

The Homes Of



WindStone

COVENANTS &
RESTRICTIONS

WindStone Residential Association

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**DECLARATION OF COVENANTS AND RESTRICTIONS
OF
WINDSTONE RESIDENTIAL ASSOCIATION, INC.**

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TABLE OF *AMENDMENTS* Attached hereto

*EXHIBIT ADescription of Property Subject to Covenants

*EXHIBIT A-1Phase One of Development; Lake Haven

*SCHEDULE 1 TO EXHIBIT A-1.....Legal Description of Lake Haven

*EXHIBIT A-2Phase One of Development; Fairways, a Condominium

*SCHEDULE 1 TO EXHIBIT A-2.....Legal Description of Fairways, a Condominium

*EXHIBIT A-3Phase of Development; Fountain Oaks

*SCHEDULE 1 TO EXHIBIT A-3.....Legal Description of Fountain Oaks

*EXHIBIT B By-Laws of WindStone Residential Association, Inc.

*EXHIBIT C Owner's Percentages

*EXHIBIT D..... Common Properties

**Exhibits and amendments on file with WRA Office for review upon request*

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DECLARATION OF COVENANTS AND RESTRICTIONS
OF
WINDSTONE RESIDENTIAL ASSOCIATION, INC.

THIS DECLARATION, executed the 27th day of June 1986, by WindStone Residential Association, Inc., a Tennessee not-for-profit corporation, hereinafter called "Association" or "Partnership."

WITNESSETH:

WHEREAS, the Partnership, as the Owner in part and Lessee in part of the real property (hereinafter referred to as the "Property") described generally in Part One, Article II of this Declaration, desires to create thereon a planned development community known as WindStone with certain facilities, amenities and services for the use and benefit of all property owners within such community; and

WHEREAS, the Partnership desires to provide for the preservation of the values and amenities and for the maintenance of common facilities, services and properties; and to this end, Partnership desires to subject the Property described in Part One, Article II together with such additions as may hereafter be made, as provided in Part One, Article II, to the covenants, restrictions, easements, affirmative obligations, charges and liens, hereinafter set forth, hereinafter referred to as the "Covenants" or the "Declaration," each and all of which is hereby declared to be for the benefit of said Property and each and every owner of any and all parts thereof; and

WHEREAS, the Partnership deems it desirable, for the efficient preservation of the values and amenities in said community, to create an agency to which can be delegated and assigned the power and authority of maintaining and administering the common properties and services, 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; and

WHEREAS, the Partnership has caused to be incorporated under the laws of the State of Tennessee, a not-for-profit corporation, WindStone Residential Association, Inc., for the purpose of exercising the functions aforesaid, which functions are hereinafter more fully set forth; and

WHEREAS, this Declaration will be referred to as the "Declaration of Covenants and Restrictions of WindStone Residential Association, Inc.," and will be recorded in the Register's Office of Hamilton County, Tennessee and/or the Office of the Clerk of the Superior Court of Catoosa County, Georgia and may be incorporated by reference in deeds to property issued by the Partnership, by reference to the Book and Page of recording in the realty records in said offices.

NOW THEREFORE, the Partnership declares that the real property described in Part One, Article II hereof, is and shall be held, transferred, sold, conveyed, given, donated, leased, occupied and used subject to the covenants, restrictions, conditions, easements, changes, assessments, affirmative obligations and liens hereinafter

set forth. These Covenants, the benefits of these Covenants, and the affirmative and negative burdens of these Covenants, shall touch and concern and run with the land herein referred to as the "Property."

PART ONE GENERAL REFERENCES

ARTICLE I DEFINITIONS

Section 1. 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:

- (a) "Affiliate" shall mean any corporation more than fifty (50%) percent of the voting stock of which is owned or controlled by the Partnership and any partnership or joint venture in which the Partnership has more than a fifty (50%) percent equity interest or an interest in fifty (50%) percent or more of the cash flow from such partnership or joint venture.
- (b) "Approval by the Partnership" shall mean written approval issued by the Partnership, signed by its Managing Partner or Managing Agent or designated representative.
- (c) "Approval by the Architectural Review Board" shall mean and refer to any approval required under these Covenants to be made by the Architectural Review Board and which shall be sought and received or denied pursuant to the provisions of these Covenants.
- (d) "Architectural Review Board" or "Review Board" shall mean and refer to that Board formed and operated in the manner described in Part Two, Article I hereof.
- (e) "Association" shall mean and refer to the WindStone Residential Association, Inc., a Tennessee not-for-profit corporation, its successors and assigns.
- (f) "Bylaws of the Association" or "Bylaws" shall mean and refer to the Bylaws of the WindStone Residential Association, Inc., the initial text of which is set forth in Exhibit B attached hereto and made a part hereof.
- (g) "Club" shall mean and refer collectively to one or more unnamed Tennessee for profit or no-for-profit corporations or any partnerships or other entities including, without limitation, the Partnership which may own, lease and/or operate one or more private recreational clubs strictly for the use and benefit of its members and their guests and guests of the Partnership which may or may not include Owners. The Club facilities may consist of various recreational facilities which may include, without limitation, tennis courts, swimming pools, health club facilities, a club house, guest cottages and hotel-type accommodations and which will include a full-length 18-hole golf course.
- (h) "Common Properties" shall mean and refer to those tracts of land with any improvements thereon which are deeded or leased to the Association and designated in said deed or lease as "Common Properties," being more particularly described on Exhibit D attached hereto and by this reference incorporated herein. The term "Common Properties" shall also include any personal property acquired by the Association if said property is designated a "Common Property." All Common

Properties are to be devoted to and intended for the common use and enjoyment of the Owners, persons occupying dwelling places or accommodations of Owners on a guest or tenant basis, and visiting members of the general public (to the extent permitted by the Board of Directors of the Association) subject to the fee schedules and operating rules adopted by the Association; provided, however, that any lands which are leased by the Association for use as Common Properties shall lose their character as Common Properties upon the expiration of such lease. Common Properties shall not include those tracts of land falling within the definitions of "Restricted Common Properties" set forth below.

- (i) "Covenants" or "Declaration" shall mean and refer to the "Declaration of Covenants and Restrictions of WindStone Residential Association, Inc.," including all covenants, conditions, restrictions and obligations set forth in this Declaration and any amendments and supplements thereto.
- (j) "Development Unit Parcels" shall mean and refer to those parcels or tracts of land conveyed by the Partnership to third parties under covenants and restrictions permitting the division of such parcel or tract into smaller land units such as Residential Lots, Multi-family Tracts, Public or Commercial Sites, or combinations thereof.
- (k) "Dwelling Unit" shall mean and refer to any improved property intended for use as a single-family dwelling, including, without limitation, any single-family detached dwelling, patio home, condominium unit, townhouse unit, or other residential units located within the Property.
- (l) "Horizontal Property Regime" or "Condominium". Shall be interchangeable terms and shall mean and refer to the legal entity established under the laws of Tennessee and of Georgia in which owners of a single-family dwelling, lodging, or commercial unit in a multi-unit building, buildings or structure, own such units directly as a condominium and hold a co-ownership with other unit holders in the Regime Common Property areas and facilities held in common by the Regime for all Owners of the multi-unit complex to the exclusion of others. The instruments creating a Horizontal Property Regime or Condominium within the Property shall be submitted proper to recordation and proper to sale of units to the Partnership for its review. For the Horizontal Property Regime or Condominium instrument to be valid, there must be an instrument indicating the Partnership's approval of such Horizontal Property Regime or Condominium instrument, which is executed by the Partnership and which is recorded with the Recorders simultaneously with the official filing for record of such Regime legal documents with the Recorders.
- (m) "Master Plan" shall mean and refer to the drawing which represents the conceptual land plan for the future development of WindStone. Since the concept of the future development of the undeveloped portions of WindStone is subject to continuing revision and change at the discretion of the Partnership as provided in Part One, Article II hereof, present and future references to the "Master Plan" shall be references to the latest revision thereof. In addition, no implied reciprocal covenants shall arise with respect to lands which have been retained by the Partnership for

future development except that all the covenants, restrictions, obligations and conditions set forth in this Declaration shall apply to all portions of the Property retained by the Partnership. THIS DECLARATION DOES NOT DESIGNATE ANY PORTION OF THE PROPERTY FOR ANY PARTICULAR USE, EXCEPT AS EXPRESSLY SET FORTH IN THIS DECLARATION AND IN THE RECORDED PLAT SET FORTH IN THIS DECLARATION AND IN THE RECORDED PLAT WHICH IS FILED WITH THE RECORDERS PRIOR TO OR SIMULTANEOUSLY WITH THIS DECLARATION. PORTIONS OF THE PROPERTY NOT DESIGNATED FOR A PARTICULAR USE HEREUNDER MAY BE LATER DESIGNATED, SUCH DESIGNATION TO BE MADE BY SEPARATE SUBSEQUENT AMENDMENTS OR SUPPLEMENTS TO THIS DECLARATION AND/OR BY RECORDED PLAT WITH SUCH DESIGNATION CLEARLY AND UNEQUIVOCALLY SHOWN THEREON. THE PARTNERSHIP SHALL NOT BE BOUND BY ANY DEVELOPMENT PLAN, USE OR RESTRICTION OF USE SHOWN ON ANY MASTER PLAN, AND MAY AT ANY TIME CHANGE OR REVISE SAID MASTER PLAN.

- (n) "Member" shall mean and refer to all those Owners who are Members of the Association as provided in Part Three, Article I hereof, including the spouse, children and any family members permanently residing with said Owner.
- (o) "Multi-Family Tract" shall mean any unimproved parcel of land located within the Property intended for use as a site for multi-family dwellings including, without limitation, condominiums. For the purposes of this Declaration, a parcel of land shall not be deemed a "Multi-Family Tract" until such time as its exact metes and bounds have been surveyed and a plat thereof identifying or designating such Property for multi-family use is recorded in the Offices of the Recorders, and further, shall be deemed to be unimproved until the improvements being constructed thereon are sufficiently complete to be subject to assessment as improved Property.
- (p) "Neighborhood Area" shall mean and refer to a parcel or tract of land which is intended for, and has been subdivided for, use as a site for Dwelling Units, whether single-family (detached or attached) or multi-family, and so designated for such use on a recorded subdivision plat of "Residential Lots" or "Multi-Family Tract" in the Offices of the Recorders and which is likewise designated as a Neighborhood Area on such subdivision plat or plats or other recorded instrument referring to such plat or plats. The "Neighborhood Area" shall be comprised of the total number of Residential Lots or Multi-Family Dwelling Unit Sites, or a combination thereof, within such subdivision or group of such subdivisions designated as a Neighborhood Area.
- (q) "Offensive or Noxious" activity or behavior shall include but not be limited to a public nuisance or nuisance per se and shall also include any behavior or activity which is inconsistent with both the reasonable pleasurable use of the Property area by a substantial number of the residents and overnight guests and their reasonable expectations of vacationing, studying, meeting, working, recreating, or enjoying sports, music, food, natural surroundings, and entertainment, free of excessively

noisy behavior grossly disrespecting the rights of others, flashing or excessively bright lights, racing vehicles, offensive displays of public sexuality, significantly loud radio, hi-fi, electronic music distractions, or other similar unreasonable behavior curtailing the reasonable pleasure and use of the facilities within the Property. Public musical or other entertainment, parades, concerts, festivals, carnivals, competitions or shows conducted under permit from the Partnership shall not constitute offensive or noxious activity or behavior unless such permit is withdrawn by the Partnership, or its terms and conditions are violated.

- (r) "Owner" shall mean and refer to the Owner as shown by the real estate records in the Register's Office of Hamilton County, Tennessee, and/or the Clerk of the Superior Court of Catoosa County, Georgia whether it be one or more persons, firms, associations, corporations, or other legal entities, of fee simple title to any Residential Lot, Dwelling Unit, Multi-Family Tract, Public or Commercial Unit, Development Unit Parcel, Unsubdivided Land, or Private Recreational Tract situated upon the Property, but, notwithstanding any applicable theory of a mortgage, shall not mean or refer to the mortgagee or holder of a security deed, its successors or assigns, unless and until such mortgagee or holder of a security deed has acquired title pursuant to foreclosure by exercise of power of sale or otherwise or a proceeding or deed in lieu of foreclosure; nor shall the term "Owner" mean or refer to any lessee or tenant of an Owner.
- (s) "Partnership" shall mean WindStone Residential Association, Inc., a Tennessee not-for-profit corporation, and its successors and assigns.
- (t) The "Property" and "WindStone" shall mean and refer to the Property described in Part One, Article II hereof, and additions thereto, as taken subject to this Declaration or any supplemental declaration under the provisions of Part One, Article II hereof and shall include without exception, (1) Residential Lots; (2) Dwelling Units; (3) Multi-Family Tracts; (4) Public or Commercial Sites; (5) Public or Commercial Units; (6) Development Unit Parcels owned by the Partnership or other Owners; (7) Unsubdivided Land owned by the Partnership or other Owners; (8) Private Recreational Tracts; (9) Common Properties and Restricted Common Properties; and (10) any Open Space or Private Open Space not designated as Common Properties or Restricted Common Properties.
- (u) "Public or Commercial Site" shall mean any unimproved parcel of land within the Property, intended for use as a site for improvements designed to accommodate commercial or business enterprises and to serve residents and guests of WindStone and/or the public, including but not limited to: business and professional offices; facilities for the retail sale of goods and services; banks and other financial institutions; social clubs; restaurants; hotels, motels, inns; theaters; indoor recreational facilities; equestrian facilities; transportation terminals or stations; automobile parking facilities and gasoline stations. For the purposes of this Declaration, a parcel of land shall not be deemed a "Public or Commercial Site" until such time as its exact metes and bounds have been surveyed and a plat thereof identifying or designating such Property as a public or commercial site is recorded

with the Recorders, and further, shall be deemed to be unimproved until the improvements being constructed thereon are sufficiently complete to be subject to assessment as improved properties.

- (v) "Public or Commercial Unit" shall mean and include any improved parcel of land within the Property which is intended and designed to accommodate public, commercial or business enterprises to serve residents and/or guests of WindStone and/or the public, including but not limited to all those enterprises enumerated in Subparagraph (u) immediately above. A parcel of land shall not be deemed to be improved until the improvements being constructed on said parcel are sufficiently complete to be subject to assessment as improved properties.
- (w) "Private Recreational Tract" shall mean and refer to those parcels or tracts of land located within the Property leased to the Partnership and/or conveyed by the Partnership to third parties (including, without limitation, parcels or tracts conveyed to or operated by the Club), under covenants and restrictions permitting or requiring development and operation of such property as a private-member recreational facility for golf, tennis, hand ball or other recreational activity, the membership criteria of which may be totally selected and determined by the governing body of such Private Recreational Tract. Any such Private Recreational Tract shall have imposed upon it covenants running with the land which shall provide such restrictions as are determined by the Partnership to reasonably assure aesthetic control regarding the property so transferred or operated.
- (x) "Recorders" shall mean and refer to the Register of Deeds of Hamilton County, Tennessee and the Clerk of the Superior Court of Catoosa County, Georgia and the respective successors to those offices.
- (y) "Residential Lot" or "Lot" shall mean and refer to any unimproved parcel of land located within the Property which is to be used as a site for a single-family detached dwelling, as shown upon any recorded plat of any part of the Property. A parcel of land shall be deemed to be unimproved until the improvements being constructed thereon are sufficiently complete to be subject to assessment as improved properties.
- (z) "Restricted Common Properties" shall mean and refer to those tracts of land with any improvements thereon which are actually deeded or leased to the Association and designated in such deed or lease as "Restricted Common Properties." All Restricted Common Properties are to be devoted to and intended for the common use and enjoyment of Owners of Residential Lots and Swelling Units, their immediate families, guests accompanying such Owners, and tenants of such Owners holding leases of twelve (12) months duration or longer, and the Partnership, and to be closed to use of (i) tenants of such Owners holding leases of less than twelve (12) months duration; and (ii) visiting members of the general public. All use of Restricted Common Properties shall be subject to the fee schedules and operating rules adopted by the Association. Any lands which are leased by the Association for use as Restricted Common Properties shall lose their character as Restricted Common Properties upon the expiration of such lease.

- (aa) "Undeveloped Land" shall be land owned by the Partnership which is not improved and which has not been designated as Open Space, Private Open Space, Common Properties, or Restricted Common Properties, whether subdivided or unsubdivided.
- (bb) "Unsubdivided Land" shall mean and refer to all land in the Property described in Part One, Article II, hereof, and such additions thereto as are subjected to this Declaration or any supplemental declaration under the provisions of Part One, Article II, hereof, which has not been subdivided into or designated as Residential Lots, Multi-Family Tracts, Public or Commercial Sites, Development Unit Parcels or Private Recreational Tracts, through metes and bounds subdivision plats filed for record with the Recorders expressly declaring or labeling such portions of the Property for development for such uses. For the purposes of this Declaration, the following classifications of Property shall not be deemed "Unsubdivided Land" and shall be expressly excepted from the definition thereof:
- (1) All lands committed to the Association through express written notification by the Partnership to the Association of intent to convey in the manner provided therein.
 - (2) All lands designated on the Master Plan for intended use, or by actual use if applicable, for outdoor recreation facilities; woodlands; places of worship; community, civic and cultural clubs; libraries, nurseries and other schools and instructional centers; medical centers, clinics, nursing care, rest and convalescent homes; and charitable institutions.
 - (3) All lands expressly designated in any way as Common Properties, Restricted Common Properties, Open Space or Private Open Space.
- (cc) "Use or Used for Residential Purposes" shall mean to be used as one's residence or normal and customary place of abode as hereinafter more fully set forth in Part Two, Article I, Section 2, and shall not include any use for business purposes except as expressly permitted in Part Two, Article I, Section 2, hereof. All individual Residential Lots to be used for Residential Purposes only unless some other use or intention is indicated on the plat or some related recorded document.
- (Dd) "" will mean and refer to an unoccupied space on a lot, open and unobstructed from the ground to the sky.
- (ee) "Front" shall mean and refer to an open space extending the full width of the lot and a uniform depth measured horizontally at right angles to the front lot line.
- (Ff) "Rear" shall mean and refer to an open space extending the full width of the lot, and a uniform depth measured horizontally at right angles to the rear lot line.
- (gg) "Side" shall mean and refer to an open space extending along the sides of the lot, between the front , and the rear and of a uniform width measured horizontally at right angles to the side lot lines.

