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DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR
RIVERWATCH

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**DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
RIVERWATCH**

This Declaration of Covenants, Conditions and Restrictions for RiverWatch is made this 15 day of April, 1998, by RiverWatch Resort, LLC, a Tennessee limited liability company (hereinafter referred to together with its successors-in-title who come to stand in the same relation to the Property as its predecessor did as "Declarant"):

STATEMENT OF PURPOSE:

Declarant is the owner of the real property described in Exhibit "A" attached hereto and incorporated herein by reference. Declarant intends by this Declaration to impose upon the Exhibit "A" property mutually beneficial restrictions under a general plan of improvement and development for the benefit of all owners of property within RiverWatch. Declarant desires to provide a flexible and reasonable procedure for the overall development of the property and the interrelationships of the component associations and other areas, and to establish a method for the administration, maintenance, preservation, use, and enjoyment of such property as is now or may hereafter be submitted to this Declaration.

The Declarant's present intention, stated here for information of present intent only and not as a warranty or representation of a future fact, is to develop or allow others to develop RiverWatch with residential, resort and other types of accommodations of different styles, designs, and construction. These may include, by way of example and not limitation, condominium units, townhouse dwellings, villas, resort interests, garden homes, individually owned single family lots upon which accommodations may be built, residential, resort and other types of accommodations.

NOW, THEREFORE, Declarant hereby declares that all of the property described in Exhibit "A" and any Additional Property as may by subsequent amendment be added and subjected to this Declaration shall be held, sold, and conveyed subject to the following easements, restrictions, covenants, and conditions which are for the purpose of protecting the value and desirability of and which shall run with the real property submitted to this Declaration and which shall be binding on all parties having any right, title, or interest in the described property or any part thereof, their heirs, successors, successors-in-title, and assigns, and shall inure to the benefit of each owner thereof. By recordation of this Declaration, the Declarant does affirmatively elect to have the Property, and any portions of the Additional Property as may be subject to the terms of this Declaration, governed by the terms of this Declaration. This Declaration is intended to and shall supersede in its entirety that set of Restrictions dated November 16, 1970 and filed in Deed Book I-4, Pages 373-377

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in the Register's Office for DeKalb County, Tennessee, and, by recordation of this Declaration by Declarant, as an owner of a majority of the lots within Dubland Lake Estates as shown by that plat of record in Plat Book 1, Page 56 in the Register's Office, DeKalb County, Tennessee, said Restrictions shall be deemed extinguished.

ARTICLE I
Definitions

Section 1. "Additional Property" shall mean all that property described in Exhibit "B," attached hereto and any property as may be adjacent to or contiguous with (i) the Exhibit "B" Property or (ii) property which is subject to this Declaration, which may be added to the RiverWatch Community in accordance with the terms of Article VII of this Declaration. Property shall be deemed to be adjacent to or contiguous with the Exhibit "B" Property (or property made a part of RiverWatch) if it physically connects to such property, at any point, or if it is separated only by a road, public or private, or water course, including any river, creek or lake.

Section 2. "Association" shall mean and refer to the RiverWatch Property Owners Association, Inc., a Tennessee non-profit corporation, its successors and assigns.

Section 3. "Board of Directors" or "Board" shall be the elected body of the Association having its normal meaning under the Tennessee Non-profit Corporation Act and law.

Section 4. "Builder/Owner" shall mean and refer to the Owner of a Lot who owns such Lot for the purpose of construction thereon and resale to third parties and is designated, from time to time, in writing, as a Builder/Owner by Declarant.

Section 5. "Club" or "The Golf Club at RiverWatch" shall mean and refer to the property upon which the Declarant may develop a club and related facilities, including but not limited to the Golf Course located in the vicinity of the Properties and any related facilities which Declarant may install in respect to such Golf Course, including, but not limited to, any club house, golf driving range, putting green, golf carpets, tennis courts, swimming pool, lake facility, tennis and golf pro shop, locker room facility, food and beverage facilities, or any other related facilities. No Owner, or other person, nor the Association, shall have any rights in and to or obligations with respect to the Club except as expressly and specifically provided herein.

Section 6. "Common Area" shall mean all real and personal property now or hereafter owned by the Association for the common use and enjoyment of the Owners or owned by Declarant and made exclusively available for the exclusive use and enjoyment of the Owners. The Common Area shall not include the Golf Course or any of the lakes, ponds, or wetland areas under preservation covenant which are a part of the Golf Course or Club, unless the Declarant expressly and in writing so designates and submits the same, in writing,

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to the terms hereof. The Common Area shall include, but not be limited to the, roads, entranceways, including entry gates, swimming pool, tennis courts, and drainage easements.

Section 7. "Common Expenses" shall mean and include the actual and estimated expenses of operating the Association and the RiverWatch Community, including any reasonable reserve, all as may be imposed hereunder or found to be necessary and appropriate by the Board pursuant to this Declaration, the By-Laws, the Articles of Incorporation.

Section 8. "Golf Course" shall mean and refer to the property upon which Declarant may develop a golf course located in the vicinity of the Properties and which may be a part of The Golf Club at RiverWatch together with any related facilities which Declarant may install in respect to such golf course. No Owner, or other person, nor the Association, shall have any rights in and to, or obligations with respect to the Golf Course except as expressly and specifically provided herein.

Section 9. "Golf Course Lot" shall mean a Lot which abuts the Golf Course or The Club.

Section 10. "Hiking Trail" shall mean and refer to that portion of the Property that may, in the sole discretion of the Declarant, be improved with a path or trail used for the purposes of walking, running, cycling and/or hiking.

Section 11. "Interior Lot" shall mean a Lot which is not designated as a Lake View Lot or a Golf Course Lot, as the same are defined herein.

Section 12. "Lake" shall mean and refer to that body of water which is known as Center Hill Lake.

Section 13. "Lake View Lot" shall mean a Lot which abuts any property owned by the U.S. Army Corps of Engineers along Center Hill Lake.

Section 14. "Lot" shall mean a platted portion of the Properties, other than the Common Area, intended for independent use or ownership. Lots shall be shown on the plats of survey filed with this Declaration or amendments thereto or may be further described in any other Declaration or Supplemental Declaration which may be made applicable to all or any portion of the Properties. The term "Lot" shall include within its meaning, but shall not be limited to, a Lake View Lot, a Golf Course Lot, an Interior Lot, a condominium unit, a cooperative apartment, a designated portion of the Properties on which a commercial building is developed, and a designated portion of the Properties intended for use and occupancy by a single household which is not included in a condominium regime (i.e. a villa, garden home or similar accommodation); provided an individual singular Resort Interest shall not be considered a Lot in and of itself.

Section 15. "Member" shall mean and refer to a person or entity entitled to membership in the Association, as provided herein.

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Section 16. "Modifications Committee" shall mean that certain committee of the Association as empowered in accordance with Article IX, Section 2, hereof.

Section 17. "Mortgage" shall include a deed to secure debt, deed of trust, as well as a mortgage, and a "first mortgage" is a first priority deed to secure debt, deed of trust or mortgage.

Section 18. "Mortgagee" shall include a beneficiary or holder of a deed to secure debt, deed of trust, as well as a mortgage. A "first mortgagee" is the holder of a first priority deed to secure debt, deed of trust or mortgage on a Lot or Residential Unit.

Section 19. "Mortgagor" shall include the grantor of a deed to secure debt, deed of trust, as well as a mortgage.

Section 20. "New Construction Review Board" shall mean that certain board as empowered in accordance with Article IX, Section 1, hereof.

Section 21. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of any Lot which is part of the Properties but excluding in all cases any party holding an interest merely as security for the performance of an obligation. The Owners of the Lot on which a cooperative, if any, is located shall be the cooperative shareholders whose interests shall be allocable as their leasehold interest might otherwise be allocable. Owners of Lots or Residential Units subject to Resort Interests shall each be entitled to the benefits hereunder and shall collectively as relates to a respective Lot, be an Owner hereunder.

Section 22. "Parcel" shall mean and refer to designated subdivisions of property subject to this Declaration and comprised of one or more Lots. In the absence of a specific designation of separate Parcel status, all property within a Phase shall be considered a part of the same Parcel; provided, however, the Declarant may designate so long as Declarant owns a Lot in RiverWatch by certification recorded in the land records of DeKalb County, Tennessee, that such property shall constitute a separate Parcel or Parcels and, provided further, a Parcel may include more than one Phase if so designated by Declarant. A Parcel may be smaller or larger or coterminous with any and all Phases and a Parcel may be established to include only Lots of similar type (i.e. Lake View Lots, Golf Course Lots, Interior Lots, or other Lots similarly situated to each other); provided that this shall not be a limitation in the creation of a Parcel but rather an example thereof.

Section 23. "Parcel Assessments" shall mean assessments for Common Expenses provided for herein or by any Supplemental Declaration or amendment hereto which are used for the purposes of promoting the recreation, healthy, safety, welfare, common benefit, and enjoyment of the Owners within a specific Parcel, including, but not limited to, the maintenance of property within a given Parcel.

