknowledged himself
to be president (or other officer) authorized to execute the
instrument of the Glasscock Developments, Inc., the within named
bargainor, a corporation, and that he as such
VICE PRESIDENT executed the foregoing instrument for the
purpose therein contained, by signing the name of the corporation
by himself as VICE PRESIDENT.

WITNESS my hand and seal, at office in Chattanooga,
Tennessee, this 16th day of April, 1999.

[Signature]
Notary Public

My Commission Expires: 9/17/2002