ARTICLE II
PROPERTY AND ADDITIONS THERETO

Section 1. Property. The real property ("Property") which is, and shall be held, transferred, sold, conveyed, given, donated, leased, used and occupied subject to these Covenants is described as follows:

All that tract or parcel of land, situate, lying and being in WindStone, Hamilton County, Tennessee, and Catoosa County, Georgia, which is more particularly described in Exhibit A attached hereto and by specific reference made a part hereof.

Section 2. Master Plan. The Partnership intends to develop the Property in accordance with its Master Plan, as subsequently modified from time to time, as a residential community featuring recreational facilities, certain possible commercial and/or public facilities, various amenities and any other lawful activities which the Partnership deems appropriate as uses for such Property. The Partnership reserves the right to review and modify the Master Plan at its sole option from time to time based upon its continuing research and design program. The Partnership shall not be bound to adhere to the Master Plan in the development of the Property except as expressly set forth in this Declaration or supplements hereto. The Partnership shall have full power to add to, subtract from or to make changes in the Master Plan. The Partnership shall not be required to follow any predetermined sequence or order of improvements and development; and it may bring within these Covenants any additional lands, and develop the same before completing the development of the Property.

Section 3. Transfer of Property to Association. The Partnership or any other persons or entity may submit plans to the association for such parcels of land within the Property as, in its sole discretion, it so chooses without regard to the relative location of such land within the context of the Master Plan. The Association will weigh the benefits and potential liabilities of such proposed conveyance as it relates to each property owner of WindStone and then vote to accept or reject such conveyance. The vote must be of a majority of elected Board Members. The Board's determination will be final unless a two-thirds (2/3) majority of the residents present at the annual Association meeting in WindStone overturn such ruling. Once conveyed to the Association, these properties or lands shall become Common Properties, Restricted Common Properties, Open Spaces, or Private Open Spaces as designated in a supplement to this Declaration and on a revised plat.

Section 4. Further Development of and Additions to Property. The Partnership reserves the right unto itself, its successors and assigns, to develop or cause to be developed undeveloped portions of the Property and to bring within the Property and to bring within the Property existing at any given time, additional lands, and to subject them to this Declaration, all in the following manner:

(a) **Further Development Within the Property.** The Partnership herewith reserves and is granted the unilateral right, without further consent of the Association, Members, or Owners to develop the Property in phases, to include additional Lots, Dwelling Units, Multi-Family Tracts, Common Properties, Restricted Common Properties, Public or Commercial Units, Public or Commercial Sites, Development Unit Parcels, Private Recreational Tracts, and/or Unsubdivided Land, or any combination of the foregoing, which shall be developed at such time and such phases as the Partnership may deem expedient, and to include these development phases within the operation of

this Declaration. Each phase shall be submitted to the operation and effect thereof no later than the closing of a sale of any Lot, Dwelling Unit, Townhouse, Condominium, and prior to completion of development of any Public or Commercial Site, Public or Commercial Unit, Development Unit Parcel or Private Recreational Tract within such phase. The Partnership shall, in each instance, execute and record, unilaterally, an Exhibit to this Declaration and a plat in the case of the initial recording of this Declaration and the plat, and thereafter a supplement to this Declaration and a revised plat, in each instance, describing the area under development; the uses to which the area may be put as permitted in this Declaration (e.g., Residential Lots, Multi-Family Tract, Public or Commercial Site, etc.); the maximum density of development, if any; height and restrictions, if any; and other additional restrictions, covenants, and easements, if any, which the Partnership deems appropriate or desirable. In addition, the Partnership shall have the right to designate and to convey to the Association from time to time as Common Properties, Restricted Common Properties, Open Spaces and Restricted Open Spaces, such portions of such undeveloped portions of the Property as the Partnership shall determine to be necessary or desirable, all in accordance with Part Three, Article II, Section 3 hereof.

(b) Additional Properties. The Partnership shall have the unilateral right, without further consent of the Association, Members, or Owners, to bring within the Property at any given time, and to develop as fully as said existing Property, additional properties beyond those described in Exhibit A so long as they are contiguous with then existing portions of the Property. For purposes of this paragraph, contiguity shall not be defeated or denied where the only impediment to actual "touching" is a separation caused by a road, right-of-way or easement, and such shall be deemed contiguous. The additions authorized under this Section 4(b) shall be made in the same manner required or permitted, and with the same rights reserved to the Partnership as set forth under Section 4(b) above.

(c) Additions to and Modifications of Declaration. The supplements and amendments to the Declaration may contain such complementary additions and/or modifications of the covenants and restrictions contained in this Declaration as may be necessary or convenient, in the sole judgment of the Partnership, to reflect the different character, if any, of the phases and/or additional properties and as are not inconsistent with this Declaration.

(d) Other Additions to the Property. Upon approval in writing of the Association pursuant to two-thirds ($\frac{2}{3}$) of the vote of those present in person or by proxy at a duly called meeting, the owner of any contiguous property who desires to add it to the plan of these Covenants and to subject it to the jurisdiction of the Association, may file or record an amendment to this Declaration with respect to the additional property which shall extend the operation and effect of the covenants and restrictions of the Declaration to such additional property.

Supplements and amendments to the Declaration may contain such complementary additions and/or modification of the covenants and restrictions contained in this Declaration as may be necessary or convenient, in the sole judgment of the Association, to reflect the different character, if any, of the added properties and as are not inconsistent with the plan of this Declaration, but such

modification shall have no effect on the Property described in Part One, Article II, Section 1 above or upon additions under this Part One, Article II, Section 4.

(e) Merger of the Association. Upon merger or consolidation of the Association with another association, as provided for in the By-Laws of the Association, its property, rights and obligations may, by operation of law, be transferred to another surviving or consolidated association, or in the alternative, the property, rights and obligation of another association may, by operation of law, be added to the properties of the Association as a surviving corporation pursuant to a merger. The Property, together with the covenants and restrictions established upon any other properties, as one plan. No merger or consolidation shall effect any revocation, change or addition to the covenants established by this Declaration within the Property, including, without limitation, the limits on assessments and dues of the Association, or any other matter substantially affecting the interests of Members of the Association.

(f) Separate Associations. For any property subjected to this Declaration of subsequently added, or for any portions thereof, there may be established by the Partnership, or the general partner thereof, an additional association limited to the Owners and/or residents of such property in order to promote their social welfare, including their health, safety, education, culture, comfort, and convenience, to elect representatives on the Board of the Association, to receive from the Association a portion, as determined by the Board of Directors of the Association, of the annual assessments levied pursuant hereto and use such funds for its general purposes, and to make and enforce rules and regulations of supplementary covenants and restrictions, if any, applicable to such property.

Section 5. Nonexpansion. Notwithstanding any provision of this Article II, which might be construed to the contrary, the Partnership shall not be required to expand the Property or to add any additional lands or to proceed with any additional phases of development within the Property.

Section 6. Roadway and Utility Easement Alteration. Roadways and utility easements which are designated as Common Properties may be altered and relocated by the Partnership from time to time, provided that:

- (a) the portion of any roadway which abuts Residential Lots shown on a recorded plat may not be relocated without written consent of each Owner of abutting Residential Lots;
- (b) ingress and egress to Ringgold Road shall be maintained in such relocation;
- (c) utilities shall not be unreasonably interrupted.

Upon relocation, the Partnership shall record, unilaterally, supplements and/or amendments to the Declaration and a revised plat deleting the old roadways and/or utility easement areas from Common Properties and designating the new areas as Common Properties.

PART TWO
COVENANTS, RESTRICTIONS AND AFFIRMATIVE OBLIGATIONS
APPLICABLE TO DEVELOPMENT OF WINDSTONE

ARTICLE I
GENERAL COVENANTS

Section 1. Purposes. The primary purpose of these Covenants and the foremost consideration in the origin of same has been the creation of a residential community which is aesthetically pleasing, which is functionally convenient, which is capable of maintaining itself while retaining private control, and which provides for the ultimate ownership, operation and maintenance, through the Partnership or the Association, of the Common Properties and Restricted Common Properties. The establishment of objective standards relating to design, size and location of dwellings and other structures makes it impossible to take full advantage of the individual characteristics of each parcel of property and of technological advances and environmental values. For this reason, such standards are not established hereby, but may be established by the Review Board. These standards and this Declaration are consistent with and serve to complement applicable zoning ordinances. To implement these Covenants, the Review Board as defined in Section 3 of this Article I, shall establish and amend from time to time objective standards and guidelines which shall be in addition to, and perhaps more restrictive than, said governmental standards.

Section 2. Residential Use. All Lots or parcels in areas of the Property designated for residential use either by reference on a plat, deed, this Declaration or any supplement hereto or any other document or by zoning designation shall be used for residential purposes exclusively. No structure or structures shall be erected, altered, placed or permitted to remain on any residential parcel other than as provided in these Covenants and restrictions and in supplements hereto, or except as provided for in a deed of conveyance. Moreover, the deed transferring a parcel to be used for residential purposes may, in the sole discretion of the Partnership, among other things, expressly determine and limit the number or density of residential lots, townhouses, condominiums or other residential units applicable to that specific residential parcel. It may also impose height restrictions, minimum parking and landscaping requirements applicable to that specific parcel as well as other specific development constraints.

“Residential,” referring to a mode of occupancy, is used in contradistinction to “business” or “commerce” or “mercantile” activity and, except where otherwise expressly provided, “residential” shall apply to temporary as well as permanent uses, and shall apply to vacant land as well as to buildings constructed thereon. No Lot or Dwelling Unit restricted to “residential” purposes may be used as a means of service to business establishments on adjacent Lots, including but not limited to supplementary facilities or any intentional passageway or entrance into a business. Use for single household residential purposes shall mean and refer to use as a place of long-term dwelling or residence, and shall also include use for seasonal vacations and seasonal and transient lodging for those attending meetings, seminars and conferences. The restriction to use for “residential” purposes is subject to the following qualifications:

- (a) Unless further restricted in the deed or other document, the use of a portion of a Dwelling Unit as an office shall be permitted by the Review Board unless such use creates a significant increase in customer or client traffic to and from the Dwelling Unit. No sign, symbol, logo or nameplate identifying a business or professional office may be affixed to or about the grounds or the entrance to the Dwelling Unit. The office may only be incidentally used for

business or professional purposes. The Review Board, after responding to a complaint by a neighboring Property Owner, may expressly request that the subject Dwelling Unit not be used in whole or in part as an office.

(b) The use of a Dwelling Unit as a model or for sales or operational purposes shall be limited to those granted written temporary permission for such use by the Review Board in its sole discretion, and shall be deemed a use for residential purposes only for the period set forth in such permission.

Section 3. Architectural and Design Review.

(a) Purpose: In order to preserve the natural beauty of WindStone and its setting, to maintain a pleasant and desirable environment, to establish and preserve a harmonious design for the community, and to protect and promote the value of property, no building, fence, landscaping, paving, lighting, wall, sign, swimming pool, tennis court, roof, exterior or other structure shall be erected, placed, added to, or altered and no trees or shrubs shall be cut or removed, and no grading shall be commenced until the proposed building plans, specifications (including height, color and composition of roof, siding or other exterior materials and finish), plot plan (showing the proposed location of such building or structure, drives and parking areas), landscape plan, drainage plan, and construction schedule shall have been submitted and approved in writing as hereinafter provided.

(b) Objectives: Architectural and design review shall be directed towards attaining, inter alia, the following objectives for WindStone:

- (1) Preventing excessive or unsightly grading, indiscriminate earth moving or clearing of property, removal of trees and vegetation which could cause disruption of natural water courses or scar natural land forms.
- (2) Ensuring that the location and configuration of structures are visually harmonious with the terrain and vegetation of the Residential Lots and Dwelling Units and with surrounding Residential Lots, Dwelling Units and structures and do not unnecessarily block scenic views from existing structures or tend to dominate any general development or natural landscape.
- (3) Ensuring that the architectural design and structures and their materials and colors are visually harmonious with WindStone's overall appearance, with surrounding development, with natural land forms and native vegetation, and with development plans officially approved by the Partnership, or any governmental or public authority, if any, for the areas in which the structures are proposed to be located.

(4) Ensuring that plans for landscaping provide visually pleasing settings for structures on the same Lot and on adjoining or nearby Lots, and blend harmoniously with the natural landscape.

(5) Ensuring that any development, structure, building or landscaping complies with the provisions of these Covenants.

(6) Promoting building design and construction techniques that respond to energy consumption and environmental quality consideration such as heat loss, air emissions and run-off water quality.

(c) Architectural Review Board.

(1) The Partnership shall establish an Architectural Review Board (such board being herein referred to as the "Review Board") which shall consist of initially three (3) members, but may be increased. The three (3) members shall be appointed by the Partnership until the Partnership transfers review authority under (d) below. Thereafter control of the Review Board functions shall be transferred to the Association. The regular term or office for each Residential Association Member shall be three (3) years, coinciding with the Association's Annual Meeting. The person elected Chairperson of the Architectural Review Board shall be an additional member of the Association's Board of Directors. Any member appointed by the Partnership may be removed with or without cause by the Partnership at any time by written notice to such appointee. A successor or successors appointed to fill such vacancy shall serve the remainder of the term of the former members. Any member elected by the Association shall be removed in accordance with the by-laws of the Association.

(2) The Review Board shall select its own Chairman and he, or in his absence, the Vice-Chairman, shall be the presiding officer of its meetings. All meetings shall be held at least once in each calendar month or upon call of the Chairman and may be held by telephone or by written consent; all meetings shall be held at the offices of the Partnership in WindStone or at such other places as may be designated by the Chairman. A majority of the Members shall constitute a quorum for the transaction of business. The affirmative vote of a majority of the members of the Review Board shall constitute the action of the Review Board on any matter before it. The Review Board shall operate in accordance with its own rules of procedure which shall be filed with the Association and maintained in the records of the Association.

(3) The Review Board is hereby authorized to retain the services of one or more consulting architects, landscape architects, urban designers, and/or attorneys, who need not be licensed to practice in the States of Tennessee and/or Georgia, to advise

and assist the Review Board in performing the design review functions herein described.

(d) Transfer of Architectural Review Authority. The Partnership may, by filing a supplement and/or amendment to this Declaration with the Recorders, transfer the above-described architectural review authority to a permanent Review Board which, subject to the covenants and conditions stated within the aforesaid supplement or amendment, shall be under the control of the Association. This Section does not obligate the Partnership to make such transfer at any particular time; provided, however, that such transfer must be made no later than the date required for transfer of the control of the Association under Part Three, Article I, Section 3.

(e) Review of Approval of Plans for Additions, Alterations or Changes to Structures and Landscaping. No building, wall, driveway, sidewalk or other paving, fence, mailbox, outdoor fireplace or grill, sign, swimming pool, tennis court, roof, color and composition of roof, siding and other exterior materials and finishes, exterior light or other structure of any kind (such elements hereinafter collectively referred to as "Improvements") shall be commenced or erected upon any Residential Lot, or upon the exterior of any Dwelling unit, or upon any Multi-Family Tract, Public or Commercial Site, Public or Commercial Unit, Development Unit Parcel or Private Recreational Properties, nor shall any grading, clearing, or landscaping be done, nor shall any addition to any existing improvement be made until the proposed building plans, specifications (including height, color and composition of roof, siding or other exterior materials and finish), plot plan (showing the location of such building or structure, drives and parking area), landscape plan, and construction schedule shall be submitted to and approved by the Review Board. The Review Board may, by written notice to the Owners from time to time, except certain matters of a non-essential nature, such but not limited to, small shrub and rear planting, from the review requirements subject to the terms and conditions and for the time periods established by such Review Board.

(f) Submission, Approval and Refusal of Architecture, Siting, Landscaping and Other Building Plans: Two (2) copies of all plans and related data shall be furnished the Review Board. One (1) copy shall be retained in the records of the Review Board. The other copy shall be returned to the Property Owner marked "approved" or "disapproved." The Review Board shall establish a fee sufficient to cover the expense of reviewing plans and related data at the time they are submitted for review and to compensate any consulting architects, landscape architects, urban designers or attorney's retainers in accordance with subparagraph (c) (iii) above. The Fee initially established by these Covenants shall be Three Hundred Fifty and no/100ths Dollars (\$350.00) for each submission. The Review Board shall have the right to increase this amount not more than once and not in excess of ten percent (10%) in any subsequent twelve (12) month period. Approvals shall be dated and shall not be effective for construction commenced more than twelve (12) months after such approval unless a different expiration time is specifically stated in the approval. Disapproved plans and related data shall be accompanied by a reasonable statement of items found

unacceptable. In the event approval of such plans is neither granted nor denied within thirty (30) days following receipt by Review Board of written request for approval, the provisions of this Section shall be thereby waived. Refusal of approval of plans, location or specification may be based by the Review Board upon any ground which is consistent with the objectives of these Covenants, including purely aesthetic considerations, so long as such ground is not arbitrary and capricious.