Section 24. "Person" means a natural person, a corporation, a partnership, trustee, or other legal entity.

Section 25. "Phase" shall mean the increments of Property (1) described in Exhibit "A" or (2) subjected to this Declaration by any amendments hereto or Supplemental Declarations, each such described property being a separate Phase.

Section 26. "Pond" shall mean and refer to any body of water which is surrounded by portions of the Property, but shall not include the lake known as Center Hill Lake.

Section 27. "Properties or Property" shall mean and refer to the real property described in Exhibit "A" attached hereto and shall further refer to such Additional Property or part thereof when and if such is annexed by amendment or Supplemental Declaration to this Declaration. Properties shall also include such real property as might be owned in fee simple by the Association.

Section 28. "Residential Unit" shall mean any portion of the Properties intended for use and occupancy as a residence or accommodation by a single household at one time and shall, unless otherwise specified, include within its meaning (by way of illustration, but not limitation) single family detached houses, single family attached homes, such as townhomes, villas, condominium units, garden homes, cooperative units, and patio or zero lot line homes, as may be developed or used on the Properties. The term "Residential Unit" shall include the accommodations within which respective Resort Interests may be situated. For the purposes of this Declaration, a newly constructed Residential Unit shall come into existence when substantially complete.

Section 29. "Resort Interest" shall mean any interest, including property or use interest, established pursuant to a plan or arrangement implemented by the Declarant by which an individual may own or have a right to use less than the entire fee interest in a Lot or Residential Unit in accordance with such plan designated or approved by Declarant as a Resort Interest Plan, expressly to include by way of example and not limitation vacation clubs, use point allocations, and interests created pursuant to Tenn. Code. Ann. 66-32-101, et seq. Individual singular Resort Interests shall not themselves be deemed a Lot or Residential Unit, but such shall be respectively included within designated Lots or Residential Units.

Section 30. "RiverWatch" or "RiverWatch Community" shall mean the Properties submitted to the terms of this Declaration.

ARTICLE II **Property Rights**

Section 1. General. Every Owner (and their respective invitees and licensees) shall have a right and easement of enjoyment in and to the Common Area subject to any restrictions, limitations, or provisions contained in this Declaration. Such right and easement may be exercised by the Owner and the members of the Owner's family, his or her tenants,

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licensees and invitees, and those permitted to occupy the Residential Unit by such Owner and, in the case of Resort Interests, subject to such reasonable regulations or procedures as may be uniformly as to all Owners adopted by the Board. The aforementioned right and easement of enjoyment shall be appurtenant to and shall pass with the title to every Lot subject to the following reservations, rights and provisions:

(a) the right of the Association to suspend an Owner's voting rights, if any, and right to use the facilities as may be located on the Common Area for any period during which any assessment, if any, of the Association or such other association as may be made a part of the Properties against said Owner's property remains unpaid and for any infraction of the Association's rules and regulations for the duration of the infraction and for an additional period thereafter not to exceed thirty (30) days;

(b) the right of the Declarant or the Association, with the approval of Declarant, to dedicate, transfer, or grant permits, licenses, or easements in and to the Common Area for utilities, roads, and other purposes reasonably necessary or useful for the proper development, maintenance, or operation of the RiverWatch Community, the Additional Property, or the Properties or any portions thereof;

(c) the perpetual, alienable and transferable easement and right reserved to the benefit of Declarant and its successors and assigns including Builder Owners to enter and travel upon, over, and across the Common Area for the purpose of completion and repair of improvements, including Residential Units and any other Property owned by the Developer, including but not limited to the Golf Course, the Club, or the Additional Property and for all reasonable purposes to further assist and enhance the marketing of property, Lots, Resort Interests or Residential Units located or to be located on the Properties or Additional Property, together with the easement in and to the Common Area for the maintenance of signs, sales offices, construction offices, business offices, and model Residential Units, together with such other facilities as in the sole opinion of the Declarant may be reasonably required, convenient or incidental to the completion, improvement and/or sale of Lots, Residential Units, Resort Interests or the Additional Property, so long as Declarant owns any Lot, Resort Interest or Residential Unit primarily for the purpose of sale or has the unexpired option to add the Additional Property or any portion thereof to the Property;

(d) the perpetual, alienable and transferable easement and right reserved to the benefit of Declarant and its successors and assigns in interest to the Golf Course, and the Club (and its members) for the benefit of the Golf Course property and the Club property to enter and travel upon, over, and across the Common Area for the purpose of ingress and egress to the Golf Course and the Club for all purposes as might accommodate use of the Golf Course and the Club by the Declarant and its lawful successors and assigns and for the express purpose of the construction and repair of the Golf Course and the Club and for all reasonable purposes related thereto to further assist and enhance the development, operation and maintenance of the Golf Course and the Club;

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(e) the perpetual, alienable and transferable easement and right reserved to the benefit of Declarant, invitees and guests of Declarant, the Golf Course and the Club (and its members) as formed or as may be formed by the Declarant or its lawful successors and assigns in respect thereto, such Golf Course's and Club's invitees and guests, and any then current members of any such Golf Course and Club present and future, to enter and travel upon, over, and across the Common Area for the purpose of accommodating the use and enjoyment of the Golf Course and Club;

(f) the perpetual, alienable and transferable easement and right reserved to the benefit of Declarant and its invitees and guests of the Golf Course and the Club its invitees and guests, and the then current members of the Golf Course and the Club present and future, for the use of pedestrian travel and for the travel and access by golf carts and for the continued placement of golf cart pathways located on such portions of the Common Area as thereon located and which serve the Golf Course and the Club in its operation as a Golf Course and the Club and with facilities related to the playing of golf;

(g) the perpetual, alienable and transferable right and easement reserved to the benefit of Declarant and its successors and assigns in interest to the Golf Course and the Club to use and enjoy any Ponds or other waterways as might presently be a part of the Golf Course and the Club for the purpose of irrigation of the Golf Course and the Club whether such is developed fully or not;

(h) the perpetual alienable and transferable right and easement reserved to the benefit of the Declarant in over and across the Common Area to construct Ponds, such easement and right to include by way of example and not limitation, dredging of areas for the creation of such Ponds, and the drainage and discharge of surface waters onto and across the Common Area to the objective of creating such Ponds. The creation of any Pond pursuant to the terms of this easement shall not alter the boundaries as might exist between any and all Lots and the Common Area as otherwise might exist prior to the construction and improvement of the Common Area with such Ponds;

(i) the perpetual, alienable and transferable right and easement reserved to the benefit of the Declarant and its successors and assigns in interest in over and across the Common Area for the purpose of drilling wells for water and for the purpose of extracting water therefrom from active water wells as might exist on the Common Area at any time, whether such wells exist prior to the date of the recordation of this Declaration or thereafter provided that such wells shall be limited to the benefit of the RiverWatch Community, the Additional Property, the Golf Course and the Club or the Properties or any portions thereof.

(j) the perpetual, alienable and transferable easement and right reserved to the benefit of Declarant and its successors and assigns in interest to the Hiking Trail for the benefit of the Hiking Trail property to enter and travel upon, over, and across the Common Area for the purpose of ingress and egress to the Hiking Trail for all purposes as

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might accommodate use of the Hiking Trail by the Declarant and its lawful successors and assigns and for the express purpose of the construction and repair of the Hiking Trail and for all reasonable purposes related thereto to further assist and enhance the development, operation and maintenance of the proposed Hiking Trail;

(k) the perpetual, alienable and transferable easement and right reserved to the benefit of Declarant, invitees and guests of Declarant to enter and travel upon, over, and across the Common Area for the purpose of accommodating the use and enjoyment of the Hiking Trail;

Section 2. Owner's Right to Ingress, Egress, Use and Support. Every Owner (and their respective invitees and licensees) shall have the right of ingress and egress over, upon, and across the Common Area necessary for access to his or her Lot or Residential Unit and shall furthermore have the right and easement of use and enjoyment of the Common Area and the right to lateral support. Such right and easement shall be useable, also, by each Resort Interest Owner and each Occupant of a Residential Unit who is permitted occupancy by the terms of any such Resort Interest plan or arrangement. Such rights shall be appurtenant to and pass with the title to each Lot or Residential Unit (or Resort Interest therein) and shall be subject to the terms of this Declaration.

Section 3. Easement of Encroachment. If any portion of the improvements constructed on the Common Area encroaches upon a Lot or if any improvement constructed on a Lot encroaches upon the Common Area as a result of construction, reconstruction, repair, shifting, settlement, or movement of any portion of the improvements, a valid easement for the encroachment and for the maintenance of the same shall exist so long as the encroachment exists; provided, however, if any improvement on a Lot is knowingly and willfully constructed, reconstructed, or repaired so as to encroach on the Common Area, to an extent greater than five (5) feet, no such easement shall exist.