(g) Approval Not a Guarantee or Representation of Proper Design or Good Workmanship. No approval of plans, location or specification, and no publication or architectural standards bulletin shall ever be construed as representing or implying that such plans, specifications or standards will, if followed, result in a properly designed residence. Such approvals and standards shall in no event be construed as representing or guaranteeing that any residence or improvement thereto will be built in a good and workmanlike manner. Neither the Partnership nor the Review Board shall be responsible or liable for any defects in any plans or specifications submitted, revised or approved under these Covenants nor for any defects in construction pursuant to such plans and specifications. The Owner shall have sole responsibility for compliance with approved plans and does hereby, by acceptance of title to property subject to these Covenants, agree to hold the Review Board and the Partnership harmless for any failure thereof caused by the Owner's architect or builder. The Partnership reserves the right to prohibit the Owner's builder and/or general contractor from going to or upon the site in the event it is determined that failure to comply with approved plans is intentional or due to gross negligence under the above-mentioned circumstances. The Owner hereby agrees that the exercise of these rights shall not constitute a denial of Owner's property rights and shall not give rise to a cause of action for damages by the Owner.

Section 4. Siting. To assure that buildings and other structures will be located so that the maximum view, privacy and breeze will be available to each building or structure, and that structures will be located with regard to the topography of each property taking into consideration the location of large trees, structures previously built or approved pursuant to this Article for adjacent parcels of land, and other aesthetic and environmental considerations, the Review Board, its successors and assigns, shall have the right to control and to decide solely (as long as (a) its decisions are not arbitrary and capricious, and (b) subject to the provisions of the pertinent land use regulations of public authorities having jurisdiction) the precise site and location of any building or structures on any Property in WindStone, notwithstanding any set-backs or other matters shown on any recorded plats. No tree, shrub or other vegetation of any type may be cut or removed from the proposed site before Review Board approval.

The location of Improvements shall be determined only after reasonable opportunity is afforded the Owner to recommend a specific site. Provided, however, that in the event an agreed location is stipulated in writing in the contract of purchase and approved by the Partnership, and such location complies with the Hamilton and/or Catoosa County Subdivision Regulations, the Partnership shall automatically approve such location for a residence or group of residential units.

Section 5. Parking. Each Owner subject to these Covenants shall provide space off of streets or community roads for the parking of at least two (2) automobiles for each Dwelling Unit prior to the occupancy of any building or structure constructed on said Property in accordance with reasonable standards established by the Review Board.

Section 6. Completion of Construction. Unless a longer period is granted in a deed from the Partnership to an Owner of a Residential Lot, construction of all dwellings and other structures on Residential Lots must be commenced within two (2) years after the date of transfer of a Lot from the Partnership to an Owner and completed within twelve (12) months after the construction of same shall have commenced, except where such completion is impossible or would result in great hardship to the Owner or builder due to strikes, fires, national emergency or natural calamities. Houses and other dwelling structures may not be temporarily or permanently occupied until the exteriors thereof have been completed. During the continuance of construction, the Owner shall require the contractor to maintain the Residential Lot in a reasonably clean and uncluttered condition. Upon completion of construction, the Owner shall cause the contractor to immediately remove all equipment, tools and construction material from the Lot. Any damage to roads, bike paths, Common Properties, Restricted Common Properties, or property owned by others caused by the Owner's contractor or other parties providing labor or services to the Owner shall be repaired by the Owner or in default of Owner's performance by the Partnership, at Owner's expense. The landscaping plan for all Dwelling Units and other structures must be completed within ninety (90) days of occupancy or issuance of a Certificate of Occupancy by the appropriate authority, whichever date shall first occur.

Section 7. Services. Each Owner shall provide a visually screened area to serve as a service and an area in which garbage receptacles, fuel tanks or similar storage receptacles, electric and gas meters, air-conditioning equipment, clothes lines, and other unsightly objects must be placed or stored in order to conceal them from view from roads and adjacent properties. An enclosed garage may serve in lieu of a service, if adequately designed for such purpose.

Plans for such visually screened area delineating the size, design, texture, appearance and location must be approved by the Review Board prior to construction. Garbage receptacles and household fuel tanks may be located outside of such screened areas only if located underground.

Section 8. Automotive Fuel Tanks. No automotive fuel tanks of any type whatsoever shall be permitted on any Residential Lot or Development Unit Parcel or any Multi-Family Tract, Public or Commercial Site, or Private Recreational Tract at any time. Moreover, no automotive fuel tanks shall be permitted on any other portions of the Property without the written consent of the Partnership. The granting of such consent by the Partnership shall not render the Partnership liable for any loss or injury caused by the existence of such tank in such location.

Section 9. Signs. No signs or ornaments shall be erected or maintained on the Property by anyone including, but not limited to, the Owner, a realtor, a contractor or subcontractor, except with the written permission of the Review Board or except as may be required by legal proceedings. If such permission is granted the Review Board reserves the right to restrict size, color and content of such signs.

Section 10. Other Buildings and Vehicles. No mobile home, trailer, tent, barn, or other similar out-building, vehicle, or structure shall be placed on any Residential Lot or Development Unit Parcel or any Multi-Family Tract, Public or Commercial Site, or Private Recreational Tract at any time, either temporarily or permanently, without prior approval from the Review Board and such approval shall normally be limited to temporary use of such structures reasonably essential to economical, orderly and efficient construction during the construction process only. No home trailers or residence trailer shall be permitted on any Lot, Tract or Parcel and no boats, boat trailers, campers, privately owned golf carts, motorcycles, motorbikes, recreational vehicles (campers), trucks, or utility trailers may be maintained on the Property, without prior written approval of the Review Board, and in no event shall same be maintained except in an enclosed garage or in areas designated by the Review Board. The term "truck" as used herein is intended to refer to those vehicles of various sizes and designs for transporting goods, moving heavy articles or hauling quantities of cargo and which are used in a trade or business in which the truck is used because of its commercial capabilities and not merely as a means of transportation, or which displays identification on the exterior of the vehicle to a commercial enterprise. This is not intended to include such dual-purpose vehicles as station wagons, jeeps, "scouts" or "wagoneer" type vehicles or similar, attractive vehicles driven and maintained primarily as a means of transportation.

Section 11. Unsightly Conditions. It shall be the responsibility of each Owner and tenant thereof to prevent the accumulation of litter, trash, packing crates or rubbish or the development of any unclean, unsightly or unkept condition of buildings or grounds on his property either before, during or after construction, nor to permit accumulations which shall tend to substantially decrease the beauty of the community in that specific area or as a whole.

Section 12. Lights. The design and location of all exterior lighting fixtures shall be subject to the approval of the Review Board. Neither these nor any other illumination devices, including but not limited to Christmas ornaments, located anywhere on the structures or grounds of any Residential Lot or Dwelling Unit or other residential structure within the Property, shall be located, directed, or of such intensity to affect adversely the nighttime environment of any adjacent property.

Section 13. Animals. No animals, livestock, or poultry of any kind shall be raised, bred, kept or pastured within the residential areas of the Property, except that a reasonable number of common household pets such as dogs and cats may be kept in anyone Dwelling Unit. In order to preserve the aesthetic qualities of the Common Properties and Restricted Common Properties, to maintain sanitary conditions on the Property, to prevent the spread of worms and infectious diseases on the Common Properties and Restricted Common Properties, and to maintain a proper respect for other Owners and users of the Common Properties and Restricted Common Properties, each person who keeps a pet within a Dwelling Unit shall abide by the following restrictions, conditions, and affirmative obligations.

- (a) No pets may be kept, bred, or maintained for any commercial purpose.
- (b) The Owner of such pet or pets shall exercise best efforts to prohibit the pets from excreting upon the Property owned by others or the Partnership, or to excrete in any area within the Common Properties or Restricted Common Properties, which are regularly traversed or in which children may be expected to play.

(c) The Owner of such pet shall use a scoop or other device to clean up any defecation or solid excrement left by their pet upon the Common Properties or Restricted Common Properties, Open Space, bike paths or roadways.

(d) The Owner of a pet will not allow the pet to roam unattended on the Property, it being the responsibility of each pet owner to either leash their pets or retain voice control while the pets are out of doors.

(e) The pet owner shall muzzle any pet which consistently barks or makes noises which might be reasonably expected to disturb other Owners.

The breach of any of these five (5) restrictions, conditions, obligations and duties shall be a noxious and offensive activity constituting a nuisance.

Nothing herein is intended to prohibit the boarding of horses in appropriate equestrian facilities within the Property or the construction and maintenance of riding trails through the Open Space, Common Properties or Restricted Common Properties within the Property the rights for which are hereby expressly reserved unto the Partnership.

Section 14. Water, Sewage, and Electricity. No private water wells may be drilled or maintained by an Owners other than the Partnership and Tracts to which the Partnership specifically grants such right so long as the Partnership or its agents, or licensees, or a municipal water and sewer provider or other governmental unit, its successors and assigns, have installed a water distribution line within two hundred (200) feet of such property with average daily water pressure in such line adequate for the normal household use in dwellings served by such distribution line. No septic tanks may be installed in the Property so long as the Partnership, or its agents or licensees, or a municipal sewer utility company or other governmental unit, its successors and assigns, operate a sewage distribution line within two hundred (200) feet of such property or are willing to extend such a sewage line to such property. The Partnership is obligated prior to closing to establish a forced main sewer system with special grinders and pumps located on or about each Owner's Lot or Unit serving such Lot or Unit. Each owner will be responsible for the maintenance of the forced main equipment and laterals serving his Lot or Unit. Should Owner fail to maintain, the Partnership reserves until itself, its successors and assigns, a maintenance easement for the purpose of entering Owner's property and repairing said system at the expense of the Owner. No sewage shall be emptied or discharged into any creek, lake, river or other body of water at any time. The fee or fees charged for individual water and sewer services shall be the personal obligation of each Owner. Further, the Partnership is obligated to extend a water distribution line as a part of a central water system, and electricity to each Residential Lot and Unit prior to the date of closing.

Section 15. Offensive Activity. No noxious or offensive activity, as herein defined, shall be carried on upon a Residential Lot, Dwelling Unit, Multi-Family Tract, Public or Commercial Site, Public or Commercial Unit, Development Unit Parcel, Common Properties, Restricted Common Properties, or any place within WindStone, nor shall anything be done thereon tending to cause embarrassment, discomfort, annoyance, or nuisance to the community.

Section 16. Certain Easements. The Partnership reserves unto itself, its heirs, successors and assigns, a perpetual, alienable and releasable easement and right in, on, over and under the ground of the Property to erect, maintain, and use electric, cable television, and telephone poles, wires, cables, conduits, drainage ways, sewers, wells, pumping stations, tanks, water mains and other suitable equipment for the conveyance and use of electricity, telephone equipment, gas, sewer, water, drainage or other public conveniences or utilities on, in or over those portions of such Property as may be reasonably required for utility line purposes; provided, however, that no such utility easement shall be applicable to (a) any portion of such Property as may have been used prior to the installation of such utilities for construction of a building whose plans were approved pursuant to these Covenants by the Partnership or Review Board, or (b) such portions of the Property as may be designated as the site for building on a plot plan or for erection of a building which as been filed with the Review Board and which has been approved in writing by said Review Board.

The Partnership further reserves unto itself, its successors and assigns, a perpetual, alienable and releasable easement and right in, on, over, and under the ground to erect, maintain and use poles, wires, cables, conduits, sewers, water mains, and other suitable equipment for the conveyance and use of electricity, C.A.T.V., security cable equipment, telephone equipment, gas, sewer, water or other private or public convenience or utilities, on, in or over seven and one-half (7.5) feet of each lot, along the rear or street side, and seven and one-half (7.5) feet along one side of each lot, and such other areas as are shown on the applicable plats. Moreover, the Partnership may cut, at its own expense, drain ways for surface water wherever and whenever such action may appear to the Partnership to be necessary in order to maintain reasonable standards of health, safety and appearance and an easement for such purpose seven and one-half (7.5) feet in width along each side lot line and fifteen (15) feet along each front lot line and such other areas as are shown on the applicable plats, is reserved unto the Partnership.

The easements and rights expressly include the right to cut any trees, bushes or shrubbery, make any gradings of the soil, or to take any other similar action reasonably necessary to provide economical and safe utility installation and to maintain reasonable standards of health, safety and appearance. Any material disturbance to the grounds of any Owner caused by such utility installation shall be repaired and said grounds returned to their prior condition by the Partnership or prompt and reasonable remuneration for such repair shall be made to such Owner by the Partnership.

The Partnership reserves unto itself, its successors and assigns, the right to locate police, fire, or public safety facilities within the Property, as well as school buildings and related facilities, and to dedicate to appropriate governmental authorities' easements for the operation of police and fire equipment and school buses within the Property, for the safety, protection and enrichment of the Members of the Association.

In addition, the Partnership reserves until itself, its successors and assigns, a perpetual, alienable and releasable easement and right in, on, over and under the Property to dispense pesticides and take other action which in the opinion of the Partnership is necessary or desirable to control insects and vermin, to cut fire breaks and other activities which in the opinion of the Partnership are necessary or desirable to control fires on the Property, or any improvements thereon.

The Partnership further reserves unto itself, its successors and assigns, the right to dedicate to appropriate governmental authorities, streets and utilities within Common Properties or Restricted Common Properties provided such streets and utilities are maintained by such governmental authorities.

The Partnership further reserves unto itself, its successors and assigns, the right to locate wells, pumping stations, siltation basins and tanks, and spray treated effluent within the Property on any Common Properties or Restricted Common Properties, on Open Spaces, Private Open Spaces, Private Recreational Tract, on the golf course or courses, to the recreational areas within the Property, or on any property designated for such use on the applicable plat of the Property, or to locate same upon any property with the permission of the respective Owner. Such rights may be exercised by any licensee of the Partnership, but this reservation shall not be considered an obligation of the Partnership to provide or maintain any such utility or service.

Section 17. Antennas. Television antennas, dishes, and radio receivers may be installed in the rear of any dwelling or other structure or property within WindStone, so long as the device is not visible from the roadway in front of the dwelling, and so long as the device is surrounded by suitable landscaping, and evergreen shrubbery so that the appearance of the structure is attractive. Any device which, in the sole opinion of the Board of Directors of the Association, is not suitably attractive, through the use of such shrubbery and landscaping, shall be removed by the owner upon notification by the Board. No radio, television signals, nor any other form of electromagnetic radiation shall be permitted to originate from any Dwelling Unit, Residential Lot, Multifamily Tract, Public or Commercial Sites, Public or Commercial Units, Development Unit Parcels, Unsubdivided Land or Private Recreational Tract, which may unreasonably interfere with the reception of television or radio signals upon any other of such properties. The provisions of this Section shall not prohibit the Partnership from installing equipment necessary for a master antenna system, security system, cable television and mobile radio systems or other similar systems within WindStone.

Section 18. Mailboxes and Outdoor Grills or Fireplaces. The design and location of all mailboxes, and outdoor grills and fireplaces shall be subject to the approval of the Review Board. The design of mailboxes may be restricted to one or more designs in the discretion of the Review Board.

Section 19. Swimming Pools. Swimming pools are allowed, subject to the regulations and the approval of the Review Board.

Section 20. Mining. In order to preserve the natural beauty and the subsurface integrity of the Property, no boring, mining, quarrying, exploring for or removing oil or other hydrocarbons, minerals, gravel, or earth shall be permitted upon any of the Property.

The Partnership reserves unto itself, its successors and assigns, the right to conduct earth removal activities, boring, or mining associated with the landscaping and the developing of the Property.

Section 21. Temporary Structures. No temporary building, trailer, garage, shed or other temporary structure shall be used temporarily or permanently as a residence by an Owner.

Section 22. Open Burning. Outside or open burning of trash, refuse, or other materials on any portion of the Property by an Owner is strictly prohibited. A breach of this restriction shall be deemed a noxious and offensive activity constituting a nuisance.

Section 23. Sound Devices. No exterior speaker, horn, whistle, bell, or other sound device which is unreasonably loud or annoying except security devices used exclusively for security purposes, shall be located, used, or placed upon lands within WindStone. The playing of loud music within a Dwelling Unit or other structure or from the balcony thereof shall be noxious and offensive behavior constituting a nuisance.

Section 24. Laundry. In order to preserve the aesthetic features of the architecture and landscaping, each Owner, his or her family, his or her guests, or his or her tenants, shall not hang laundry from any area within or outside a Dwelling Unit if such laundry is within the public view, nor hang laundry in full public view to dry, such as on balcony and terrace railings.

This provision may, however, be temporarily waived by the Partnership during periods of severe energy shortages or other conditions where enforcement of this Section would create a hardship.

Section 25. Duty to Rebuild or Clear and Landscape upon Casualty or Destruction. In order to preserve the aesthetic value and economic value of all individual properties within the Property, each Owner and the Partnership (with respect to improved property owned by the Partnership) shall have the affirmative duty to rebuild, replace, repair, or clear and landscape, within a reasonable period of time, any building structure, improvement or significant vegetation which shall be damaged or destroyed by Act of God, fire, or other casualty. Variations and waivers of this provision may be made only upon the Review Board establishing that the overall purpose of these Covenants will be best affected by allowing such a variation. Variations to this Section are to be strictly construed and the allowance of a variance by the Review Board shall not be deemed to be a waiver of the binding effect of this Section on all other Owners.

Section 26. Trespass. Whenever the Association or the Partnership is permitted by these Covenants to correct, repair, clean, preserve, clear out or do any action on any property or on the easement areas adjacent thereto, entering the property and taking such action shall not be deemed a trespass.