Section 4. Use of Common Area. Other than for the right of ingress and egress and the normal intended use as interpreted by the Declarant, the Owners are hereby prohibited and restricted from using any of the Common Area except as may be allowed by the Association's Board of Directors or as may be expressly permitted in this Declaration or any amendment hereto or Supplemental Declaration applicable to all or a portion of the Properties. By way of explanation and not limitation, no planting or gardening shall be done upon the Common Area without prior approval of the Board of Directors of the Association, and no fences, hedges, or walls shall be erected or maintained upon the Common Area, except as are installed by Declarant or a Builder/Owner in accordance with the construction of the improvements located thereon or as approved by the Association's Board of Directors or their designated representatives. It is expressly acknowledged and agreed by all parties concerned that this Section 4 is for the mutual benefit of all Owners and is necessary for the protection of said Owners.

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Section 5. Acknowledgment of Rights of Use. Each Owner and each member of the Association, by acceptance of a deed or contract for deed to any Lot or Residential Unit in RiverWatch is deemed to accept the reservations, rights of use, licenses, easements, and permits existing in, through, and over the Common Area.

Section 6. Conveyance of Common Area. The Declarant reserves the right, but not the obligation, to transfer or convey to the Association any personal property and any improved or unimproved real property, leasehold, easement or other property interest. Such conveyance shall be accepted by the Association and the property so conveyed or transferred shall thereafter be Common Area. The Association covenants to accept title to all or portions of the Common Area when, and if, offered by the Declarant.

Section 7. Rules and Regulations. The Board of Directors may establish reasonable rules and regulations concerning the use of the Properties and improvements located thereon, including, but not limited to, the Common Area; provided such rules have uniform application to Owners. No rule or regulation shall, however, diminish, alter, or affect the rights of use, easements, permits, privileges, or licenses existing in Declarant, its successors and assigns, the members or users of the Golf Course the Golf Course, Club, or invitees or guests of Declarant or such Golf Course or Club or owner thereof. Furthermore, no rule or regulation shall affect or treat Declarant, its successors and assigns, the Resort Interest Owners or their licensees or invitees, the Golf Course owner, the Golf Course itself, the Club owner, the Club itself or the invitees or licensees of Declarant or such Golf Course or Club or its owner, in a manner differently than the Association's rules may affect or treat its Class "A" members. Copies of such rules and regulations and amendments thereto shall be furnished by the Association to all Owners, the Declarant, the Golf Course and the Club prior to the rules and regulations effective date. Such rules and regulations shall be binding upon the Owners and users, their families, tenants, guests, invitees, and agents, until and unless such rule, regulation, or requirement is specifically overruled, canceled, or modified by the Board. The Board shall have the authority to impose reasonable monetary fines and other sanctions for violations of its rules and regulations, and monetary fines may be collected by lien and foreclosure, as provided in Article VIII hereof. In addition, the Board shall have the right to suspend votes and the right to use the Common Area (other than for access to one's Lot) for violation of its rules and regulations, as well as to proceed judicially to enjoin and abate violations of such rules and regulations as if such rules and regulations were use restrictions contained herein as covenants on the Properties.

Section 8. Construction and Sale Period.

(a) Despite any provisions contained in this Declaration to the contrary, it shall be expressly permissible for Declarant and all Builder/Owners to maintain and carry on upon such portion of the Properties as the Declarant may deem necessary, including, but not limited to, the Common Area, such facilities and activities as in the sole opinion of Declarant may be reasonably required, convenient, or incidental to construction upon or sale of any of the Property or Additional Property, including, without limitation, business offices,

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signs, model homes, and sales offices, so long as construction on or offering for sale by Declarant or a Builder/Owner of all or any portion of the Properties or Additional Property, including Lots and Residential Units, continues. The right to maintain and carry on such facilities and activities shall include specifically the right to use Lots or Residential Units owned by Declarant or Builder/Owners as models and sales offices and to authorize sales and construction personnel to travel upon and enter the Common Area.

(b) Furthermore, Declarant reserves the right, during installation of streets or other facilities, as shown on any Subdivision Plat or plat of any Phase, to enter onto any Lot or Lots for the purpose of disposing of excavation, if necessary, provided that such Lot or Lots have not been conveyed to and/or contracted for or by any other Owner or Owners. Declarant shall have the right, but not the obligation, for so long as Declarant owns any Lot primarily for the purpose of sale or has the unexpired option to add Additional Property to make improvements and changes to all Common Area and to all Lots owned by Declarant, including, without limitation, (i) installation and maintenance of any improvements in and to the Common Area, (ii) changes in the location of the boundaries of any Lots owned by Declarant or of the Common Area, (iii) changes in the boundaries between the Golf Course or the Club and any portion of the Properties owned by Declarant (or any of the Additional Property submitted to the terms hereof), (iv) installation and maintenance of any water, sewer, and other utility systems and facilities, and (v) installation of security and/or refuse facilities.

Section 9. No Partition.

(a) Except as is permitted in this Declaration, there shall be no partition of the Common Area or any part thereof, nor shall any person acquiring any interest in any of the Properties or any part thereof seek any such partition, judicial or otherwise, unless the affected area has been removed from the provisions of this Declaration. This Section shall not be construed to prohibit the Board of Directors from acquiring and disposing of tangible personal property nor from acquiring title to real property which may or may not be subject to this Declaration.

(b) Notwithstanding the provisions of this Section or the contents of this Declaration, otherwise, the Board of Directors of the Association is expressly permitted (but not required) to authorize the construction of recreational amenities, including but not limited to swimming pools, tennis courts, or related facilities thereto, for the benefit of some or all of the members of the Association who may request construction of such additional amenities and who, by written petition to the Board of Directors, designate what area of the Common Area is intended for such use and which members of the Association, if less than all members of the Association, shall be authorized to use such additional facility. Such petition shall include the agreement by the petitioning owners, and those who may be entitled to use such additional facilities, to be responsible for all expenses and to pay the costs thereof for all expenses associated with such additional facility to include by way of example and not limitation, all costs of construction, development, operation, upkeep, maintenance, insurance and taxes. Any such expenses and costs shall be deemed a specific assessment against the Lots and Owners thereof so petitioning and those entitled to use such additional facilities.

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Such specific assessment shall be chargeable and collectable as provided for in Article VIII of this Declaration.

Section 10. Easements for Utilities, etc.

(a) There is hereby reserved to the Declarant for as long as Declarant's right to annex Additional Property exists and thereafter to the Association, the power to grant blanket easements, upon, across, over, and under all of the Properties, including Lots, for ingress, egress, installation, replacing, repairing, and maintaining master television antenna or cable systems, security, and similar systems, walkways, and all utilities, including, but not limited to, water, sewers, telephones, gas, cable television, and electricity; provided this easement shall not authorize entry into or cause physical damage to any structure as might exist unless owned by Declarant if the Declarant is so acting or the Association if the Association is so acting. In furtherance of this easement, from and after such time as the Association is empowered as referred to herein, the Board shall, upon written request of Declarant, grant such easements as may be reasonably necessary for the development of any property described in Exhibit "A" or the Additional Property. In addition, Declarant reserves the easements and rights-of-way as shown on any Subdivision Plat or the Plat of any Phase or any of the Properties, including Lots, for the purpose of constructing, maintaining, and repairing a system or systems of electric lighting, electric power, telegraph and telephone line or lines, gas, sewers, or any other utility Declarant determines to install in, across, and/or under the Properties; provided, however, Declarant reserves the right to relocate, make changes in and additions to the above easements for the purpose of most efficiently and economically installing the improvements.

(b) In furtherance of the above, Declarant, by recordation of this Declaration, does hereby reserve over, under, across and upon the Common Area and under and across each portion of a Lot upon which no Residential Unit exists, for the benefit of the Declarant, the Association, and the owner, operator and users of any central sewer system as may exist within RiverWatch, a thirty (30) foot perpetual, alienable and transferable easement as measured from the boundary line of each such Lot as separates such Lot from any other Lot, the Common Area, the Golf Course, the Club, the property owned by the U.S. Army Corps of Engineers, or the Lake to a line running parallel thereto and being located thirty (30) feet into the interior of each such Lot.

Section 11. Assignment of Declarant Rights. Declarant may assign its rights as Declarant to all or any portion of the Property or Additional Property to any party or parties who take title to all or any portion of the Property or Additional Property for the purpose of development and sale. Declarant, however, unless otherwise specifically assigned, shall, so long as it owns any interest in the RiverWatch Community, retain all Class "B" votes despite any such transfer or assignment.

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Section 12. Restrictions and Rights Relating to the Golf Course and the Club.

(a) In General.

(i) *By execution and recordation of this Declaration, the Declarant does hereby reserve unto itself and its successors and assigns in interest to the Golf Course and the Club the perpetual, alienable and transferable right to develop the Golf Course and the Club in any manner as might be determined by Declarant, including related facilities as may be designed and constructed in the discretion of the Declarant or its successors or assigns in interest to the Golf Course.*

(ii) *The Declarant recognizes that the Golf Course and the Club have, pursuant to this Declaration, the benefit of various property rights, including easement rights. For purposes of establishing the vesting of such rights to the benefit of the Golf Course and the Club as may be developed in such locations as may be determined by Declarant, the Declarant, by execution hereof, declares that any such Golf Course and the Club which may be developed by Declarant shall be developed, if at all, within twenty (20) years from the date of recording of this Declaration, such that all rights to the benefit of the Golf Course or Club shall vest no later than at such time.*

(b) Golf Play Easement. Each Lot which abuts or otherwise is contiguous to the Golf Course or Club shall have reserved from the title thereof, by recordation of this Declaration, perpetual, alienable and transferable easements over, across and upon each such Lot to permit the doing of every act necessary and proper to the playing of golf on the Golf Course, which easements are expressly hereby reserved and established. The acts regarding the playing of golf on the Golf Course shall include, but not be limited to, the recovery of golf balls from any area on such Lots, the flight of golf balls over and upon such Lots, the use of necessary and usual equipment upon the Golf Course, the usual and common noise level created by the playing of the game of golf, and the maintenance of any Golf Course or Club together with all other common and usual activities associated therewith, and with all the normal and usual activities associated with the operation of a Golf Course or Club. Nothing herein shall, however, (i) relieve either the Owner or operator of any Golf Course or Club, or any participant in the game of golf from liability, if any, for physical damage as might result to any improvements as might exist on such Lots as might abut or otherwise be contiguous or adjacent to the Golf Course; or (ii) permit golf play on any Lot, it being the intention of this reserved easement that golf play should be limited to the Golf Course property. Notwithstanding anything herein to the contrary, no fence or other object shall be constructed on any Lot which interferes with the easement rights herein contained.

(c) Landscape, etc. Easement.

(i) *By recordation of this Declaration, Declarant does hereby reserve over, across and upon each and every Lot which abuts or is contiguous to or otherwise lies adjacent to the Golf Course, or the Club, for the benefit of the Declarant and any Club (and its members) as might be organized by the Declarant in respect to the operation of a Golf*

Course, a thirty (30) foot perpetual, alienable and transferable easement as measured from the boundary line of each such Lot as separates such Lot from the Golf Course, to a line running parallel thereto and being located thirty (30) feet into the interior of each such Lot. Such easement shall be useable and enjoyable by the Declarant and the Golf Course, together with their lawful successors and assigns in ownership or interest to the Golf Course, for the purpose of operation and maintenance of the Golf Course, including, but not limited to, irrigation thereof, which easement specifically shall constitute a part of any Golf Course. By way of example and not limitation, such easement shall be for the purpose of authorizing entry into any such portions of such Lots to maintain or landscape the area encumbered by such easement. Such maintenance and landscaping shall include planting of grass, irrigation, fertilizer application, mowing and edging, and removal of any underbrush, trash, debris and trees.

(ii) No planting or other use of this area, nor any improvement thereof, shall be permitted by the Owner of any such Lot as hereinabove referenced without the prior written consent of the Declarant and the Golf Course owner, as might be developed; provided, with the consent of the Declarant and the Golf Course owner, an Owner of a Lot shall be permitted to install a septic tank and the apparatus necessary therefor beneath the surface of the ground within such aforereferenced thirty (30) foot easement provided that such does not damage landscaping, grass or vegetation within such easement area or otherwise adversely affect the Golf Course property.

(iii) No trees, landscaping, or other plantings thereof may be removed from such easement area by the Owner of the Lots encumbered hereby. Owners of such Lots as might be encumbered by the easement referred to in this subparagraph may not grow nor permit to grow in the area of such Lots adjacent to the Golf Course varieties of grass or other vegetation which, in the opinion of the Declarant or the Golf Course owner may be inimical to golf course grasses or vegetation. Such restriction on the growing of grasses or other vegetation shall expressly apply to the thirty (30) foot easement area hereinabove referred to.

(iv) In no event shall any Owner of a Lot encumbered hereby use the aforereferenced easement area for storage of materials or equipment nor shall such Lot Owner or any occupant thereof commit the accumulation of garbage, trash or rubbish of any kind nor shall there be any burning of anything within such easement area unless permitted by the Declarant or by the Golf Course and each such permission as might be granted shall expressly be deemed revocable at the option of Declarant or the aforereferenced Golf Course.

(v) The easement created herein shall also be useable and enjoyable by the Declarant and the owner of the Golf Course together with their lawful successors and assigns in ownership or interest to the Golf Course for the purpose of creating, operating and maintaining the lakes, ponds, wetland areas under preservation covenant which may be a part of the Golf Course.

(d) Irrigation, etc. Easement.

(i) By recordation of this Declaration, Declarant does hereby reserve over, under, across and upon each and every Lot which abuts or is contiguous to or otherwise lies adjacent to the Golf Course for the benefit of the Declarant and the owner, operator, and users of any central sewer system or any central irrigation system as may exist within RiverWatch, a thirty (30) foot, perpetual, alienable and transferrable easement as measured from the boundary line of each such Lot as separates such Lot from the Golf Course to a line running parallel thereto and being located thirty (30) feet into the interior of each such Lot. Additionally, by recordation of this Declaration, Declarant does hereby reserve over, under, across, and upon the Common Area and each and every Lot for the benefit of the Declarant and the owner, operator and users of any central sewer system or any central irrigation system as may exist within RiverWatch, a thirty (30) foot perpetual, alienable and transferable easement as measured from the boundary line of each such Lot as separates such Lot from any other Lot or Common Area to a line running parallel thereto and being located thirty (30) feet into the interior of each such Lot.

(ii) Such easements shall be usable and enjoyable by the Declarant and the owner or operator of any central sewer system and/or central irrigation system, together with their lawful successors and assigns in ownership or interest thereto, for the purpose, if any, of installation, operation and maintenance of any sewer system and/or irrigation system. By way of example and not limitation, such easement shall be for the purpose of authorizing entry into any such portions of such Lots to install, operate and maintain a central sewer system and/or the central irrigation system as may exist within RiverWatch.

(e) Release of Claims from Golf-Related Injuries. Notwithstanding anything to the contrary, each Owner or other person, using any facility incident to the playing of golf located within the proposed Golf Course, including but not limited to any path, lane or road created or used for the benefit of playing golf, by acceptance of a deed to a Lot or use of such facility incident to the playing of golf, agrees to release and shall defend from any and all claims and hold harmless Declarant, the owner of the Golf Course, its lawful successors and assigns and the Association and its officers, directors and agents from and against any and all damages and injury, including death, to any person or property which damage or injury arises out of or is in connection with such Owners or users or their respective guest(s) or family members' use or enjoyment of such facility, including but not limited to being struck by a golf ball.

Section 14. No Vested Rights in Golf Course. Notwithstanding anything to the contrary, neither ownership of a Lot nor the contract to acquire a Lot shall be deemed to include any rights or claims against the real property improvements and related golf facilities and amenities as might exist within the Golf Course, with the exception of those rights as detailed in Article II, Part 19. Each Owner expressly acknowledges that the Golf Course, as hereinabove referred to, may be developed and operated as a proprietary, privately owned facility owned or to be owned exclusively by the Declarant, or its successors and assigns in

interest thereto, with no obligation to dispose, sell or refrain from the disposition or sale of such Golf Course to anyone, including but not limited to any Lot Owner or to the Association or other organization or entity of which any Owner may now or hereafter be a member. Each Owner acknowledges that by acquiring title to any Lot, or by acquiring a membership in the Association, that such Owner does not acquire any vested right or easement, prescriptive or otherwise, to use the Golf Course, or otherwise use the Golf Course in any manner nor does any Owner acquire any ownership or membership interest in any Golf Course. Declarant's present intention, *stated herein for information purposes only, and not as a warranty or representation of a future fact*, is potentially to develop, own and operate either itself or through its chosen successors and assigns in interest, a Golf Course. The Owners of Lots, by acceptance of a deed or interest therein, acknowledge that ownership of a Lot or interest in the RiverWatch Community contemplated under this Declaration does not entitle such Owner or the Association to any proprietary common membership or equitable interest in any Golf Course or facilities related to the playing of golf, within or related to the Golf Course.

Section 15. Easements for Utilities, etc. Connection. It is hereby reserved to the Declarant and its successors and assigns in interest to the Golf Course, the perpetual, alienable and transferable right and easement to connect to and otherwise enjoy any and all utility services as might exist within the Common Area for the benefit of the future development of the Golf Course pursuant to the terms of this Declaration. There is hereby further reserved to the Declarant and its successors and assigns in interest to the Golf Course, for the benefit of the Golf Course, any club associated therewith and its members, the right and easement across, over, under and upon the Common Area and those portions of Lots (excepting Residential Units) as might be reasonable necessary, for the installation, maintenance, repair, replacement and use of utility facilities and distribution lines, including without limitation, drainage systems, storm sewers, irrigation systems, and electrical, gas, telephone, water, sewer and master television antenna and/or cable system lines, and for the drainage and discharge of surface water onto and across the Properties, provided that such drainage and discharge shall not materially damage or affect any Lot or any Residential Units or improvements as might be located on any Lot from time to time and provided further that such easement shall expressly include the right of Declarant to attach to and otherwise enjoy such utility irrigation systems, facilities and distribution lines including but not limited to drainage systems, storm sewers, and electrical, gas, telephone, water, sewer and other utility systems as might exist in the Common Area and Lots (excluding within Residential Units), all for the benefit of the Golf Course and its members.