Section 27. Parcels. No Residential Lot, Multi-Family Tract, Public or Commercial Tract, or Private Recreational Tract shall be subdivided, or its boundary lines changed, nor shall application for same be made to Hamilton or Catoosa Counties, except with the written consent of the Partnership. However, the Partnership hereby expressly reserves to itself, its successors or assigns, the right by mutual consent to replat any such Lot or Tract and to take such other steps as are reasonably necessary to make such replatted Lot or Tract suitable and fit as a building site including, but not limited to, the relocation of easements, walkways, rights-of-way, private roads, bridges, parks, recreational facilities and Lots.

The provisions of this Section shall not prohibit the combining of two (2) or more contiguous Lots into one (1) larger Lot. Following the combining of two (2) or more Lots into one (1) larger Lot, only the exterior boundary lines of the resulting larger Lot shall be considered in the interpretation of these

Covenants. Consolidation of Lots, as described above, must be approved by the Partnership, said approval to be granted in the Partnership's sole discretion upon such terms and conditions as may be established by the Partnership from time to time, including specific provisions for the payment of assessments.

Section 28. Bridges. The Partnership expressly reserves onto itself, its successors and assigns, any other provisions in this Declaration notwithstanding, the right to build bridges, walkways, or fixed spans across any or all natural or man-made canals, creeks, lakes, bike paths, walkways, or roadways in WindStone. Nothing in this Section shall be construed as placing an affirmative obligation on the Partnership to provide or construct any such improvement.

Section 29. Certain Restrictions. No structure shall be built on any Residential Lot or Multi-Family Tract, Public or Commercial Site, Private Recreational Tract, or Development Unit Parcel, or on any property added to WindStone Property which is dedicated as such, which does not comply with height, setback, lot area percentage, density or other restrictions imposed on a particular area of WindStone, as set forth in this Declaration or in supplements or amendments to this Declaration recorded with the Recorders.

Section 30. Ingress and Egress; Roadways. The Owner, in accepting title to property conveyed subject to the covenants and restrictions of this Declaration, waives all rights of uncontrolled and unlimited egress and ingress to such property (and waives such rights for any person claiming entry rights by virtue of any relationship or permission of such Owners and successors-in-title) and agrees that such ingress and egress to its property may be limited to roads built by the Partnership.

The Partnership reserves the right for itself, its successors and assigns, but not the obligation, (a) to maintain guarded gates controlling access to such roads; (b) to require payment of toll charges for use of such roads by members of the general public, including business invitees, except that (1) no such toll shall be applicable to any Owners, lessees, or tenants of Owners, nor shall the toll be applicable to any person who gives reasonable evidence satisfactory to entry guards that their entry into the premises of the Owner is with the specific permission of the Owner, or his duly authorized agent, provided, however, that this exception shall not apply to commercial or construction vehicles of any kind; and (2) no such toll charge shall be applicable to guests of the Partnership; (c) to determine in its sole discretion the types of vehicles that will be permitted access to the Property and use of such roads; provided, however, that the Partnership, Owners, lessees or tenants, and their guests and invitees. When the roadways and streets are conveyed to the Association as herein provided the aforesaid rights may be assigned in whole or in part to the Association by the Partnership.

In order to provide for safe and effective regulation of traffic, the Partnership reserves the right to file with the Recorders the appropriate Consent documents making the appropriate sections in the Tennessee Code Annotated and the Official Code of Georgia Annotated applicable to all of the private streets and roadways within WindStone. Moreover, the Partnership may promulgate from time to time additional parking and traffic regulations which shall supplement the above-mentioned State regulations as it relates to conduct on, over and about the private streets and roadways in WindStone. These supplemental regulations shall initially include but shall not be limited to those set out hereinafter and WindStone reserves the right to adopt additional regulations for to modify previously promulgated regulations from time to time and to make

such adoption or modification effective thirty (30) days from mailing notice of same to the record Owners of all Lots, Dwelling Units, or parcel within WindStone, as of January 1 of the year in which such regulations are promulgated:

- (a) No golf carts may be operated on the roads and streets in WindStone except those being transported between golf cart maintenance or storage areas and the golf pro shop area.
- (b) No motorcycles, motorbikes, mopeds, or similar vehicles may be operated for recreational purposes on the roads and streets within WindStone. The use of motorcycles, motorbikes, mopeds or similar vehicles for recreational purposes is considered noxious and offensive behavior and will be deemed a nuisance.
- (c) The Partnership, or the Association after title to the streets and roadways has passed to it from the Partnership, may post "no parking" signs along the streets and roadways within WindStone where it, in its sole discretion, determines appropriate to do so. Violators of said "no parking" signs are subject to having their vehicles towed away and shall be required to pay the cost of such towing and storage before their vehicle may be recovered. The act of towing said vehicle shall not be deemed a trespass or a violation of the Owners' property rights, because the Owner shall be deemed to have consented to such action by accepting the right to use the roads and streets within WindStone.

Section 31. Time Share or Similar Ownership Prohibited. No portion of the Property may be sold under or utilized for or pursuant to any timesharing, time interval or similar program as those terms are generally utilized in the real estate industry, unless at the time of the filing of an amendment to this Declaration for a particular tract or tracts, by the Partnership such right is specifically granted in the amendment.

Section 32. Roads and Residential Lots. Each Residential Lot shall be situated on a paved road built to standards prescribed by a unit of local government, which road shall be either dedicated or approved by the applicable authority for Hamilton County where the road is in Hamilton County and the Board of County Commissioners of Catoosa County where the road is located in Catoosa County. Such road shall be maintained by the Partnership, until it is dedicated to the appropriate governmental authorities, and such authorities assume the obligation to maintain such road or until such road is transferred to the Association as provided in Part Three, Article II, Section 3 herein.

ARTICLE II ENVIRONMENTAL CONTROLS

Section 1. Topography and Vegetation. Topographic and vegetation characteristics of a Residential Lot, Multi-Family Tract, Public or Commercial Site and Private Recreational Tract or Development Unit Parcel shall not be altered by removal, reduction, cutting, excavation or any other means without the prior

written approval of the Review Board. Written approval will be granted for the minimum amount of earth movement and vegetation reduction required in plans and specifications approved pursuant to the provisions of this Declaration.

Section 2. Tree Removal. No trees, bushes, or underbrush of any kind (four (4) inches or more in diameter at a point four (4) feet above ground level) may be removed without the written approval of the Review Board. Approval for the removal of trees located within ten (10) feet of the main dwelling or accessory building or other approved structures or within ten (10) feet of the approved removal will substantially decrease the beauty of the affected portion of the Property. The Partnership or Review Board reserves the right to have specimen trees preserved and site planning provide for their retention. A tree location plan and location map of adjacent and nearby structures may be required as a part of the submission under Part Two, Article I, Section 3 and this Article II.

Section 3. Certain Controls. To implement effective and adequate erosion control and protect the beauty of the Property, the Partnership, its successors, assigns and agents shall have the right to enter upon any property before or after a building or structure has been constructed thereon for the purpose of performing any grading or landscaping work or constructing and maintaining erosion prevention devices. Provided, however, that prior to exercising its right to enter upon the property for the purpose of performing any grading or landscaping work or constructing and maintaining erosion prevention devices, the Partnership or Association, as the case may be, shall give the Owner the opportunity to take any corrective action required by giving the Owner notice indicating what type of corrective action is required and specifying in that notice that immediate corrective action must be taken by such Owner. If the Owner fails to take the corrective action specified immediately, the Partnership or Association, as the case may be, may then exercise its right to enter upon the property in order to take the necessary corrective action. The cost of such erosion prevention measures when performed by the Partnership or the Association, their successors or assigns, on an improved property, shall be paid by the Owner thereof.

To implement effective insect, reptile and woods fire control, the Partnership, its successors, assigns and agents have the right to enter upon any property on which a building or structure has not been constructed and upon which no landscaping plan has been implemented. In any case which in the opinion of the Partnership detracts from the overall beauty, setting and safety of WindStone, the Partnership, its successors, assigns, and agents shall have the aforementioned rights of entry for the purpose of mowing, removing, clearing, cutting, or pruning underbrush, weeds, grass or unsightly growth, removing trash, draining standing water or dispensing pesticides.

The cost of this vegetation, grass, trash and drainage control shall be kept as low as reasonably possible and shall be paid by the respective Owner. Such entry shall not be made until thirty (30) days after such Owner has been notified in writing of the need of such work and has failed to perform the work within such period, except that during seasons of rapid grass and vegetative growth, such entry may be made within seven (7) days after notification if Owner fails to perform such work.

The provisions of this Section 3 shall not be construed as an obligation on the part of the Partnership to mow, clear, cut or prune any property, to provide garbage or trash removal services, to perform any

grading or landscaping work, construct or maintain erosion prevention devices or storm drainage improvements, or to provide water pollution control on any privately owned property.

Entrance upon property pursuant to the provisions of this Section 3 shall not be deemed a trespass.

The rights reserved unto the Partnership in this Section 3 shall not be unreasonably employed and shall be used only where necessary to effect the stated intents and purposes of this Declaration.

Section 4. Environmental Hazards. To secure the natural beauty of WindStone, the Partnership, its successors or assigns may promulgate and amend from time to time rules and regulations which shall govern activities which may, in its judgment, be environmentally hazardous, such as the application of fertilizers and pesticides and other chemicals. Failure of any Owner or tenant of property in WindStone to comply with the requirements of such rules and regulations shall constitute a breach of these Covenants.

The Partnership hereby reserves unto itself, its successors, assigns and agents a perpetual, alienable and releasable easement and right on, over and under all property on WindStone for the purpose of taking any action necessary to effect compliance with such environmental rules and regulations and covenants. The cost of such action by the Partnership shall be paid by the respective Owner(s) of the property upon which the work is performed.

Section 5. Further Siting Authority. To prevent excessive "run-off" or drainage resulting from any improvements to Residential Lots or other tracts, the Partnership hereby reserves unto itself, its successors and assigns, the right to establish a maximum percentage of property which may be covered by a building, patio, driveway or other structure. In the establishment of such maximum percentage the Partnership shall consider topography, percolation rate of the soil, soil types and conditions, vegetation cover and other relevant environmental factors. Neither this nor any other right reserved herein by the Partnership shall be construed, however, to be an obligation of the Partnership to take any action.

Section 6. Erosion in Open Spaces, Private Open Spaces, Common Properties and Restricted Common Properties. The Partnership, its successors and assigns, shall have the right, but shall not be obligated, to protect all Common Properties and Restricted Common Properties from erosion, by planting trees, plants and shrubs where and to the extent necessary or by such mechanical means as construction and maintenance of siltation basins, or other means deemed expedient or necessary by the Partnership; provided, however, in the exercise of the rights above set forth, the Partnership shall be obligated to protect and maintain all Common Properties and Restricted Common Properties. The right is likewise reserved to the Partnership to take steps necessary, within Open Space, Private Open Space, Common Properties and Restricted Common Properties, to provide and insure, adequate drainage ways, to cut fire breaks, and to remove diseased, dead or dangerous trees and carry out other similar activities, the cost of which services is to be paid by assessments of the Owners in accordance with the provisions of Part Three of this Declaration.

Section 7. Standard of Reasonableness. The rights reserved unto the Partnership in this Article II shall not be unreasonably employed and shall be used only where necessary to effect the stated intents and purposes of this Declaration.

ARTICLE III
SPECIAL RESTRICTIONS AFFECTING OPEN SPACE AND PRIVATE OPEN SPACE

Section 1. Partnership's Intention for Open Space and Private Open Space. It is the intent of the Partnership to maintain and enhance (or to convey, subject to open space restrictions, to the Association) certain areas which the Partnership designates as "Open Space" or "Private Open Space" on plats hereafter filed for record in the Offices of the Recorders by the Partnership. Such Open Space and Private Open Space may, but need not necessarily be, also designated as either Common Properties or Restricted Common Properties at the time of their conveyance to the Association. It is the further intent and purpose of these restrictions and covenants to protect bluffs, to maintain and enhance the conservation of natural and scenic resources, to promote the conservation of soils, wildlife, game and migratory birds, enhance the value of abutting and neighboring residential areas adjacent to such forests, preserves, natural reservations or sanctuaries or other Open Space and Private Open Space, and to afford and enhance recreational opportunities, preserve historical sites and implement generally the WindStone Master Plan for development.

Section 2. Open Space Easement. To insure that land designated as Open Space Area will remain as undeveloped and natural woodland, an Open Space Easement is hereby granted to the Owners in WindStone, their guests and tenants. The Open Space Easement granted hereby shall entitle such Owners, their guests and tenants to enjoy the Open Space areas subject to the rules and regulations of the Partnership.

Section 3. Private Open Space. Land designated as "Private Open Space" shall be subject to the easement granted in Section Two above in every respect except that the enjoyment thereof shall and is hereby limited to Owners (their guests and tenants) of property immediately contiguous and adjacent to such Private Open Space. The "Private Open Space Easement" hereby granted shall not extend to any area neither shown on the recorded plat nor clearly designated as "Private Open Space Areas."

Section 4. Activities Prohibited in Open Space. It is expressly understood and agreed that no building, tent, trailer, camper, recreational vehicle, or other structure, either temporary or permanent, except as noted elsewhere herein, shall be erected or caused to be placed on any lands shown and set aside on a recorded subdivision plat as Open Space or Private Open Space.

Section 5. Reserved Rights for Wildlife Feeding and Preservation. Pursuant to its overall program of wildlife conservation and nature study, the right is expressly reserved to the Partnership and to the Association to erect wildlife feeding stations, to plant small patches of cover and food crops for wildlife, to make access trails and paths or boardwalks through said Open Space and Private Open Space areas for the purpose of permitting observation and study of wildlife, hiking, and riding, to erect small signs throughout the Open Space and Private Open Space areas designating points of particular interest and attraction, and to take such other steps as are reasonable, necessary and proper to further the aims and purposes of the Open Space and Private Open Space areas and community use and enjoyment thereof.

Section 6. Erosion Prevention Activities Permitted. The Partnership and the Association shall have the right to protect from erosion the land described as Open Space or Private Open Space area by planting

trees, plants, and shrubs where and to the extent necessary or by such mechanical means as bulkheading, or other means deemed expedient or necessary by the Partnership or the Association. The right is likewise reserved to the Partnership and to the Association to take necessary steps to provide and insure adequate drainage ways, canals or lagoons in Open Space or Private Open Space, to cut fire breaks, remove diseased, dead, or dangerous trees and carry out other similar activities.

Section 7. Rights Reserved in Partnership. The Partnership reserves unto itself, its successors and assigns the right to go on, over and under the ground to erect, maintain and use poles, wires, cables, conduits, sewers, water mains, and other suitable equipment for the conveyance and use of electricity, telephone equipment, gas, sewer, water or other public conveniences or utilities in said Open Space and Private Open Space areas. These reservations and rights expressly include the right to cut any trees, bushes, or shrubbery; rights to make any gradings of the soil, or take any other similar action reasonably necessary to provide economical and safe utility installation and to maintain reasonable standards of health, safety and appearance. The Partnership further reserves the right to locate wells, pumping stations and tanks within such Open Space and Private Open Space areas. Such rights may be exercised by any licensee of the Partnership, but this reservation shall not be considered an obligation of the Partnership to provide or maintain any such utility or service.

Section 8. Dumping Prohibited. No dumping of trash, garbage, sewage, sawdust or any unsightly or offensive material shall be placed upon such Open Space or Private Open Space areas, except as is temporary and incidental to the bona fide improvement of the area in a manner consistent with its classification as Open Space or Private Open Space.

Section 9. No General Easement Intended. The granting of this easement does in no way grant to the public or to the Owners of any surrounding or adjacent land, the right to enter such Open Space without the express permission of the Partnership.

Section 10. Consistent Rights to Use Reserved. The Partnership expressly reserves unto itself, its successors and assigns, every reasonable use and enjoyment of said Open Space and Private Open Space, in a manner not inconsistent with the provisions of this Declaration.

Section 11. Corrective Action No Trespass. Where the Partnership is permitted by these Covenants to correct, repair, clean, preserve, clear out or to do any action on the Open Space or Private Open Space areas entering such property and taking such action shall not be deemed a breach of these Covenants.

Section 12. No Affirmative Action Required of Partnership. It is expressly understood and agreed that the granting of this easement does in no way place a burden of affirmative action on the Partnership, that the Partnership is not bound to make any of the improvements noted herein, or extend to any Owner any service of any kind, except as such may be undertaken at the expense of the Association.

ARTICLE IV
SPECIAL DEFINITIONS AND RESTRICTIONS AFFECTING GOLF COURSE

AND GOLF FAIRWAY RESIDENTIAL AREAS

Section 1. Golf Course Defined. The Partnership is developing within the Property a Golf Course and related facilities. The areas of the fairways, greens and tees shall upon completion be designated as a Private Recreational Tract and may be owned, leased or operated by the Club.

Section 2. Golf Fairway Residential Areas Defined. "Golf Fairway Residential Areas" is defined as all those residential lots, tracts or blocks of land intended for residential and/or multi-family development located adjacent to the Golf Course.

Section 3. Landscape Requirements. That portion of any Golf Fairway residential and/or multi-family lot or residential and/or multi-family tract within twenty (20) feet of the Lot or tract line bordering the Golf Course shall be in general conformity with the overall landscaping pattern for the Golf Course fairway area established by the Golf Course architect. All individual Lot or tract landscaping plans must be approved by the Review Board before implementation.