Section 16. Easement Encroachment Respecting Golf Course. If any portion of improvements relating to the Golf Course encroaches upon a Lot or on the Common Area as a result of construction, re-construction, repair, shifting, settlement or movement of any portion of such improvements, a valid perpetual easement for encroachment and for the maintenance of the same shall exist so long as the encroachment exists.

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Section 17. Easement for Walks, Trails, Signs and Perimeter Walls. It is hereby reserved for the benefit of Declarant, the Association, and their respective successors and assigns, the alienable, transferable and perpetual right and easement upon, over, and across (i) those strips of land ten (10) feet in width located along and adjacent to the exterior boundaries located adjacent to street and roads for all Lots, such strips to be bounded by such exterior boundaries adjacent to streets and roads and by lines in the interior of such Lots which are ten (10) feet from and parallel to such exterior boundaries, for the installation, operation, maintenance, and use of sidewalks, traffic directional signs, and related improvements, provided that Declarant shall have no obligation to construct any such improvements. There is further reserved for the benefit of the Declarant, the Association, and their respective successor and assigns, the alienable, transferable and perpetual right and easement upon, over, and across those strips of land fifteen (15) feet in width located along those boundaries of all Lots that constitute part of the perimeter boundary of the Property, such easement to be for the purpose of constructing, installing, replacing, repairing and maintaining a perimeter wall or fence around the perimeter boundary of the Property, provided that Declarant nor the Association shall have any obligation to construct any such perimeter wall or fence.

Section 18. Easement for Hiking Trail. It is hereby reserved for the benefit of Declarant, the Association, and the Owners of the Lots and their respective successors and assigns, the alienable, transferable and perpetual right and easement upon, over, and across (i) those strips of land ten (10) feet in width located upon all unimproved areas of all Lots, for the installation, operation, maintenance, and use of a Hiking Trail, provided that Declarant nor the Association shall have no obligation to construct any such improvements.

Section 19. Extension of Lot Facilities into Golf Course. Subject to the express prior written approval of the owner of the Golf Course, an Owner of a Golf Course Lot (as defined in any Supplemental Declaration) may extend sanitary sewer drainage fields and septic tank facilities related to such Lot under the surface of the Golf Course property. No such extension shall be permitted unless approved, in writing, by the owner of the Golf Course property.

Section 20. Restrictions, Rights and Additional Easements Relating to the Golf Course.

(a) In General. By execution and recordation of this Declaration, the Declarant does hereby reserve unto itself and its successors and assigns in interest to the Golf Course the perpetual, alienable and transferable right to develop the Golf Course, in the manner determined by Declarant, including related facilities as may be designed and constructed in the discretion of the Declarant or its successors or assigns in interest to the Golf Course. The Declarant, by execution hereof, does not commit to, promise or otherwise covenant the existence of such Golf Course and hereby expressly, by recordation of this Declaration, declares that any such Golf Course is solely proposed and not assured to exist.

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(b) Pedestrian/Golf Cart Path Easement. By recordation of this Declaration, Declarant does hereby reserve for the benefit of the Golf Course owner and its successors and assigns in interest to the Golf Course, the perpetual, alienable and transferrable right and easement on, over and across the Common Areas, for all invitees, licensees, guests and other authorized users of the Golf Course for the use of the pedestrian and golf cart paths located in such portions of the Properties as serve the Golf Course.

Section 21. Development Plan. THIS DECLARATION DOES NOT AND IS NOT INTENDED TO CREATE A CONDOMINIUM REGIME SUBJECT TO THE HORIZONTAL PROPERTY ACT, T.C.A. SECTION 66-27-101, ET SEQ. THIS DECLARATION DOES NOT AND IS NOT INTENDED TO SUBMIT THE PROPERTY TO THE TENNESSEE TIME-SHARE ACT OF 1981, T.C.A. SECTION 66-32-101, ET SEQ.

Section 22. Easement for Unsubmitted Developed Additional Property. By recordation of this Declaration, the Declarant does hereby reserve unto itself and its successors and assigns in interest to any of the Property listed in Exhibit "B", the Additional Property, which is developed, but not subjected to this Declaration (i.e. Bed and Breakfast or any other property developed by Declarant or its successors and assigns) and to their invitees, the perpetual, alienable and transferable easement and right to enter and travel upon, over, and across the Common Area for the purpose of access to such property listed in Exhibit "B" developed by the Developer or its successors and assigns which is not subjected to the Declaration.

ARTICLE III Right of First Refusal

Section 1. Applicability. Except for sales and conveyances by the Declarant, no Lot or Unit may be sold by any Owner except in compliance with the provisions of this Article.

Section 2. Right of First Refusal.

(i) In the event an Owner desires to sell, exchange or otherwise transfer his Lot or Unit, either improved or unimproved, within RiverWatch, then said Lot or Unit shall be offered for sale to the Developer at the same price at which the highest bona fide offer has been made for such Lot or Unit. Owner shall immediately notify the Developer of any bona fide offer and shall forward a copy of said written offer, together with the name and address of the offeror, to the Developer. Upon receipt of said notice, Developer shall have thirty (30) days from the latter of: (a) the date of such offer, or (b) the date upon which all assessments owed to the Association have been paid, within which to notify such Owner that it desires to purchase his Lot or Unit on the same terms and conditions set forth in the offer. If Developer notifies such Owner of its desire to purchase the Lot or Unit, then Owner

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shall convey the Lot or Unit to the Developer according to the provisions of Section 3 below.

(ii) In the event that the Developer elects not to purchase the Lot or Unit or fails to notify the Owner of its decision within such thirty (30) day period, then the Owner may sell the Lot or Unit to the third party offeror on terms and conditions no more favorable to the offeror as set forth in the original offer. Provided, however, that if such sale and conveyance does not take place with the original party offeror within sixty (60) days after Developer's failure to exercise its right of first refusal, then the Lot or Unit shall again become subject to the terms and provisions of this Article. Any conveyance by an Owner to a third party offeror shall be subject to the terms and conditions of this Declaration.

Section 3. Transfer to Developer. In the event that the Developer exercises its right of first refusal pursuant to Section 2 of this Article, the closing of the conveyance of such Lot or Unit shall occur within twenty (20) days after receipt by the Owner of written notice from Developer that it elects to exercise its right of first refusal with respect to such Lot or Unit. At the closing, Developer shall make such payments in case, by a promissory note, or otherwise to the Owner as described in the third party offer. Owner shall deliver to Declarant a general warranty deed conveying the Lot or Unit free and clear of all exceptions except as may be set forth in the written offer and subject to this Declaration. In the event the closing occurs after the death of an Owner, Developer may, in its discretion, require the personal representative of the Owner to post such bonds or other assurances as the Developer may deem reasonable in order to protect Developer from any loss which might be caused by the failure to pay any federal or state inheritance tax or the failure to pay the claims of any creditors who may have a lien on the Lot or Unit superior to Developer's rights as a purchaser of said Lot or Unit.

Section 4. Death of an Owner. The personal representative, heirs, successors and assigns of any Owner who dies while owning any Lot or Unit shall become an Owner subject to the terms and conditions of this Declaration and any subsequent sale, transfer and conveyance of such Lot or Unit shall be governed by the provisions of this Article.

ARTICLE IV

Association Membership and Voting Rights

Section 1. Membership. Subject to Section 2 of this Article, every person who is the record Owner of a fee or undivided fee interest in any Lot and any Owner of any Resort Interest that is subject to this Declaration shall have a membership in the Association. The foregoing is not intended to include persons who had an interest merely as security for the performance of an obligation, and the giving of a security interest shall not terminate the Owner's membership.

Section 2. Multiple Owners. No Owner, whether one or more persons, shall have more than one (1) membership per Lot owned; provided, however, multiple use rights for multiple Owners, including Resort Interest Owners, shall exist subject, however, to the

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right of the Board of Directors to regulate use by multiple Owners less and except Resort Interest Owners. The rights and privileges of membership, including the right to vote, may be exercised by a member or the member's spouse.

Section 3. Voting. The Association shall have two (2) classes of membership, Class "A" and Class "B."

(a) Class "A". Class "A" members shall be all Owners, including Builder/Owners, with the exception of the Class "B" members. Class "A" members shall be entitled on all issues to one (1) vote for each Lot in which they hold the interest required for membership by Section 1 hereof. When more than one person holds such interest in any Lot, including where any Lot is owned by Resort Interest Owners, the vote for such Lot shall be exercised as those Owners themselves determine (or as provided in any Supplemental Declaration applicable to such Resort Interests) and advise the Secretary of the Association prior to any meeting. In the absence of such advice, the Lot's vote shall be suspended in the event more than one person seeks to exercise it.

(b) Class "B". The Class "B" member shall be the Declarant. Until termination of the Class "B" vote, as below provided for, the Class "B" member shall be entitled to three (3) times the total number of then existing Class "A" votes. The Class "B" membership shall terminate upon the happening of the earlier of the following:

(i) one hundred twenty (120) days after seventy-five (75%) percent of the Lots as may be contemplated from time to time to be part of RiverWatch have been conveyed to purchasers other than Builder/Owners or affiliates of Declarant;

(ii) when, in its discretion, the Declarant so determines; or

(iii) twenty (20) years following conveyance of the first Lot in RiverWatch to a purchaser other than a Builder/Owner or affiliate of Declarant.

From and after the happening of these events, whichever occurs earlier, the Class "B" members shall be deemed to be Class "A" members entitled to one (1) vote for each Lot in which it holds the interest required for membership under Section 1 hereof.

ARTICLE V Association Powers and Responsibilities

A. In General.

Section 1. Common Area. The Association, subject to the rights of the Owners set forth in this Declaration, shall be responsible for the exclusive management and control of the Common Area and all improvements thereon and shall keep it in neat, clean, attractive, and sanitary condition, order, and repair, pursuant to the terms and conditions hereof. The

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Association shall maintain, operate, and preserve the Common Area for the good and benefit of the community and holders of easements herein provided for or contemplated.

Section 2. Services. The Association may obtain and pay for the services of any person or entity to manage its affairs or any part thereof and any other personnel as the Association's Board of Directors shall determine to be necessary or desirable for the proper operation of the Properties. Such personnel may be furnished or employed directly by the Association or by any person or entity with whom or with which it contracts. The Association may obtain and pay for legal and accounting services necessary or desirable in connection with the operation of the Properties or the enforcement of this Declaration. The Declarant and Association may, but shall not be required to, arrange as a Common Expense for others to furnish trash collection, security, cable television, and other common services to each Lot or Residential Unit within RiverWatch.

Section 3. Personal Property and Real Property for Common Use.

(a) The Association, through action of its Board of Directors, may acquire, hold, and dispose of tangible and intangible personal property and real property.

(b) The Association, acting through the Board of Directors, shall have the power to grant easements, leases, and licenses through or over the Common Area, to accept easements, leases, and licenses benefiting the development or any portion thereof, and to acquire or lease property in the name of the Association. Property so acquired by the Association upon the recordation of the deed thereto or other instrument granting the same and designating property as Common Area shall, for all purposes including without limitation taxation, be a part of the Common Area. The Association shall also have the power to acquire, lease and own in its own name property of any nature, real, personal, or mixed, tangible or intangible; to borrow money; and to pledge, mortgage or hypothecate all or any portion of the property of the Association for any lawful purpose within the Association's inherent or expressly granted powers. Any third party dealing with the Association shall be entitled to rely in good faith upon a certified resolution of the Board of Directors of the Association authorizing any such act or transaction as conclusive evidence of the authority and power of the Association so to act and of full compliance with all restraints, conditions, and limitations, if any, upon the exercise of such authority and power.

Section 4. Power to Contract. The Association may, acting through its Board of Directors, contract with any other residential or commercial association, Parcel, or neighborhood within or adjacent to RiverWatch to provide services and/or perform services on behalf of such other association, Parcel, or neighborhood.

Section 5. Enforcement of Restrictions. The Association shall have the right and power to enforce each and every restriction herein contained, including those restrictions relating to architectural approval and modification, and shall have all those powers and privileges necessary or desirable to so act. Every Lot Owner and all those entitled to occupy

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a Lot shall comply with all lawful provisions of the Declaration and By-Laws. In addition, any Lot Owner and all those entitled to occupy a Lot shall comply with any reasonable rules or regulations adopted by the Association which have been provided to the Lot Owners and with the lawful provisions of the By-Laws of the Association. Any lack of such compliance shall be grounds for an action to recover sums due, for damages or injunctive relief, or for any other remedy available at law or in equity, maintainable by the Association, or in any proper case, by one or more aggrieved Lot Owners on the own behalf or as a class action. The Association shall be empowered to impose and assess fines and suspend temporarily voting rights and the right of use of certain of the Common Areas and services paid for as a Common Expense in order to enforce such compliance; provided, however, that no such suspension shall deny and Lot Owner or occupants access to the Lot owned or occupied.

Section 6. Power to Assess. The Association shall have the right and power, as more particularly set forth in this Declaration, to fix, levy, collect, and enforce payment by any lawful means, all charges and assessments pursuant to the terms of this Declaration, to pay all expenses in connection therewith, and all office and other expenses incident to the conduct and affairs of the business of the Association from and after the Commencement Date as set forth in Article VIII, Section 7.

Section 7. Implied Rights. The Association may exercise any other right or privilege given to it expressly by this Declaration, the By-Laws, or its Articles of Incorporation and every other right or privilege reasonably to be implied from the existence of any right or privilege given to it herein or reasonably necessary to effectuate any such right or privilege.

B. Maintenance.

Section 1. Association Responsibility. The Association shall maintain and keep in good repair the Common Area, such maintenance to be funded as hereinafter provided. This maintenance shall include, but not be limited to, maintenance, repair, and replacement, subject to any insurance then in effect, of all entry features, streetscapes, streets, curbs, drainage, water or sewer systems, tennis courts, swimming pools, landscaping and other floral structures as may be located on the Common Area, and any other improvements situated upon the Common Area which are owned or administered by the Association. In addition, the Association shall have the right to maintain other property not owned by the Association where the Board determines that such would be beneficial to Owners.

Section 2. Owner's Responsibility. Subject to Article XI hereof, the maintenance responsibility of an Owner shall be as follows:

(a) All maintenance of Lots or Residential Units, unless specifically identified hereunder or in a Supplemental Declaration or other applicable declaration of covenants as being the responsibility of the Association or another party or entity, shall be the responsibility of the Owner of such Lot or Residential Unit.

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(b) In the event the Board of Directors of the Association determines that (i) any Owner has failed or refused to discharge properly his or her obligations with regard to the maintenance, repair, or replacement of items for which he or she is responsible hereunder; or (ii) that the need for maintenance, repair, or replacement which is the responsibility of the Association hereunder is caused through the willful or negligent act of an Owner subjected to this Declaration or his or her family, guests, lessees, or invitees, the Association, except in the event of an emergency situation, shall give the Owner written notice of the Association's intent to provide such necessary maintenance, repair, or replacement, at their sole reasonable cost and expense; the notice shall set forth with reasonable particularity the maintenance, repair, or replacement deemed necessary and the reasonable cost thereof. The noticed party shall have fifteen (15) days within which to pay such amount claimed; or, in the event such maintenance or repair is to the Owner's Residential Unit or Lot complete said maintenance, repair, or replacement; or, in the event that such maintenance, repair, or replacement is not capable of completion within said fifteen (15) day period, to commence such work which shall be completed within a reasonable time. If any Owner subjected to this Declaration does not comply with the provisions hereof, the Association may provide any such maintenance, repair, or replacement at such person's sole reasonable cost and expense, and the cost shall be added to and become a part of the assessment to which such party is subject and shall become a lien against the Lot of such party. It is expressly intended by the terms of this subparagraph that any Common Expenses occasioned by the conduct of less than all of those entitled to occupy all of the Lots of by the licensees or invitees of such Lot or Lots shall be specially assessed against the Lot, or Lots, the conduct of any occupant, licensee, or invitee of which occasioned any such Common Expenses.

C. Insurance and Casualty or Liability Losses.

Section 1. Insurance. The Association's Board of Directors or its duly authorized agent shall have the authority to and shall obtain insurance for all insurable improvements on the Common Area against loss or damage by fire or other hazards, including extended coverage, vandalism, and malicious mischief. This insurance shall be in an amount sufficient to cover the full replacement cost of any repair or reconstruction in the event of damage or destruction from any such hazard. The Board shall also obtain a public liability policy applicable to the Common Area covering the Association, its officers, directors, members, and agents. The public liability policy shall have at least a One Million (\$1,000,000.00) Dollar each occurrence limit (combined single limit [C.S.L.] for bodily injury and property damage), One Million (\$1,000,000.00) Dollar general aggregate, C.S.L., and One Million (\$1,000,000.00) Dollar products/completed operations aggregate, C.S.L. Unless otherwise provided by the Board of Directors, the cost of all such insurance coverage shall be paid from the Common Expense. Each insurance policy may contain a deductible, and the amount thereof shall be added to the face amount of the policy in determining whether the insurance at least equals the full replacement cost. The Association may allocate equitably the payment of a reasonable insurance deductible between the Association and the Owners affected by a casualty against which the Association is required to insure, provided,

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however, that the amount of deductible which can be allocated to any one Owner shall not exceed \$1,000.00 per casualty loss.

All such insurance coverage obtained by the Board of Directors shall be written in the name of the Association, as Trustee, for the respective benefitted parties, as further identified in (b) below. Such insurance shall be governed by the provisions hereinafter set forth:

(a) All policies shall be written with a company licensed to do business in Tennessee and holding a rating of B + or better in the Financial Category as established by A.M. Best Company, Inc., if available, or, if not available, the most nearly equivalent rating.