Section 4. Golf Course Maintenance Easement. There is reserved to the Partnership a "Golf Course Maintenance Easement Area" on each Lot or tract adjacent to the Golf Course. This reserved easement shall permit the Partnership at its election, to go onto any Golf Course Maintenance Easement Area for the purpose of landscaping or maintaining said area. Such maintenance and landscaping may include regular removal of underbrush, trees less than five (5) inches in diameter, stumps, trash or debris, planting of grass, watering, application of fertilizer, and mowing the Easement Area. This Golf Course Maintenance Easement Area shall be limited to the portion of such Lots within twenty (20) feet of the Lot line(s) or tract line bordering the Golf Course, or such lesser area as may be shown as a "Golf Course Maintenance Area." The described maintenance and landscaping rights shall apply to the entire Lot or tract until there has been filed with the Review Board a landscaping plan for such Lot or tract by the Owner thereof, or alternatively, a residence constructed on the Lot or Dwelling units constructed on the tract. The Partnership reserves the right to waive the easement herein reserved in whole or in part in its sole discretion.

Section 5. Golf Course Ingress, Egress and Utility Easements. The Partnership reserves unto itself, its successors and assigns, easements for unlimited egress and ingress in, on, over, across and under roadways and utilities within the Common Properties for the benefit of the Golf Course. These easements are in addition to all other easements reserved under this Declaration.

Section 6. Permissive Easement Prior to Dwelling Construction. Until such time as a residence is constructed on a Lot, the Partnership and the Association reserve an easement to permit and authorize registered golf course players and their caddies to enter upon a Lot to recover a ball or play a ball, subject to the official rules of the course, without such entering and playing being deemed a trespass. After a Dwelling Unit is constructed, such easement shall be limited to that portion of the Lot included in the Golf Course Maintenance Easement Area, and recovery of balls only, not play, shall be permitted in such Easement Area. Golfers or caddies shall not be entitled to enter any such Lot with a golf cart or other vehicle, nor spend unreasonable time on such Lot, or in any way commit a nuisance while on such Lot. After construction of a

Dwelling Unit on a Golf Fairway Lot, "Out of Bounds" markers may be placed on said Lot at the expense of the Partnership.

Section 7. Distracting Activity Prohibited. Owners of Golf Fairway Lots or Dwelling Units shall be obligated to refrain from any actions which would detract from the playing qualities of the Golf Course or the development of an attractive overall landscaping plan for the entire Golf Course area. Such prohibited actions shall include, but are not limited to, such activities as burning trash on a Lot or residential tract adjacent to the Golf Course when the smoke would cross onto the fairway, and the maintenance of unfenced dogs or other pets on the Lot or residential tract adjacent to the Golf Course under conditions interfering with play due to their loud barking, running on the fairways, picking up balls or other like interference with play.

Section 8. Reserved Approval Rights. Notwithstanding the provisions of Section 3 of this Article IV, the Partnership hereby reserves the right to allow an Owner to construct a dwelling over a portion of the "Golf Course Maintenance Easement Area" in those cases where the Review Board, in its uncontrolled discretion, determines that such construction will not materially lessen the beauty or playing qualities of the adjacent Golf Course.

ARTICLE V

SPECIAL RESTRICTIONS AFFECTING ALL WATERFRONT AND WOODED AREAS

Section 1. Conditions of Limited Dock and Deck Construction. The provisions of Section 1 of this Article V shall not absolutely prohibit the construction of docks and decks over the streams, lakes and ponds of WindStone. However, in order to avoid an unsightly proliferation of docks along the banks of streams, lakes or ponds within the Property, the general rule is established that Owners of Lots, Dwelling Units or other residential tracts fronting on those water bodies may not erect docks within the Property without permission for such construction being obtained from the Review Board which approval may be denied in its sole discretion; unless the Owner obtained specific written permission to construct such dock or deck at the time of the purchase of the property from the Partnership. If permission for such construction is granted, any such grant shall be conditioned upon compliance with the following requirements:

- (a) Complete plans and specifications including site, color and finish must be submitted to the Review Board in writing;
- (b) Written approval of the Review Board to such plans and specifications must be secured, the Review Board reserving the right in its uncontrolled discretion to disapprove such plans and specifications on any ground, including purely aesthetic reasons; and
- (c) Written approval of any local, state or federal governmental departments or agencies which may have jurisdiction over construction in or near streams, lakes or ponds must be secured.

Any alterations of the plans and specifications or of the completed structure must also be submitted to the Review Board in writing and the Review Board's approval in writing must be similarly secured prior to construction, the Review Board reserving the same rights to disapprove alterations as it retains for disapproving the original structures.

Section 2. Maintenance of Docks and Decks. All Owners who construct or cause to be constructed said docks or decks, must maintain said structures in good repair and keep the same safe, clean and orderly in appearance at all times, and further agree to paint or otherwise treat with preservatives all wood or metal located above the high water mark, exclusive of pilings and to maintain such paint or preservatives in an attractive manner. The Partnership or the Association shall be the judge as to whether the docks and/or decks are safe, clean, orderly in appearance and properly painted or preserved in accordance with reasonable standards; and, where the Partnership notifies the particular Owner in writing that said dock and/or deck fails to meet acceptable standards, said Owner shall thereupon remedy such condition within thirty (30) days to the satisfaction of the Partnership, and that failing to so remedy such conditions, the Owners hereby covenant and agree that the Partnership may make the necessary repairs, but is not obligated to make such repairs or take such actions as will bring the said dock and/or deck up to acceptable standards, all such repairs and actions to be at the expense, solely, of the Owner in question.

Section 3. Waterway Use. No boat of any kind shall be permitted upon, nor any swimming or fishing permitted in, any waterway, stream, lake or pond without the prior written approval of the Association. If permission is granted, such use shall conform to all rules and regulations promulgated by the Partnership and/or the Association concerning such use.

No garbage, trash, or other refuse shall be dumped into any waterway, stream, lake or pond on the Property. Owners will be assessed a \$50.00 fine for each violation of this provision in addition to assessments for the cost of removal.

Section 4. Entry Not Trespass. Whenever the Partnership is permitted by these Covenants to correct, repair, clean, preserved, clear out or do any action on the property of any Owner, or on the easement areas adjacent thereto entering the property and taking such action shall not be deemed a trespass.

Section 5. Lake, Pond or Waterway Failure. In the event that a lake, pond or waterway shown on the Master Plan by the Partnership cannot be developed, or if developed, fails to retain water, the Partnership, in its sole discretion, may develop alternate plans for such lake, pond or waterway, including, without limitation, reclamation of the land used in the development of such failed lake, pond or waterway and reforestation. In no event shall such reclaimed site be designated by the Partnership or the Association for Residential Lots, Dwelling Units, Multi-Family Tracts, Public or Commercial Sites, Public or Commercial Units of Development Unit Parcels. The Partnership reserves the right to dedicate any such reclaimed site as Open Space or Private Open Space.

**PART THREE
WINDSTONE RESIDENTIAL ASSOCIATION, INC.**

**ARTICLE I
MEMBERSHIP AND VOTING RIGHTS IN THE ASSOCIATION**

Section 1. Membership. Every Owner shall be a Member of the Association. The Partnership shall be a Member of the Association. In the event of multiple ownership of a Residential Lot, Dwelling Unit, condominium or townhouse or ownership by a partnership or corporation, the name of the Owner designated as Member shall be submitted to the Partnership and/or the Association each year, not later than the 1st day of January of each year and only the designated Member shall be entitled to have access to the facilities of the Association as a Member of the Association. Remaining Owners shall be entitled to access only in accordance with rules and regulations established by the Association, its successors and assigns, for guests. If no designation of a Member is made by the multiple Owners, all such Owners shall be required to pay such user fees as may be established by the Association.

Section 2. Voting Rights. The Association shall have one regular voting membership classification. A Member's voting power shall be equal to the percentage assessment which that Member is required to contribute, as an Owner, to improve, maintain, enhance, enlarge and operate the Common Properties and Restricted Common Properties, and to provide services which the Association is required or authorized to provide. The percentage (herein the "Owner's Percentage") applicable to each area of the Property, including, without limitation, the Residential Lots, is set forth on Exhibit C attached hereto.

When any ownership entitling the Owner to membership in the Association is owned of record in the name of two (2) or more persons or entities, whether fiduciaries, joint tenants, tenants-in-common, tenants-in-partnership or in any other manner of joint or common ownership, or if two (2) or more persons or entities have the same fiduciary relationship respecting the same property, then unless the instrument or order appointing them or creating the tenancy otherwise directs, and it or a copy thereof is filed with the secretary of the Association, their acts with respect to voting shall have the following effect:

- (a) If only one (1) vote, in person or by proxy, his act binds all;
- (b) If more than one (1) vote, in person or by proxy, the act of the majority so voting binds all;
- (c) If more than one (1) vote in person or by proxy, but the vote is evenly split on any particular matter, each fraction shall be entitled its proportionate share of the vote or votes;
- (d) If the instrument or order so filed shows that any such tenancy is held in unequal interest, a majority or even split for purposes of this section shall be a majority or even split in interest;
- (e) The principles of this section shall apply, insofar as possible, to execution of proxies, waivers, consents or objections and for the purpose of ascertaining the presence of a quorum.

The voting rights of any Owner may be assigned by said Owner to his lessee who has entered into a lease with a term of twelve (12) months or more; provided, however, that the Owner may not assign to such lessee any vote or votes not attributable to the property actually leased by such lessee.

Section 3. Special Voting Membership. In addition to the regular voting memberships described herein above, there shall be allowed a Special Voting membership for the Partnership under the following circumstances:

So long as the Partnership's total amount of assessments paid (under its classification as a Member by virtue of its ownership of Residential Lots, Dwelling Units, or other properties in WindStone), total amount of Association operating deficits funded by the Partnership, and total amount of loans by the Partnership to the Association outstanding exceed, cumulatively, the total amount of assessments paid by all other Members, or until seventy-five (75%) percent of the Residential Lots, Dwelling Units and other properties in the Property (as now constituted or as hereafter enlarged by annexation as herein provided) have been sold, whichever shall occur last, but in any event not later than December 31, 1991, the Partnership shall be allowed a Special Voting Membership by which it shall be entitled to the same number of votes as cumulatively held by all other members (including itself), plus one (1). This provision, without further reference herein, shall be self-operative and its applicability determined, for any purpose, by reference to the Annual Statement of the Association for the preceding year, or years, required by this Declaration in Part Three, Article III, Section 13.

Section 4. Composition of Board. The Association shall be governed by a Board of Directors consisting of not less than three (3) nor more than nine (9) Members, with the number in subsequent years to be determined as provided for in the By-Laws of the Association. All members of the Board shall be Owners within the Property (as now or hereafter constituted).

Section 5. Cumulative Voting Prohibited. Each Member shall be entitled to as many votes as equals the number of votes he is ordinarily entitled to, based on his Owner's Percentage. Cumulative voting shall be prohibited.

Section 6. Quorum Required for any Action Authorized at Regular or Special Meetings of the Association. The quorum required for any action which is subject to a vote of the Members at an open meeting of the Association shall be as follows:

The first time a meeting for the Members of the Association is called to vote on a particular action proposed to be taken by the Association the presence at the meeting of Members or proxies entitled to cast fifty (50%) percent plus one (1) of the total membership present or represented by proxy shall constitute a quorum. If the required quorum is not forthcoming at any such meeting, a second meeting may be called subject to the giving of proper notice and the required quorum at such meeting shall be the presence of Members or proxies entitled to cast twenty-five (25%) percent of the total vote of the membership the Association. In the event the required quorum is not forthcoming at the second meeting, a third meeting may be called subject to giving of proper notice and there shall be no quorum requirement for such third meeting. Unless otherwise provided, any reference hereafter to "votes cast at a duly called meeting" shall be construed to be subject to the quorum requirements established by this Article I, Section 6, and any other requirements for such "duly called Meeting" which may be established by the By-Laws of the Association. This provision shall not apply when the proposed action is the amendment of this Declaration and the quorum requirement established by Part Four, Article II, Section 2 shall govern in that instance.

Section 7. Proxies. All Members of the Association may vote and transact business at any meeting of the Association by proxy authorized in writing; provided, however, that proxies shall not be required for any action which is subject to a referendum, in which case the votes of all the Members polled shall be made by specially provided ballots mailed to the Association.

ARTICLE II PROPERTY RIGHTS IN THE COMMON PROPERTIES

Section 1. Members' Easement of Enjoyment in Common Properties. Subject to the provisions of these Covenants, the rules and regulations of the Association, and any fees or charges established by the Association, every member and every tenant and guest of such Member shall have a right of easement of enjoyment in and to the Common Properties and such easement shall be appurtenant to and shall pass with the title of every Residential Lot, Dwelling Unit, Multi-Family Tract, Public or Commercial Site, Public or Commercial Unit, Development Unit Parcel and Private Recreational Tract. The privilege granted to guests and tenants of twelve (12) months or less of Members to use and enjoy the Common Properties (but not the right and easement to use the roads belonging to the Association), subject to the rules, regulations and fees, if any, established by the Association for such use may be denied to or withdrawn from such guests or tenants of twelve (12) months or less by an affirmative vote of ninety (90%) percent of the votes cast at a meeting of the Association called for the purpose of voting on such denial or withdrawal.

Section 2. Members' Easement of Enjoyment in Restricted Common Properties. Subject to the provisions of these Covenants, the rules and regulations of the Association, and any fees or charges established by the Association, every Member shall have a right and easement of enjoyment in and to the Restricted Common Properties and such easement shall be appurtenant to and shall pass with the title of every Residential Lot and Dwelling Unit. By an affirmative vote of ninety (90%) percent of the votes cast at a meeting of the Association called for the purpose of voting on such proposal, a "Restricted Common Property" may be changed into an unrestricted "Common Property."

Section 3. Title to Common Properties and Restricted Common Properties. The Partnership covenants for itself, its successors and assigns, that it shall have the opportunity to convey Common Properties and Restricted Common Properties to the Association, at no cost to the Association by limited warranty deed, within two (2) years after the Partnership has completed improvements thereon, if such are required. The Association will weigh the benefits and potential liabilities of such proposed conveyance as it relates to each property owner of WindStone and then vote to accept or reject such conveyance. The vote must be of a majority of elected Board Members. The Board's determination will be final unless a two-thirds (2/3) majority of the residents present at the annual Association meeting in WindStone overturns such ruling. Once conveyed to the Association these properties or lands shall become Common Properties, Restricted Common Properties, Open Spaces, or Private Open Spaces as designated in a supplement to this Declaration and on a revised plat.

Natural areas, trail areas, open spaces, etc. shall be conveyed in large or small parcels from time to time after the Partnership has completed the surveying and platting of all Residential Lots, Dwelling Units,

Multi-Family Tracts, Public or Commercial Sites, Private Recreational Tracts and Development Unit Parcels which may abut such natural areas, trail areas, open spaces, etc. The Partnership covenants for itself, its successors and assigns, that it shall convey by deed to the Association all such properties within two (2) years of notification to all Members of the Association, in writing, of its intent to convey such properties; provided, however, that in the case of Common Properties or Restricted Common Properties upon which improvements are required to be made by the Partnership, such notification of "intent to convey" shall not be deemed to be made until such time as the improvements have been completed such that the facility is functionally complete. Such notification shall not normally show metes and bounds, and in any event, the metes and bounds as shown on the recorded plat and deed to the Association shall govern. All said parcels of land may be conveyed to the Association subject to: (a) all restrictive covenants of record at the time of the conveyance, including but by no means limited to this Declaration; (b) all existing mortgages; and (c) a reservation by the Partnership of the right to substitute or add new mortgages thereon; provided, however, that in no event shall the Association be obligated to assume the payment of principal or interest on any such mortgage.

Section 4. Extent of Members' Easement. The rights and easements of enjoyment created hereby shall be subject to the following:

- (a) The right of the Association in accordance with its By-Laws, to borrow money from the Partnership or any other lender for the purpose of improving and/or maintaining the Common Properties and Restricted Common Properties, and providing services authorized herein and in aid thereof to mortgage said properties;
- (b) The right of the Association to take such steps as are reasonably necessary to protect the above-described properties against foreclosures;
- (c) The right of the Association, as provided in its By-laws to suspend the rights and easements or enjoyment of any Member, or any tenant or guest of any member, for any period during which the payment of any assessment against property owned by such Member remains delinquent, and for any period not to exceed sixty (60) days for any infraction of its published rules and regulations, it being understood that any suspension for either nonpayment of any assessment or a breach of the rules and regulations of the Association shall not constitute a waiver or discharge of the Member's obligation to pay the assessment, and provided that the Association shall not suspend the right to use the roads belonging to the Association subject to the rules, regulations and fees, if any, established by the Association for such use;
- (d) The right of the Association to charge reasonable admission and other fees for the use of the Common Properties and Restricted Common Properties, and any facilities including therein, including the right of the Association to charge a reasonable toll for the use of the roadways belonging to the Association, provided, however, that such rights of the Association shall not be construed to impair or qualify an Owner's rights of ingress and egress to his Property;

(e) The Board of Directors of the Association shall have full discretion to determine the amount of the fee or toll for use of said roadways; provided, however, that such fee or toll shall be limited to an amount which generates sufficient sums to the Association to cover the cost of the operation of entry control security stations; to repair, rehabilitate, resurface and otherwise maintain said roadways; to provide for the maintenance and clean up of rights-of-way; to provide drainage along said roadways and to provide for motorized security patrols. The Board of Directors of the Association shall further have the power to place any reasonable restrictions upon the use of the Association's roadways, subject to an Owner's right of ingress and egress, including but not limited to the types and sizes of vehicles permitted to use said roads, the maximum and minimum speeds of vehicles using said road, all other necessary traffic and parking regulations and the maximum noise levels of vehicles using said roads. The fact that such restrictions on the use of the roads shall be more restrictive than the laws of any state or local government having jurisdiction over the Property shall not make such restrictions unreasonable. The Member's easement shall likewise be subject to the provisions of Part Two, Article I, Section 30 hereof. This Subsection (e) establishes a maximum charge restriction on fees which may be charged for road entry and use of roads. The Board of Directors of the Association may supplement, with an allocation of a portion of the receipts from the annual assessment on the Property, the funds (if any) received from road use fees or tolls, to carry out the functions and activities as described in this Subsection (e).