(b) All policies on the Common Area shall be for the benefit of the Owners and their mortgagees, as their interests may appear.

(c) Exclusive authority to adjust losses under policies in force on any portion of the Properties, including the Common Area, obtained by the Association shall be vested in the Association's Board of Directors; provided, however, that no mortgagee having an interest in such losses may be prohibited from participating in the settlement negotiations, if any, related thereto.

(d) In no event shall the insurance coverage obtained and maintained by the Association's Board of Directors hereunder be brought into contribution with insurance purchased by individual Owners, occupants, or their mortgagees, and the insurance carried by the Association shall be primary.

(e) All casualty insurance policies shall have an inflation guard endorsement and an agreed amount endorsement, if reasonably available, with an annual review by one or more qualified persons, at least one of whom must be in the real estate industry and familiar with construction in the DeKalb County, Tennessee, area.

(f) The Association's Board of Directors shall be required to make every reasonable effort to secure insurance policies that will provide for the following:

(i) a waiver of subrogation by the insurer as to any claims against the Association's Board of Directors, its Manager, the Owners and their respective tenants, servants, agents, and guests;

(ii) a waiver by the insurer of its rights to repair and reconstruct instead of paying cash;

(iii) that no policy may be canceled, invalidated, or suspended on account of any one or more individual owners;

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(iv) that no policy may be canceled, invalidated or suspended on account of any defect or of the conduct of any director, officer, or employee of the Association or its duly authorized Manager without prior demand in writing delivered to the Association to cure the defect or to cease the conduct and the allowance of a reasonable time thereafter within which the defect may be cured by the Association, its Manager, any Owner or mortgagee; and

(v) that any "other insurance" clause in any policy exclude individual Owners' policies from consideration.

In addition to the other insurance required by this Section, the Board shall obtain, as a common expense, worker's compensation insurance, if and to the extent necessary, and a fidelity bond or bonds (provided that the RiverWatch Community includes Lots upon which financing exists that is held or serviced by any financial agency, corporation, or secondary mortgage market enterprise which requires the maintenance of such fidelity bond) on directors, officers, employees, and other persons handling or responsible for the Association's funds. The amount of fidelity coverage shall be determined in the directors' best business judgment, but may not be less than three (3) months' assessments, plus reserves on hand if such bond is obtained. Bonds shall contain a waiver of all defenses based upon the exclusion of persons serving without compensation and may not be canceled or substantially modified without at least ten (10) days' prior written notice to the Association.

Section 2. Disbursement of Proceeds. Proceeds of insurance policies shall be disbursed as follows:

(a) If the damage or destruction for which the proceeds are paid is to be repaired or reconstructed, the proceeds, or such portion thereof as may be required for such purpose, shall be disbursed in payment of such repairs or reconstruction, as hereinafter provided. Any proceeds remaining after defraying such costs of repairs or reconstruction, or in the event no repair or reconstruction is made after making such settlement as is necessary and appropriate with the affected Owners or Owners and their mortgagee(s), as their interests may appear, shall be retained by and for the benefit of the Association. This is a covenant for the benefit of any mortgagee of any part of the Properties and may be enforced by such mortgagee.

(b) If it is determined, as provided for in Section 3 of this Article, that the damage or destruction for which the proceeds are paid shall not be repaired or reconstructed, available proceeds shall be disbursed in the manner as provided for excess proceeds in Section 2(a) hereof.

Section 3. Damage and Destruction.

(a) Immediately after the damage or destruction by fire or other casualty to all or any part of the Properties covered by insurance written in the name of the

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Association, the Board of Directors or its duly authorized agent shall proceed with the filing and adjustment of all claims arising under such insurance and obtain reliable and detailed estimates of the cost of repair or reconstruction of the damaged or destroyed property. Repair or reconstruction, as used in this paragraph, means repairing or restoring the property to substantially the same condition in which it existed prior to the fire or other casualty.

(b) Any damage or destruction to the Common Area shall be repaired or reconstructed unless at least seventy-five (75%) percent of the total vote of the Association and the Declarant shall decide within sixty (60) days after the casualty not to repair or reconstruct. If for any reason either the amount of the insurance proceeds to be paid as a result of such damage or destruction, or reliable and detailed estimates of the cost of repair or reconstruction, or both, are not made available to the Association within said period, then the period shall be extended until such information shall be made available; provided, however, that such extension shall not exceed sixty (60) days. No mortgagee shall have the right to participate in the determination of whether the damage or destruction shall be repaired or reconstructed.

(c) In the event that it should be determined in the manner described above that the damage or destruction shall not be repaired or reconstructed and no alternative improvements are authorized, then and in that event the Property shall be restored to its natural state and maintained as an undeveloped portion of the Property by its respective Owner or Owners in a neat and attractive condition.

Section 4. Repair and Reconstruction. If the damage or destruction for which the insurance proceeds are paid is to be repaired or reconstructed and such proceeds are not sufficient to defray the cost thereof, the Board of Directors shall, without the necessity of a vote of the Association's members, levy a special assessment against all Owners ultimately responsible for the payment of the policy premium in the same proportion as an Owner's assessment bears to the Association's budget. Additional assessments may be made in like manner at any time during or following the completion of any repair or reconstruction. If the funds available from insurance exceed the cost of repair, such excess shall be deposited to the benefit of the Association.

Section 5. Lot Owner's Responsibility. By virtue of taking title to a Lot, each Owner of a Lot covenants and agrees with all other Owners and with the Association to carry all risk casualty insurance in the event the Association does not carry blanket all-risk casualty insurance on improvements on Lots. Each Owner further covenants and agrees that in the event of a partial loss or damage and destruction resulting in less than total destruction of any structure located on a Lot, he or she shall proceed promptly to repair or reconstruct the damaged structure in a manner consistent with the original construction. In the event that any Residential Unit is totally destroyed or rendered uninhabitable or unusable and the Owner thereof determines not to rebuild or reconstruct, then that Owner shall clear that Lot of all debris and return it to substantially the natural state in which it existed prior to the beginning of construction. The obligation of a Lot Owner hereunder specified shall not be applicable

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to any Owner whose Lot is insured under a casualty insurance policy obtained by an association of owners or other third party on his behalf.

D. Ponds Easements and Obligations.

Section 1. Easement reserved to Declarant in relation to Ponds. It is hereby reserved for the benefit of the Declarant together with its lawful agents, employees, successors and assigns, the perpetual, alienable and transferrable right and easement to enter upon each Pond which is a part of the Properties, Golf Course, or Club for the purpose of constructing improvements or amenities thereupon, whether functional or aesthetic, into on or across any such Pond. Each such Pond within the Properties, the Golf Course, or the Club shall also be subject to the perpetual and transferrable right and easement to the Declarant for the purpose of maintaining each such improvement which is so constructed. Any and all improvements, amenities or other structures shall, prior to the commencement of construction be approved, in writing, by the Golf Course owner if located on the Golf Course.

Section 2. Pond Maintenance. The water of each Pond which is a part of the Golf Course shall be maintained by the owner of the Golf Course. The shoreline and banks along and around each Pond which is a part of the Golf Course shall be maintained, including mowed and weeded, by the owner of the property which abuts the high water line of such Pond.

Section 3. Lot Easement in Relation to Ponds. There is hereby reserved for the benefit of the Declarant, the Association, and the owner of the Golf Course together with their lawful agents, employees, successors and assigns, the perpetual, alienable and transferable right and easement to enter upon any unimproved portion of Lots which are located within thirty (30) feet from the water's edge of any Pond located on the Golf Course for the purpose of mowing such area and keeping the same free and clear from unsightly growth and trash, as well as for the purpose of maintaining such Ponds and water courses, such maintenance to include, without limitation, dredging and the maintenance of reasonable water quality standards including but not limited to the application of fertilizer to the Pond and the removal of underbrush, stumps, trash or debris and trees as might otherwise be deemed by the Declarant, Association or owner of the Golf Course inimicable to the aesthetics or water quality of the Pond; provided, however, that no trees, underbrush, stumps, or other vegetation or natural portions of such area may be removed or otherwise altered if such are regulated by any state or federal agency or department including, but not limited, to the Georgia Department of Natural Resources, Environmental Protection Division and the United States Environmental Protection Agency, and U.S. Corps of Engineers. Any expense of such maintenance or mowing which is the responsibility of another pursuant to Section 2 of this Article shall be assessed against such other by the party incurring the expense.

Section 4. Reserved Easement in Declarant, and Owner of the Golf Course. Each Pond which is a part of the Golf Course shall be subject to the reserved perpetual,

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alienable and transferable right and easement to the benefit of the Declarant, and the owner of the Golf Course, for the use of the water as may exist within such Pond for the purpose of irrigation of Properties as might be owned by Declarant, the Additional Property, the Common Area, and the Golf Course. The Association and each Owner of a Lot, other than a Declarant shall be expressly prohibited from using the water or property as might exist within any Pond located within the Golf Course for any purpose, including irrigation, other than as might be expressly provided for within this Declaration or as may otherwise, in writing, be permitted by Declarant, or the owner of the Golf Course.