(f) The right of the Partnership, or the Association by its Board of Directors, to dedicate or transfer: (1) to any public or private utility, utility easement on any part of the Common Properties and Restricted Common Properties, and (2) to appropriate governmental authorities roadways on any part of the Common Properties and Restricted Common Properties.

(g) The right of the Association to give or sell all or any part of the Common Properties and Restricted Common Properties, including leasehold interests, to any public agency, authority, public service district, utility or private concern for such purposes and subject to such conditions as may be agreed to by the Members, provided that no such gift or sale or determination as to the purposes or as to the conditions thereof shall be effective unless such dedication, transfers and determinations as to purposes and conditions shall be authorized by the affirmative vote of two-thirds ($\frac{2}{3}$) of the votes cast at a duly called meeting of the Association, subject to the quorum requirements established by Part Four, Article II, Section 2, and unless written notice of the meeting and of the proposed agreement action thereunder is sent to every Member of the Association at least twenty-one (21) days prior to such meeting. A true copy of such resolution together with a certificate of the results of the vote taken thereon shall be made and acknowledged by the President or Vice President and Secretary or Assistant Secretary of the Association and such certificate shall be annexed to any instrument of dedication or transfer affecting the Common Properties or Restricted

Common Properties prior to the recording thereof. Such certificates shall be conclusive evidence of authorization by the membership.

(h) The rights of reversion of the lessor of Common Properties or Restricted Common Properties leased by the Association upon expiration of the lease.

ARTICLE III COVENANTS FOR MAINTENANCE ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligations of Assessments. The Partnership covenants, and each Owner of any Residential Lot, Dwelling Unit, Multi-Family Tract, Public or Commercial Site, Public or Commercial Unit, Development Unit Parcel, Unsubdivided Land, and Private Recreational Tract, whether or not it shall be so expressed in any such deed or conveyance, shall be deemed to covenant and agree to all the terms and provisions of this Declaration and to pay to the Association: (a) annual assessments or charges; and (b) special assessments or charges for the purposes set forth in this Article III, such assessments to be fixed, established and collected from time to time as hereinafter provided.

The Annual and Special assessments together with such interest thereon and costs of collection therefor as hereinafter provided, shall be a charge and continuing lien on the real property and improvements thereon against which each such assessment is made. Each such assessment, together such interest thereon and cost of collection thereof as hereinafter provided, shall also be the personal obligation of the person or entity which was the Owner of such real property at the time when the assessment first became due and payable. In the case of co-ownership of a Residential Lot, Dwelling Unit, Multi-Family Tract, Public or Commercial Site, Public or Commercial Unit, Development Unit Parcel, Unsubdivided Land, and Private Recreational Tract all of such co-owners shall be jointly and severally liable for the entire amount of the assessment.

Section 2. Purpose of Assessments. The Annual assessments levied by the Association shall be used exclusively for the improvement, maintenance, enhancement, enlargement and operation of the Common Properties and Restricted Common Properties, and to provide services which the Association is required or authorized to provide in carrying out these duties, the Association may make payment of taxes and insurance thereon, make improvements on Common Properties and Restricted Common Properties owned or managed by the Association, pay the cost of labor, equipment, materials, management, supervision, accounting and Member information services, maintain offices and equipment, repay any loans made to the Association and take such other action as is necessary to carry out its required or authorized functions.

Section 3. Calculation of Assessment. The annual assessment shall be levied by the Association when the Board of the Association, determines that the important and essential functions of the Association may be properly funded only by such an assessment. If the Board of Directors shall levy the applicable assessment for any assessment year and thereafter, during such assessment year, determine that the important and essential functions of the Association cannot be funded by the assessment, the Board may, by the affirmative vote of two-thirds ($\frac{2}{3}$) of the votes at a duly called meeting, levy a supplemental assessment.

Each Owner shall be responsible for the pro rata share of such assessment stated as the Owner's Percentage which has been assigned, and/or reassigned, to each Residential Lot, Dwelling Unit, Multi-Family Tract, Public or Commercial Site, Public or Commercial Unit, Development Unit Parcel, Unsubdivided Land and/or Private Recreational Tract. The Partnership shall use reasonable judgment in all such assignments and reassignments of the Owner's Percentage, and shall deliver to the Board of Directors of the Association a list of Owners' Percentages assigned and reassigned from time to time. The Owners' Percentages shall not be deemed to reflect or control the sales price or fair market value of any Residential Lot, Dwelling Unit, or other property, and no opinion, appraisal or fair market transaction at a different figure shall affect the assigned Owner's Percentage of any Residential Lot, Dwelling Unit, or other property. Once assigned, the Owner's Percentage may be decreased but shall not be increased without the written consent of the Owner affected by such increase. Attached hereto and made apart hereof as Exhibit C is a list of all assigned Owner's Percentages.

The assessments paid by Public or Commercial facilities within the Property, such as motels, inns, and any other facility offering overnight accommodations, as well as restaurants, retail stores, commercial offices, and all manners of rental agencies operating from a base within or outside of the Property, may be based on a percentage of gross receipts, user fees, or square footage, rather than an assigned Owner's Percentage.

The Board of Directors of the Association may, after consideration of current costs and future needs of the Association, fix the annual regular assessment for any year at an amount less than the applicable regular annual assessment, but such action shall not constitute a waiver by the Association of its right to revert to the full regular assessment in subsequent years. However, if the Board of Directors fixes such regular annual assessment and it subsequently is determined by the Board that the amount assessed will not be sufficient, the Board shall have the power to make a supplemental regular annual assessment.

Section 4. Special Assessments for Improvements and Additions. In addition to the annual regular assessments authorized by Section 3 herein above, the Association may levy special assessments for the purpose of construction or reconstruction, repair or replacement of capital improvements upon the Common Properties, Restricted Common Properties, Open Spaces and Private Open Spaces, including the necessary fixtures and personal property related thereto, or for additions to the Common Properties or Restricted Common Properties or to provide for the necessary facilities and equipment to offer the services authorized herein, and repay any loan made to the Association to enable it to perform the duties and functions authorized herein, provided that such assessment shall have received the assent of a majority of the votes of the Members responding to a mail referendum within thirty (30) days of mailing, with such mail referendum to include a statement prepared by the Directors of the Association favoring such assessments, stating the reasons therefor, together with a statement prepared by the Directors dissenting from such assessment; provided, however, that neither of such statements may exceed a maximum length of five (5) pages on each proposed assessment.

Such special assessment in any one year may not exceed a sum equal to the amount of the annual assessment for such year except for emergency and other repairs required as a result of storm, fire, natural disaster or other casualty loss.

Section 5. Reserve Fund. The Association shall establish a reserve fund from its regular annual assessments to be held in reserve in an interest drawing account or investments as a reserve use of which shall be restricted to the repair of roads. Such fund shall not exceed twenty (20%) percent of its receipts from the regular annual assessments in each year. Moreover, there shall be no restriction on the total amount in this Reserve Fund. Use of this fund for anything other than the repair of roads shall require the approval of the Membership at a Special Meeting.

The Association shall establish an additional fund from its regular annual assessments to be held in a separate interest drawing account or investments, to be identified as the Emergency Fund, which shall be used for (a) major rehabilitation or major repairs or replacements of improvements, and (b) for emergency and other repairs required as a result of storm, fire, natural disaster or other casualty loss. Such fund shall not exceed two (2%) percent of receipts from the regular annual assessments each year.

Section 6. Neighborhood Area Special Assessments. On petition of sixty (60%) percent of all Owners within a particular designated Neighborhood Area, as such may be designated on a recorded plat, the Board of Directors of the Association may levy a special assessment applicable only to the Owners within that Neighborhood Area to undertake special neighborhood improvements, neighborhood rehabilitation or construction, and neighborhood maintenance. Such special assessment may likewise be proposed by the Board of Directors of the Association rather than by petition as provided for herein above, and if proposed by the Board of Directors then such proposal shall be submitted to a referendum of all Owners within that particular Neighborhood Area, and such special assessment shall be levied only upon a favorable response to said referendum, as shall be indicated by not less than seventy-five (75%) percent of the votes cast voting in favor of such special assessment.

In the event of election of Neighborhood Area to be assessed by the Association for special improvements, construction, or maintenance within those Areas, the Association shall be authorized to borrow money to fund such special improvements, construction, or maintenance and to repay any such loan with the receipts from the special assessment authorized therefor.

In the event a general special assessment is levied by the Board of Directors of the Association as may be authorized by this Article III, and such general special assessment is levied subsequent to election by the Members of a Neighborhood Area for a special assessment for the same purpose as the special assessment as provided for herein above, then the Members of such Neighborhood Area shall be liable for the general special assessment only to the extent of any difference between the special assessment for the Neighborhood Area and the total authorized special assessment, provided, however, that if the special assessment for the Neighborhood Area shall be for a lesser term than that of the general special assessment, then the Members within the Neighborhood Area shall, upon final payment of the special assessment for that area, thereupon become obligated to continue to pay the Owner's Percentage of the general special assessment upon any subsequent due dates therefor, notwithstanding the fact that his obligation for the general special assessment was a lesser amount during the term of the special assessment for the Neighborhood. It is the purpose of this provision to insure that no Member shall have to pay for a duplication of assessments for identical services.

Section 7. Quorum for any Action Authorized under this Article. The quorum required for any action authorized to be taken by the Association Members under this Article III shall be as follows:

The first time any meeting of the Members of the Association is called to take action under this Article III, the presence at the meeting of Members or proxies entitled to cast sixty (60%) percent of the total vote of the Membership shall constitute a quorum. If the required quorum is not forthcoming at any such meeting, a second meeting may be called subject to the giving of proper notice and the required quorum at such subsequent meeting shall be the presence of Members or proxies entitled to cast twenty-five (25%) percent of the total vote of the membership of the Association.

Section 8. Proration of Annual Assessments; Due Date. Unless otherwise provided herein, property shall be assessed according to its character as of January 1 of the assessment year, i.e., Residential Lot, Dwelling Unit, Public or Commercial Unit, etc.

The first annual assessment shall be made for the calendar year and shall become due and payable ninety (90) days after the day fixed for the commencement. The Board of Directors of the Association shall have the power to change the date upon which annual assessments become due and payable. Payment of annual assessments shall be made monthly, on a day to be selected by the Board.

In any instance where assessments, either in whole or in part, are based upon percentages of gross revenues as stated herein, such assessments for the coming year shall be based upon the revenues produced through December 31st of the preceding year, whether for a full year or a fraction of a year, or at the Board's discretion, upon a reasonable estimate for the coming year.

Section 9. Duties of the Board of Directors. The Board of Directors of the Association shall fix the amount of the assessment against each Residential Lot, Dwelling Unit, Multi-Family Tract, Public or Commercial Site, Public or Commercial Unit, Development Unit Parcel, Unsubdivided Land, or Private Recreational Tract, and shall, at that time, direct the preparation of an index of the properties and assessments applicable thereto which shall be kept in the office of the Association and which shall be open to inspection by any Owner. Written notice of assessment shall thereupon be sent to every Owner subject thereto.

The Board of Directors shall not have authority to levy a special assessment unless such special assessment is approved as herein provided.

The Association shall upon demand at any time furnish to any Owner liable for said assessment a certificate in writing signed by an officer of the Association setting forth whether said assessment has been paid. Such certificate shall be conclusive evidence against all but the Owner of payment of any assessment therein stated to have been paid.

Section 10. Effect of Non-Payment of Assessment: The Personal Obligation of the Owner; the Lien; Remedies of the Association. If the assessment is not paid on or before the past-due date specified in Section 8 hereof, then such assessment shall become delinquent and shall, from the due date, together with

interest thereon at the maximum permissible limit for contractual interest rates in the state where the property assessed is located, and together with cost of collection thereof as hereinafter provided, thereupon become a charge and continuing lien on the land and all improvements thereon, against which each such assessment is made, in the hands of the then Owner, his heirs, devisees, personal representatives and assigns.

The personal obligation of the Owner at the time when the assessment first became due and payable to pay such assessment shall remain his personal obligation and shall pass a personal obligation to his successor-in-title whether or not expressly assumed by them.

If the assessment is not paid within thirty (30) days after the past due date, the Association may bring an action at law against the Owner personally and there shall be added to the amount of such assessment the interest charges herein above specified until judgment, the costs of preparing and filing the complaint in such action, and in the event a judgment is obtained, such judgment shall include interest on the assessment at the rate set forth above and a reasonable attorney's fee (in Georgia, 15% of the amount of the judgment) together with the costs of the action.

In addition to the rights of action set forth above, the Board of the Association may suspend the membership rights of any member during the period when the assessment remains unpaid. Upon payment of such assessment and late charges, etc., the Owner's rights and privileges shall be automatically restored. This provision shall not empower the Board to suspend the rights to use the roads within the Property.

Section 11. Subordination of the Lien to Mortgages. The lien of the assessments provided for herein shall not be subordinate to the lien of any mortgage or mortgages now or hereafter placed upon the properties subject to assessment.

Section 12. Exempt Property. The following property, individuals, partnerships or corporations, subject to this Declaration shall be exempted from the assessment, charge and lien created herein:

- (a) The grantee in conveyances made for the purpose of granting utility easements;
- (b) All Common Properties and Restricted Common Properties as defined in Part One, Article I, Section 1, hereof and all Open Space or Private Open Space as described in Part Two, Article III;
- (c) All real and personal property leased or owned by the Club; and
- (d) Property which is used for any of the following purposes:
 - (1) in the maintenance and service of facilities within the properties; or
 - (2) places of worship, community, civic and cultural clubs; woodlands, libraries, utilities; nurseries and other schools and instructional centers; medical centers, hospitals, clinics; nursing care, rest and convalescent homes; facilities of nonprofit associations (not intended to imply that Owners are exempt from assessments on their Lot, Dwelling Unit, etc., but rather that, for example, a condominium association or neighborhood association is not also assessed over and above the specific property assessments of the Owners); and charitable institutions.

Section 13. Annual Statements. The President, Treasurer, or such other officer as may have custody of the funds of the Association shall annually, within ninety (90) days after the close of the fiscal year of the Association, prepare and execute under oath a general itemized statement showing the actual assets and liabilities of the Association at the close of such fiscal year, and a statement of revenues, costs and expenses. It shall be necessary to set out in the statement the name of any creditor of the Association, provided, however, that this requirement shall be construed to apply only to creditors of more than One Thousand and No/100ths (\$1,000.00) Dollars. Such officer shall furnish to each Member of the Association and any holder of a first mortgage on any Dwelling Unit who may make request therefor in writing, a copy of such statement within thirty (30) days after receipt of such request. Such copy may be furnished to the Member or mortgage holder either in person or by mail.

ARTICLE IV
FUNCTIONS OF ASSOCIATION

Section 1. Ownership and Maintenance of Common Properties and Restricted Common Properties. The Association shall be authorized to own and/or lease and maintain Common Properties and Restricted Common Properties, equipment, furnishings, and improvements devoted to the following uses:

- (a) For roads or roadways, and parkways along said roads or roadways throughout the Property;
- (b) For sidewalks, walking paths or trails, bicycle paths, and bridle paths throughout the Property;
- (c) For police or private security force protection including police stations, maintenance building and/or guard houses, and police equipment; and buildings used in maintenance functions;
- (d) For emergency health care including ambulances and emergency care medical facilities and the equipment necessary to operate such facilities;
- (e) For providing any of the services which the Association is authorized to offer under Section 2 of this Article IV;
- (f) For purposes set out in deeds or long-term leases by which Common Properties and Restricted Common Properties are conveyed or leased to the Association, provided that such purposes shall be approved by the Members of the Association as set out in Section 3 of this Article IV;
- (g) For lakes, play fields, tennis and golf facilities, parks, natural areas, fishing facilities, open spaces, and other recreational facilities of any nature;
- (h) For community meeting facilities serving the Property;
- (I) For water and sewage facilities and any other utilities, if not provided by a private utility or public or municipal water and sewer authority;
- (j) For insect control within the Property; and
- (k) For drainage facilities serving the Property.

Section 2. Authorized Services. The Association shall be authorized but not required to provide the following services:

- (a) Cleanup and maintenance of all roads, roadways, parkways, lakes and other Common Properties and Restricted Common Properties, within the Property and also all public properties and where permitted, private properties, which are located within or in a reasonable proximity to the Property such that their deterioration would affect the appearance of the Property as a whole; provided, however, that upon the conveyance of title to the Common Properties from the Partnership to the Association, as provided in Part Three, Article II, Section 3, herein, the Association shall be obligated to maintain all roads which are adjacent to any and all Residential Lots;
- (b) Landscaping of roads and parkways, sidewalks and walking paths and any other Common Properties or Restricted Common Properties;

- (c) Transportation facilities other than privately owned automobiles, e.g., electric vehicles, etc., paid by special assessment as provided for in Part Three, Article III, Section 4 hereof;
- (d) Lighting of roads, sidewalks and walking paths throughout the Property;
- (e) Police protection and security, including, but not limited to, the employment of police and security guards, maintenance of electronic and other security devices and control centers for the protection of persons and property with the Property, and assistance in the apprehension and prosecution of persons who violated the laws of Tennessee and/or Georgia within the Property;
- (f) Fire protection and prevention;
- (g) Garbage and trash collection and disposal;
- (h) Insect and pest control to the extent that it is necessary or desirable in the judgment of the Board of Directors of the Association to supplement the service provided by the state and local governments;
- (I) The services necessary or desirable in the judgment of the Board of Directors of the Association to carry out the Association's obligations and business under the terms of this document;
- (j) Maintenance of all lakes, ponds and streams located within the Property, including the stocking of such lakes, ponds and streams;
- (k) Any and all actions necessary to enforce all covenants and restrictions affecting the Property and to perform any of the functions or services delegated to the Association in any covenants or restrictions applicable to the Property;
- (l) Establishing and operating the Review Board in the event that the Association is designated by the Partnership as the agent of the Partnership for such purpose;
- (m) Improvement of fresh water fishing, if any is made available to Members within the Property;
- (n) Conducting recreation, sport, craft, and cultural programs of interest to Members, their children and guests;
- (o) Providing legal and scientific resources for the improvement of air and water quality within the Property;
- (p) Maintaining water rescue equipment for the protection and safety of those in the waters located on or adjacent to the Property;
- (q) Providing safety equipment for storm emergencies;
- (r) Construction of improvements on Common Properties or Restricted Common Properties, for use for any of the purposes or as may be required to provide the services as authorized in this Article;
- (s) Administrative services including but not limited to: legal; accounting and financial; and communication services informing Members of activities, notice of meetings, referendums, etc., incident to the above-listed services; and
- (t) Water, sewage and any necessary utility services, subject however, to any rights reserved herein by the Partnership of obligations herein of the Partnership to provide such services.

In the event the Partnership is unable or unwilling to perform any of the services listed above in a manner satisfactory to the Board of Directors of the Association, the Association shall be and hereby is

- (c) Transportation facilities other than privately owned automobiles, e.g., electric vehicles, etc., paid by special assessment as provided for in Part Three, Article III, Section 4 hereof;
- (d) Lighting of roads, sidewalks and walking paths throughout the Property;
- (e) Police protection and security, including, but not limited to, the employment of police and security guards, maintenance of electronic and other security devices and control centers for the protection of persons and property with the Property, and assistance in the apprehension and prosecution of persons who violated the laws of Tennessee and/or Georgia within the Property;
- (f) Fire protection and prevention;
- (g) Garbage and trash collection and disposal;
- (h) Insect and pest control to the extent that it is necessary or desirable in the judgment of the Board of Directors of the Association to supplement the service provided by the state and local governments;
- (I) The services necessary or desirable in the judgment of the Board of Directors of the Association to carry out the Association's obligations and business under the terms of this document;
- (j) Maintenance of all lakes, ponds and streams located within the Property, including the stocking of such lakes, ponds and streams;
- (k) Any and all actions necessary to enforce all covenants and restrictions affecting the Property and to perform any of the functions or services delegated to the Association in any covenants or restrictions applicable to the Property;
- (l) Establishing and operating the Review Board in the event that the Association is designated by the Partnership as the agent of the Partnership for such purpose;
- (m) Improvement of fresh water fishing, if any is made available to Members within the Property;
- (n) Conducting recreation, sport, craft, and cultural programs of interest to Members, their children and guests;
- (o) Providing legal and scientific resources for the improvement of air and water quality within the Property;
- (p) Maintaining water rescue equipment for the protection and safety of those in the waters located on or adjacent to the Property;
- (q) Providing safety equipment for storm emergencies;
- (r) Construction of improvements on Common Properties or Restricted Common Properties, for use for any of the purposes or as may be required to provide the services as authorized in this Article;
- (s) Administrative services including but not limited to: legal; accounting and financial; and communication services informing Members of activities, notice of meetings, referendums, etc., incident to the above-listed services; and
- (t) Water, sewage and any necessary utility services, subject however, to any rights reserved herein by the Partnership of obligations herein of the Partnership to provide such services.

In the event the Partnership is unable or unwilling to perform any of the services listed above in a manner satisfactory to the Board of Directors of the Association, the Association shall be and hereby is

authorized to perform such services. The Association, in its discretion, may propose to the Members an increase in the annual regular assessment to cover the expense of providing necessary maintenance and services.

Section 3. Obligation of the Association. The Association shall not be obligated to carry out or offer any of the functions and services specified by the provisions of Sections 1 and 2 of this Article IV, except as provided therein. Except as herein expressly mandated, the functions and services to be carried out or offered by the Association at any particular time shall be determined by the Board of Directors of the Association taking into consideration the funds available to the Association and the needs of the Members of the Association. Special assessments shall be submitted for referendum as herein provided. The functions and services which the Association is authorized to carry out or to provide, may be added or reduced at any time upon the affirmative vote of fifty-one (51%) percent or more of those voting in a referendum conducted by the Board of Directors under the same procedures as for a special assessment.

Section 4. Mortgage and Pledge. The Board of Directors of the Association shall have the power and authority to borrow money for use by the Association and to mortgage the property of the Association and to pledge the revenues of the Association as security for such loans made to the Association which loans shall be used by the Association in performing its authorized functions. The Partnership covenants that it will make loans to the Association, subject to approval by the Partnership of the use to which such loan proceeds will be put and the method by which such loans will be repaid and subject to a maximum loan amount approved by the Partnership, at interest rates equal to not more than five (5) percentage points over the Base Rate established by the American National Bank & Trust Company of Chattanooga. Notwithstanding anything in this Declaration to the contrary, the Association shall not be allowed to reduce the limits of the minimum regular annual assessment at any time when there is outstanding any amounts due the Partnership as repayment of any loans made by the Partnership to the Association.

Section 5. Contracts. The Association shall not be bound either directly or indirectly by any contracts or leases, including management contracts made by the Partnership prior to the passage of control from the Partnership to the Association as herein provided, unless there is a right of termination of any such contract or lease, without cause, which is exercisable without penalty at any time after transfer of control of the Association from the Partnership to the Members upon not more than ninety (90) days notice to the other party to the contract or lease.

Section 6. Working Capital. An additional function of the Association shall be to establish at the time of activation of the Association a working capital fund which shall collect at least two (2) months' assessments for each Lot or Dwelling Unit. Each Lot or Dwelling Unit's share of the working capital fund must be collected from the purchaser of the Lot or Dwelling Unit and transferred to the Association at the time of closing of the initial sale of each Lot or Dwelling Unit from the Partnership or other initial grantor. The working capital funds shall be maintained in an account for the use and benefit of the Association. The purpose of this fund is to insure that the Association Board will have cash available to meet unforeseen expenditures, or to acquire additional equipment and services deemed necessary or desirable. Amounts paid into the fund are not to be considered as advanced payment of regular assessments.

Section 7. Information. It shall be the responsibility of the Association to make available to Owners and mortgage lenders making loans to Owners, and to holders, insurers or guarantors of any first mortgage on a Residential Lot, Dwelling Unit or Multi-Family Tract, Public or Commercial Unit, Public or Commercial Site, Development Unit Parcel, or Private Recreational Tract within the Property, current copies of the Declaration, By-Laws, other rules and regulations relating to the Property, 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. Further, upon written request of any holder of a first mortgage on a Lot or Dwelling Unit to the Board, such holder shall be entitled to a financial statement from the immediately preceding year.

Section 8. Lenders' Notices. An additional function of the Association shall be to provide, upon written request to the Association, identifying the name and address of the holder, insurer or guarantor and the Lot, Dwelling Unit or other property address, written notice to any such mortgage holder, insurer or guarantor of any of the following matters:

- (a) Any condemnation or casualty loss that affects either a material portion of the Property or a Residential Lot, Dwelling Unit, or other property within WindStone securing its mortgage.
- (b) Any sixty (60) day delinquency in the payment of assessments or charges owed by the Owner of any Residential Lot, Dwelling Unit, or property within WindStone on which the lender holds the mortgage.
- (c) A lapse, cancellation or material modification or any insurance policy or fidelity bond maintained by the Association.
- (d) Any proposed action that requires the consent of a specified percentage of mortgage holders.

Section 9. Insurance Requirements. The Association shall at all times maintain in full force and effect casualty (hazard and flood) and liability insurance and fidelity bond coverage as hereinafter specified:

(a) **Hazard Insurance.** The hazard coverage required hereunder shall protect at least against loss or damage by fire or all other hazards that are normally covered by the standard extended coverage endorsements and all other perils customarily covered for similar structures, including those covered by the standard "all risk" endorsement, and shall likewise include, but shall not necessarily be limited to, the following coverage:

(1) **Required Coverage.** The Association shall maintain a policy of property insurance, with the premiums being paid as a common expense. The policy must cover all of the Common Properties and Restricted Common Properties, except for those that are normally excluded from coverage, such as land, foundation, excavation, etc. Fixtures and building service equipment that are considered part of the common Properties and Restricted Common Properties, as well as personal property and supplies of the Association, shall be covered.

(2) **Amount of Insurance.** Insurance should cover one hundred (100%) percent of the current replacement cost of the insured facilities. Coverage does not need to include

land, foundations, excavation or other items that are usually excluded from insurance coverage. A reasonable deductible may be included.

(3) Special Endorsements. The insurance coverage herein required shall include Agreed Amount and Inflation Guard Endorsements when it can be reasonably obtained. Construction code endorsements such as Demolition Costs Endorsements, Contingent Liability from Operation of Building Laws Endorsements and Increased Cost of Construction Endorsements shall be required when reasonably obtainable.

(b) Flood Insurance. If any part of the project is in a flood hazard zone, as defined by the Federal Emergency Management Agency, the Association must maintain a "master" or "blanket" policy of flood insurance and provide for the premiums to be paid as a common expense. The policy should cover any buildings on Common Properties or Restricted Common Properties and any other real or personal property of the Association. The amount of insurance should be at least equal to the lesser of one hundred (100%) percent of the current replacement cost of all buildings and other insurable property located in the flood hazard area; or, the maximum coverage available for the property under the National Flood Insurance Program.

(c) Liability Insurance. The Association shall maintain a comprehensive general liability insurance policy covering all common areas, public ways and any other areas comprising the Common Properties and Restricted Common Properties which are under its supervision. The insurance should also cover commercial spaces, if any, that are owned by the Association, even if they are leased to others. The policy shall provide coverage of at least ONE MILLION AND NO/100ths (\$1,000,000.00) DOLLARS for bodily injury and property damage for a single occurrence. The liability insurance should provide coverage for the following:

- (1) Bodily injury and property damage that results from the operation and maintenance or use of the Common Properties and Restricted Common Properties, and any facilities thereon; and
- (2) Any legal liability that results from lawsuits related to employment contracts in which the Association is a party.

The Association's liability policy shall provide at least ten (10) days' written notice to the Association before the insurer can cancel or substantially modify the policy.

(d) Fidelity Bonds. The Association shall have blanket fidelity bonds for anyone who either handles or is responsible for funds held or administered by the Association, whether or not that person receives compensation for their services. Any management agent retained by the Association that handles funds for the Association shall also be covered by its own fidelity bond.

Except for fidelity bonds that a management agent obtains for its personnel, all other bonds shall name the Association as an obligee and shall have their premiums paid as a common expense by the Association.

The fidelity bond shall cover the maximum funds that will be in the custody of the Association or its management agent at any time while the bond is in force. Additionally, the fidelity bond coverage must at least equal the sum of three (3) months' assessments of Lots and Dwelling Units in the Property, plus the Association's reserve funds.

The bonds must include a provision that calls for ten (10) days' written notice to the Association before the bond can be cancelled or substantially modified for any reason. This same notice must also be given to each servicer that services a FNMA-owned mortgage in the Property provided the Association has been given notice from such servicer and a request for such notification.

Section 10. Association's Right to Grant Easements, Permits and Licenses. The Association shall be authorized to grant easements, permits, and licenses over the Common Properties and Restricted Common Properties for purposes reasonably necessary or useful for the proper maintenance and/or operation of the overall project.

PART FOUR **GENERAL PROVISIONS**

ARTICLE I **DURATION**

The covenants and restrictions of this Declaration shall run with and bind the land, and shall inure to the benefit of and be enforceable by the Association, the Partnership or the Owner of any land subject this Declaration, and their respective legal representatives, heirs, successors, and assigns, for a period of fifty (50) years from the date this Declaration is recorded. Upon the expiration of said fifty (50) year period this Declaration shall be automatically renewed and extended for successive ten (10) year periods. The number of ten (10) year renewal periods hereunder shall be unlimited with this Declaration being automatically renewed and extended upon the expiration of each ten (10) year renewal period for an additional ten (10) year period; provided, however, that there shall be no renewal or extension of this Declaration if during the last year of the initial fifty (50) year period, or during the last year of subsequent ten (10) year renewal period, three-fourths ($\frac{3}{4}$) of the votes cast at a duly held meeting of the Association vote in favor of terminating this Declaration at the end of its then current term. It shall be required that written notice of any meeting at which such a proposal to terminate this Declaration is to be considered, setting forth the fact that such a proposal will be considered, shall be given each member at least thirty (30) days in advance of said meeting. In the event that the Association votes to terminate this Declaration, the President and Secretary of the Association shall execute a certificate which shall set forth the resolution of termination adopted by the Association, the date of the meeting of the Association at which such resolution was adopted, the date that notice of such meeting was given, the total number of votes of Members of the Association, the total number of votes required to constitute a quorum at a meeting of the Association, the number of votes necessary to

adopt a resolution terminating the Declaration, the total number of votes cast in favor of such resolution, and the total number of votes cast against such resolution. Said certificate shall be recorded with the Recorders, and may be relied upon for the correctness of the facts contained therein as they relate to the termination of this Declaration.

ARTICLE II AMENDMENTS

Section 1. Procedure for Amendments. Except for the unilateral right of amendment and supplement reserved to the Partnership and/or Association under the provisions of Part One, Article II, the procedure for further amendment of this Declaration shall be as follows: All proposed amendments shall be submitted to a vote of the Members at a duly called meeting of the Association and any such proposed amendment shall be deemed approved if sixty-seven (67%) percent of the votes cast at such meeting vote in favor of such proposed amendment. Notice shall be given each member at least ten (10) days prior to the date of the meeting at which such proposed amendment is to be considered. If any proposed amendment to this Declaration is approved by the Members as set forth above, the President and Secretary of the Association shall execute an Addendum to this Declaration which shall set forth the amendment, the effective date of the amendment (which in no event shall be less than ten (10) days after the date of the meeting of the Association at which such amendment was adopted), the date of the meeting of the Association at which such amendment was adopted, the date that notice of such meeting was given, the total number votes necessary to adopt such amendment, and the total number of votes cast against the amendment. Such amendment shall be recorded with the Recorders.

Section 2. Quorum Required for Amendment by Members. The quorum required for any action authorized to be taken by the Association under this Article II shall be as follows:

The first time any meeting of the Members of the Association is called to take action under this Article II, the presence at the meeting of the members or proxies entitled to cast fifty (50%) percent plus one (1) of the total membership present or represented by proxy of the Membership shall constitute a quorum. If the required quorum is not forthcoming at any such meeting, a second meeting may be called subject to the giving of proper notice and the required quorum at such subsequent meeting shall be the presence of Members or proxies entitled to cast fifty (50%) percent of the total vote of the Association.

ARTICLE III NOTICES

Section 1. How Notice Given. Any notice required to be sent to any Member or Owner under the provisions of the Declaration shall be deemed to have been properly sent, and notice thereby given, when mailed, with the proper postage affixed, to the last known address of the person or entity who appears as Owner in the public records of Hamilton County, Tennessee and/or Catoosa County, Georgia, on the first day of the calendar month in which said notice is mailed.

authorized to perform such services. The Association, in its discretion, may propose to the Members an increase in the annual regular assessment to cover the expense of providing necessary maintenance and services.

Section 3. Obligation of the Association. The Association shall not be obligated to carry out or offer any of the functions and services specified by the provisions of Sections 1 and 2 of this Article IV, except as provided therein. Except as herein expressly mandated, the functions and services to be carried out or offered by the Association at any particular time shall be determined by the Board of Directors of the Association taking into consideration the funds available to the Association and the needs of the Members of the Association. Special assessments shall be submitted for referendum as herein provided. The functions and services which the Association is authorized to carry out or to provide, may be added or reduced at any time upon the affirmative vote of fifty-one (51%) percent or more of those voting in a referendum conducted by the Board of Directors under the same procedures as for a special assessment.

Section 4. Mortgage and Pledge. The Board of Directors of the Association shall have the power and authority to borrow money for use by the Association and to mortgage the property of the Association and to pledge the revenues of the Association as security for such loans made to the Association which loans shall be used by the Association in performing its authorized functions. The Partnership covenants that it will make loans to the Association, subject to approval by the Partnership of the use to which such loan proceeds will be put and the method by which such loans will be repaid and subject to a maximum loan amount approved by the Partnership, at interest rates equal to not more than five (5) percentage points over the Base Rate established by the American National Bank & Trust Company of Chattanooga. Notwithstanding anything in this Declaration to the contrary, the Association shall not be allowed to reduce the limits of the minimum regular annual assessment at any time when there is outstanding any amounts due the Partnership as repayment of any loans made by the Partnership to the Association.

Section 5. Contracts. The Association shall not be bound either directly or indirectly by any contracts or leases, including management contracts made by the Partnership prior to the passage of control from the Partnership to the Association as herein provided, unless there is a right of termination of any such contract or lease, without cause, which is exercisable without penalty at any time after transfer of control of the Association from the Partnership to the Members upon not more than ninety (90) days notice to the other party to the contract or lease.

Section 6. Working Capital. An additional function of the Association shall be to establish at the time of activation of the Association a working capital fund which shall collect at least two (2) months' assessments for each Lot or Dwelling Unit. Each Lot or Dwelling Unit's share of the working capital fund must be collected from the purchaser of the Lot or Dwelling Unit and transferred to the Association at the time of closing of the initial sale of each Lot or Dwelling Unit from the Partnership or other initial grantor. The working capital funds shall be maintained in an account for the use and benefit of the Association. The purpose of this fund is to insure that the Association Board will have cash available to meet unforeseen expenditures, or to acquire additional equipment and services deemed necessary or desirable. Amounts paid into the fund are not to be considered as advanced payment of regular assessments.

Section 7. Information. It shall be the responsibility of the Association to make available to Owners and mortgage lenders making loans to Owners, and to holders, insurers or guarantors of any first mortgage on a Residential Lot, Dwelling Unit or Multi-Family Tract, Public or Commercial Unit, Public or Commercial Site, Development Unit Parcel, or Private Recreational Tract within the Property, current copies of the Declaration, By-Laws, other rules and regulations relating to the Property, 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. Further, upon written request of any holder of a first mortgage on a Lot or Dwelling Unit to the Board, such holder shall be entitled to a financial statement from the immediately preceding year.

Section 8. Lenders' Notices. An additional function of the Association shall be to provide, upon written request to the Association, identifying the name and address of the holder, insurer or guarantor and the Lot, Dwelling Unit or other property address, written notice to any such mortgage holder, insurer or guarantor of any of the following matters:

- (a) Any condemnation or casualty loss that affects either a material portion of the Property or a Residential Lot, Dwelling Unit, or other property within WindStone securing its mortgage.
- (b) Any sixty (60) day delinquency in the payment of assessments or charges owed by the Owner of any Residential Lot, Dwelling Unit, or property within WindStone on which the lender holds the mortgage.
- (c) A lapse, cancellation or material modification or any insurance policy or fidelity bond maintained by the Association.
- (d) Any proposed action that requires the consent of a specified percentage of mortgage holders.

Section 9. Insurance Requirements. The Association shall at all times maintain in full force and effect casualty (hazard and flood) and liability insurance and fidelity bond coverage as hereinafter specified:

(a) **Hazard Insurance.** The hazard coverage required hereunder shall protect at least against loss or damage by fire or all other hazards that are normally covered by the standard extended coverage endorsements and all other perils customarily covered for similar structures, including those covered by the standard "all risk" endorsement, and shall likewise include, but shall not necessarily be limited to, the following coverage:

(1) **Required Coverage.** The Association shall maintain a policy of property insurance, with the premiums being paid as a common expense. The policy must cover all of the Common Properties and Restricted Common Properties, except for those that are normally excluded from coverage, such as land, foundation, excavation, etc. Fixtures and building service equipment that are considered part of the common Properties and Restricted Common Properties, as well as personal property and supplies of the Association, shall be covered.

(2) **Amount of Insurance.** Insurance should cover one hundred (100%) percent of the current replacement cost of the insured facilities. Coverage does not need to include

land, foundations, excavation or other items that are usually excluded from insurance coverage. A reasonable deductible may be included.

(3) Special Endorsements. The insurance coverage herein required shall include Agreed Amount and Inflation Guard Endorsements when it can be reasonably obtained. Construction code endorsements such as Demolition Costs Endorsements, Contingent Liability from Operation of Building Laws Endorsements and Increased Cost of Construction Endorsements shall be required when reasonably obtainable.

(b) Flood Insurance. If any part of the project is in a flood hazard zone, as defined by the Federal Emergency Management Agency, the Association must maintain a "master" or "blanket" policy of flood insurance and provide for the premiums to be paid as a common expense. The policy should cover any buildings on Common Properties or Restricted Common Properties and any other real or personal property of the Association. The amount of insurance should be at least equal to the lesser of one hundred (100%) percent of the current replacement cost of all buildings and other insurable property located in the flood hazard area; or, the maximum coverage available for the property under the National Flood Insurance Program.

(c) Liability Insurance. The Association shall maintain a comprehensive general liability insurance policy covering all common areas, public ways and any other areas comprising the Common Properties and Restricted Common Properties which are under its supervision. The insurance should also cover commercial spaces, if any, that are owned by the Association, even if they are leased to others. The policy shall provide coverage of at least ONE MILLION AND NO/100ths (\$1,000,000.00) DOLLARS for bodily injury and property damage for a single occurrence. The liability insurance should provide coverage for the following:

- (1) Bodily injury and property damage that results from the operation and maintenance or use of the Common Properties and Restricted Common Properties, and any facilities thereon; and
- (2) Any legal liability that results from lawsuits related to employment contracts in which the Association is a party.

The Association's liability policy shall provide at least ten (10) days' written notice to the Association before the insurer can cancel or substantially modify the policy.

(d) Fidelity Bonds. The Association shall have blanket fidelity bonds for anyone who either handles or is responsible for funds held or administered by the Association, whether or not that person receives compensation for their services. Any management agent retained by the Association that handles funds for the Association shall also be covered by its own fidelity bond.

Except for fidelity bonds that a management agent obtains for its personnel, all other bonds shall name the Association as an obligee and shall have their premiums paid as a common expense by the Association.

The fidelity bond shall cover the maximum funds that will be in the custody of the Association or its management agent at any time while the bond is in force. Additionally, the fidelity bond coverage must at least equal the sum of three (3) months' assessments of Lots and Dwelling Units in the Property, plus the Association's reserve funds.

The bonds must include a provision that calls for ten (10) days' written notice to the Association before the bond can be cancelled or substantially modified for any reason. This same notice must also be given to each servicer that services a FNMA-owned mortgage in the Property provided the Association has been given notice from such servicer and a request for such notification.

Section 10. Association's Right to Grant Easements, Permits and Licenses. The Association shall be authorized to grant easements, permits, and licenses over the Common Properties and Restricted Common Properties for purposes reasonably necessary or useful for the proper maintenance and/or operation of the overall project.

PART FOUR **GENERAL PROVISIONS**

ARTICLE I **DURATION**

The covenants and restrictions of this Declaration shall run with and bind the land, and shall inure to the benefit of and be enforceable by the Association, the Partnership or the Owner of any land subject this Declaration, and their respective legal representatives, heirs, successors, and assigns, for a period of fifty (50) years from the date this Declaration is recorded. Upon the expiration of said fifty (50) year period this Declaration shall be automatically renewed and extended for successive ten (10) year periods. The number of ten (10) year renewal periods hereunder shall be unlimited with this Declaration being automatically renewed and extended upon the expiration of each ten (10) year renewal period for an additional ten (10) year period; provided, however, that there shall be no renewal or extension of this Declaration if during the last year of the initial fifty (50) year period, or during the last year of subsequent ten (10) year renewal period, three-fourths (¾) of the votes cast at a duly held meeting of the Association vote in favor of terminating this Declaration at the end of its then current term. It shall be required that written notice of any meeting at which such a proposal to terminate this Declaration is to be considered, setting forth the fact that such a proposal will be considered, shall be given each member at least thirty (30) days in advance of said meeting. In the event that the Association votes to terminate this Declaration, the President and Secretary of the Association shall execute a certificate which shall set forth the resolution of termination adopted by the Association, the date of the meeting of the Association at which such resolution was adopted, the date that notice of such meeting was given, the total number of votes of Members of the Association, the total number of votes required to constitute a quorum at a meeting of the Association, the number of votes necessary to

Section 2. Notice to Co-Owners. Notice to one (1) of two (2) or more co-owners of a Residential Lot, Dwelling Unit, Multi-Family Tract, Public or Commercial Site, Public or Commercial Unit, Development Unit Parcel, or Private Recreational Tract shall constitute notice to all co-owners.

Section 3. Notice Where Address or Ownership Changed. It shall be the obligation of every Member to immediately notify the Secretary of the Association in writing of any change of address. Any person who becomes an Owner and Member following the first day in the calendar month in which said notice is mailed shall be deemed to have been given notice if notice was given to his predecessor-in-title.

ARTICLE IV ENFORCEMENT, SEVERABILITY AND INTERPRETATION

Section 1. Who May Enforce Generally. In the event of a violation of breach of any of the affirmative obligation or restrictions contained in this Declaration by any Owner or Member or agent of such Owner or Member, the Partnership or any other Owners or Members, or any of them jointly or severally, shall have the right to proceed at law or in equity to compel a compliance to the terms hereof or to prevent the violation or breach in any event.

Section 2. Enforcement by the Association. The Association shall have the right to enforce the Declaration of Covenants and Restrictions.

In the event of a violation or breach of the covenants and restrictions by any Owner or Member, or an agent or representative of an Owner or Member, (the "Responsible Party") or their family members, guests, invitees, tenants or employees, the Association may provide the Responsible Party with a written notice of the violation or breach and request that the violation or breach be ceased immediately (the "Initial Notice of Violation"). The Initial Notice of Violation or nay subsequent notice may establish a period of time within which the violation may be eliminated, corrected or terminated without any penalty or action being taken by the Association.

If the violation or breach is not ceased or if it should reoccur, the Association may charge the Responsible Party a penalty in any amount not to exceed \$100 per day for each day the violation continues or reoccurs. The Association shall provide the Responsible Party with a written notice stating its intention to assess a penalty, the amount of the penalty to be assessed daily, and the date upon which the penalty shall begin to be assessed. Thereafter the Association may alter or suspend the penalty at anytime.

The Association shall have the right, but not the obligation, to take any action deemed necessary to correct, remove or abate any violation of the covenants and restrictions, and the Responsible Party shall be liable for paying any costs and expenses incurred by the Association in exercising this remedy. This remedy may be exercised without any notice to the Responsible Party being required other than the Initial Notice provided for herein above. The Association and its agent and representatives may enter upon any Property of the Responsible Party for the purpose of correcting, removing or abating any violation or breach of the Declaration of Restrictions and Covenants. Any penalty, cost, expense or other amount owed by Responsible Party under this Article shall be due and payable immediately, and the Association shall be

entitled to recover interest thereon from the date such amount is due and payable until payment is made at the lawful interest rate established by the Association from time to time.

All penalties, costs, expenses or other amounts owed to the Association hereunder shall be treated as an assessment against the Responsible Party and shall be a charge and continuing lien upon the real property and improvements of the Responsible Party to the same extent as assessments under Part Three, Article III, Section 1 hereof. In addition, any amount owed hereunder that is not paid when due shall be recoverable as an assessment in the manner provided for under Part Three, Article III, Section 10 hereof.

The Association at any time (there being no requirement for a waiting period) shall have the right to bring a legal action against the Responsible Party, either at law or in equity, to compel compliance with the Declaration of Covenants and Restrictions, to prevent the continued, future or anticipated violation thereof, and the Association shall be entitled to recover a judgement for all penalties, costs, expenses or other amounts to which it is entitled to hereunder or otherwise under applicable law. The Association may engage legal counsel or other expert assistance in connection with the exercise of its rights hereunder, the costs and expenses of which the Responsible Party shall be required to reimburse the Association.

Section 3. Enforcement by the Partnership. In addition to the foregoing, the Partnership shall have the right, but shall not be obligated, to proceed at law or in equity to compel a compliance to the terms hereof or to prevent the violation or breach in any event. Violators shall be obligated to reimburse the Partnership in full for its direct and indirect costs, including but not limited to legal fees incurred by the Partnership in maintaining compliance with these Covenants in the event the Partnership prevails in such proceedings.

Section 4. Against Whom May the Covenants be Enforced. The obligations and benefits prescribed by the Covenants shall run with the Property and shall be enforceable against the Partnership, its successors or assigns, the Association and against any Owner or other person whose activities bear a relation to the Property when the aforesaid parties engage in activities (including omissions and failures to act) which constitute violations or attempts to violate or circumvent the covenants and restrictions set forth in this Declaration.

Section 5. Means of Enforcement. Enforcement of these Covenants shall be by any proceeding at law or in equity, whether it be to restrain violation or to recover damages or to create any lien created by these Covenants.

Section 6. Severability. Should any covenants and restrictions herein contained, or any Part, Article, Section, paragraph, sentence, clause, phrase or term in this Declaration be declared to be void, invalid, illegal, or unenforceable for any reason by the adjudication of any court or other tribunal having jurisdiction over the parties hereto and the subject matter hereof, such judgment shall in no way affect the other provisions hereof which are hereby declared to be severable and which shall remain in full force and effect.

Section 7. Interpretation. In all cases, the provisions of this Declaration shall be given that interpretation of construction which will best tend toward the consummation of the general plan of development of the Property. The provisions of these Covenants shall be given full force and effect

notwithstanding the existence of any zoning or similar ordinance which allows a less restricted use of the Property.

Section 8. Authorized Action. All actions which the Association is allowed to take under this instrument shall be authorized actions of the Association if approved by the Board of Directors of the Association in the manner provided for in the By-Laws of the Association, unless the terms of this instrument provide otherwise.

Section 9. Trespass. Whenever the Association, and/or the Partnership are permitted by these covenants to correct, repair, clean, preserve, clear out or do any action on any property or on the easement areas adjacent thereto, entering the property and taking such action shall not be deemed a trespass.

ARTICLE V TERMINATION OF ASSOCIATION

Section 1. Declaration of Invalidity Within Ten Years. In the event that this Declaration be declared to be void, invalid, illegal, or unenforceable in its entirety, or in such a significant manner that Association is not able to function substantially as contemplated by the terms hereof, for any reason, by the adjudication of any court or other tribunal having jurisdiction over the parties hereto and the subject matter hereof, and such adjudication occurs within ten (10) years of the date of recording this Declaration, all Common Properties and Restricted Common Properties belonging to the Association at the time of such adjudication shall revert to the Partnership.

Section 2. Partnership as Trustee for Owners. The Partnership shall own and operate said Common Properties and Restricted Common Properties as Trustee for the use and benefit of Owners with the Property.

Section 3. Declaration of Invalidity After Ten Years or Non-Renewal. If said adjudication shall occur on a date more than ten (10) years after date of recording of this Declaration, or if the Members of the Association should vote not to renew and extend this Declaration as provided for in Article I, Section 1 of this Part Four, all Common Properties and Restricted Common Properties owned by the Association at such time shall be transferred to a Trustee appointed by the Circuit Court of Hamilton County, Tennessee which Trustee shall own and operate said Common Properties and Restricted Common Properties for the use and benefit of Owners within the Property as set forth below:

- (a) Each Lot, Dwelling Unit, tract or parcel of land located within the Property shall be subject to an annual assessment which shall be paid by the Owner of each such Lot, Dwelling Unit, tract or parcel to the Trustee. The amount of such annual assessment and its due date shall be determined solely by the Trustee, but the amount of such annual assessment on any particular Lot, Dwelling Unit, tract or parcel shall not exceed the Owner's Percentage of the total amount actually assessed against all Lots, Dwelling Units, tracts and parcels within WindStone.

(b) Any past due annual assessment together with a late charge thereon at the maximum contractual interest rate permissible in the state where the property is located from the due date and all costs of collection including reasonable attorney's fees shall be a personal obligation of the Owner at the time the annual assessment became past due, and it shall also constitute and become a charge and continuing lien on the Lot, Dwelling Unit, tract or parcel of land and all improvements thereon, against which the assessment has been made, in the hands of the then Owner, his heirs, devisees, personal representatives and assigns.

(c) The Trustee shall be required to use the funds collected as annual assessments for the operation, maintenance, repair and upkeep of the Common Properties and Restricted Common Properties. The Trustee may charge as part of the cost of such functions the reasonable value of its services in carrying out the duties herein provided for. The Trustee shall not have the obligation to provide for operation, maintenance, repair and upkeep of the Common Properties and Restricted Common Properties, once the funds provided by the annual assessment have been exhausted.

(d) The Partnership shall have the right to convey title to the Common Properties and Restricted Common Properties and to assign its rights and duties hereunder, provided that the transferee accepts such properties subject to the limitations and uses imposed hereby and affirmatively acknowledges its acceptance of the duties imposed hereby.

ARTICLE VI ASSIGNMENT

The Partnership reserves the right to assign to the Association through its Review Board its rights reserved in these Covenants to approve (or disapprove) improvements proposed in WindStone and nearby areas, including, but not limited to, the right to approve (or disapprove) architectural or other plans or drawings, specifications, color, finish, plat or site plan and construction schedules, and any other rights or prerogatives reserved unto the Partnership.

ARTICLE VII BENEFITS AND BURDENS

All rights and easements reserved by the Partnership hereunder shall be reserved to and inure to the benefit of the Partnership and its successors and assigns.

These covenants, restrictions, easements and rights in this Declaration shall be deemed real covenants, restrictions, easements and rights, running with the land, burdening and benefitting the Property to the extent expressed herein, and binding on and inuring to the benefit of each Lot, Dwelling Unit, Multi-Family Tract, Public or Commercial Unit, Public or Commercial site, Development Unit Parcel, Private Recreational Tract, the Club, Unsubdivided Land and the Partnership, the Association, the Owners and Members and their respective heirs, representatives, successors and assigns.

IN WITNESS WHEREOF, WINDSTONE RESIDENTIAL ASSOCIATION, INC., has caused this instrument to be executed the day and year first above written pursuant to a resolution duly and unanimously adopted by its Board of Directors.

[SIGNATURES ON ORIGINAL DOCUMENTS]