Section 6. Restriction on Use of Ponds.

(a) There shall be no water craft or boats permitted on any Pond within the Golf Course or the Properties excepting those that are placed or used by the Developer or the Owner or operator of the Golf Course.

(b) Any Lot or parcel of land which borders on any Pond when transferred by deed of conveyance, of any nature whatsoever, shall only include such land as is within the description by metes and bounds of such Lot or other parcel of land and as shown on a recorded plat or described in the deed of conveyance into such Owner (which boundary is anticipated to be the high water mark of such Pond) and the same shall not include any riparian right or the land and bed of water or any part thereof or the water above such land and bed.

(c) Nothing herein contained shall require the Association, the Declarant, or the Owner of the Golf Course, or their lawful successors and assigns to maintain the water level of any Pond at any certain level, nor are any of the foregoing parties bound to maintain any Pond free from diminution or pollution, except to the extent that any provision of this Declaration expressly requires the Association to maintain any Pond within the Properties.

(d) There is hereby reserved for the benefit of Declarant and the Owner of the Golf Course, and their lawful successors in interest and assigns, the perpetual, exclusive, alienable and transferable right and easement to enter upon any Pond for the retrieval of golf balls.

(e) Each Lot Owner, whether their Lot fronts or abuts on a lake or Pond within the Golf Course or not, is expressly granted the privilege to fish in each such lake or Pond which is a part of the Golf Course under the following conditions:

(i) No fishing shall be permitted except by rod and reel, or pole, hook and line;

(ii) No fishing shall be permitted from any watercraft or boat;

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(iii) Fishing shall not be permitted near spawning beds unless permitted by the owner of the Golf Course;

(iv) Fishing limits shall be the more restrictive of those established by the laws of the State of Tennessee or by Declarant;

(v) Declarant may establish a catch and release only policy; and

(vi) Any other conditions, rules and regulations as may be established by the Declarant.

(f) Access to any Pond for purposes of recreational privileges and fishing rights as herein provided shall not interfere with or otherwise trespass upon private property rights of Lot Owners, the Declarant, the owner of the Golf Course, or the owner of the Club and access rights across any Lot or property owned by the Declarant, the Golf Course, or the Club for purposes of entry onto any Pond are not to be implied under the terms hereof nor on any such rights expressly granted. Access to Ponds for interior Lots shall only be across Common Area accessways as may be provided, or across areas of the Golf Course or the Club specifically designated and regulated by the owner of the Golf Course or the Club for such use.

(g) The Owner of the Golf Course reserves the right to lower the water level of any Pond, at any time, for any action deemed by the owner of the Golf Course necessary including restocking of any such Pond or permitted irrigation.

(h) No fishing shall be permitted on any portions of the Ponds which abut any greens on the Golf Course from and after the time that the first players of the day reach such green. All persons fishing in any Pond shall yield at that time to the playing of golf and, at all times, any and all persons fishing on any Pond shall thereafter remain removed from in any way interfering with the playing of golf on the Golf Course.

(i) Each Owner using any Pond located on the Golf Course by acceptance of a deed to a Lot and use of such Pond agrees to and shall defend and hold harmless the owner of the Golf Course, its lawful successors and assigns and the Association and its officers, directors and agents from and against any and all damages and injury, including death, to person or property which damage or injury arises out of or is in connection with such Owner's, or their respective guests, family members or permittees, use or enjoyment of such ponds located on the Golf Course, except for any such damage or injury which arises solely from the negligence of the owner of the Golf Course or the Association.

(j) Each Lot Owner, whether their Lot fronts or abuts on a Pond within the Golf Course or not, is subject to such rules and regulations as may be adopted by the Developer with regard to any use of any Pond within the Golf Course or the Properties.

ARTICLE VI
Condemnation

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Whenever all or any part of the Common Area shall be taken (or conveyed in lieu of and under threat of condemnation) by any authority having the power of condemnation or eminent domain, the award made for such taking shall be payable to the Association, as Trustee for all Owners, to be disbursed as follows:

If the taking involves a portion of the Common Area on which improvements have been constructed, then, unless within sixty (60) days after such taking the Declarant and at least seventy-five (75%) percent of the Class "A" members of the Association shall otherwise agree, the Association shall restore or replace such improvements so taken on the remaining land included in the Common Area, to the extent lands are available therefore, in accordance with plans approved by the Board of Directors of the Association. If such improvements are to be repaired or restored, the above provisions in Article V hereof regarding the disbursement of funds in respect to casualty damage or destruction which is to be repaired shall apply. If the taking does not involve any improvements on the Common Area, or if there is a decision made not to repair or restore, or if there are net funds remaining after any such restoration or replacement is completed, then such award of funds or remaining net funds shall be disbursed to the Association and used for such purposes as the Board of Directors of the Association shall determine.

ARTICLE VII
Annexation of Additional Property

Section 1. Annexation Without Approval of Class "A" Membership. As the Owner thereof, or if not the owner, with the consent of the Owner thereof, Declarant shall have the unilateral right, privilege, and option (but not the obligation), from time to time at any time until twenty (20) years from the date this Declaration is recorded in the Register's Office for DeKalb County, Tennessee, to subject to the provisions of this Declaration and the jurisdiction of the Association, all or any portion of the Additional Property, whether in fee simple or leasehold, by filing in the Register's Office for DeKalb County, Tennessee, an amendment or Supplemental Declaration annexing such property. Such amendment to this Declaration or Supplemental Declaration shall not require the vote of members. Any such annexation shall be effective upon the filing for record of such amendment or Supplemental Declaration, unless otherwise provided therein. Such amendment or Supplemental Declaration may specify such specific use restrictions and other covenants, conditions, and restrictions to be applicable to the annexed property as Declarant may, in its own discretion, determine.

Declarant shall have the unilateral right to transfer to one or more other persons the right, privilege, and option to annex the Additional Property which is herein reserved to Declarant, provided that such transferee or assignee shall be the developer of at least that part of said Additional Property to which such right, privilege, and option is assigned; and

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provided, further, such assignment shall not remove Declarant's right, option and privilege to annex.

Section 2. Annexation With Approval of Class "A" Membership. Subject to the written consent of the owner thereof, upon the written consent or affirmative vote of a majority of the Class "A" members present or represented by proxy at a meeting duly called for such purpose, and of the Declarant, the Association may annex real property other than the Additional Property, and following the expiration of the right in this Article, Section 1, the Additional Property, to the provisions of this Declaration and the jurisdiction of the Association by filing for record in the Register's Office for DeKalb County, Tennessee, a supplemental amendment in respect to the property being annexed. Any such supplemental amendment shall be signed by the President and the Secretary of the Association, and any such annexation shall be effective upon filing, unless otherwise provided therein. The time within which and the manner in which notice of any such meeting of the Class "A" members of the Association, called for the purpose of determining whether additional property pursuant to this section shall be annexed, and the quorum required for the transaction of business at any such meeting, shall be as specified in the By-Laws of the Association for regular or special meetings, as the case may be.

Section 3. No Restrictions. The Additional Property, by initial recordation of this Declaration, is not restricted by the terms of such Declaration, in any manner other than for the express benefits as might be granted to the Additional Property under the terms of this Declaration. Following the date of initial recordation of this Declaration, the Declarant may, but shall not be required to, annex any portions of such Additional Property. This Declaration shall only be applicable, except for the benefits as might be expressly bestowed upon the Additional Property under the terms of this Declaration as initially recorded, to those portions of the Additional Property as expressly made subject hereto by the Declarant or its successor and assigns in interest to the Additional Property. Until such time as a portion of the Additional Property is made subject by express amendment to the terms of this Declaration, no other portion of the Additional Property shall be, by implication, innuendo, or otherwise, subject to the terms of this Declaration other than for the benefits as expressly might be bestowed upon the Additional Property under the terms of this Declaration. By way of example and not limitation, Declarant shall expressly reserve, until such time as the additional property has annexed to the terms of this Declaration, the rights to hunt and otherwise discharge firearms in any portion of such Additional Property which is not subject to the terms of this Declaration.

ARTICLE VIII

Assessments

Section 1. Creation of General Assessment. There are hereby created General Assessments for Common Expenses as may from time to time be specifically authorized by the Board of Directors. General Assessments shall, from and after the respective Commencement Date relating to a respective Lot, be levied against such Lots and shall be

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used to pay expenses determined by the Board to be for the benefit of the Association, its members, and the Properties as a whole, including, but not limited to, maintenance and insurance of the Common Area and expenses otherwise incurred by the Association in accordance with its rights, powers, and privileges. The General Assessment levied against and payable by a Lot shall be determined by multiplying the established General Assessment rate times the number of Residential Units located on the Lot; provided, however, every Lot which is subject to assessment on which no Residential Unit exists (other than as otherwise herein provided), shall pay a General assessment equal to an amount determined as if one (1) Residential Unit were located thereon. Despite anything contained herein to the contrary, the assessments against a respective Lot shall not commence until the Commencement Date as respects such Lot as set forth in Section 8 of this Article.

Section 2. Creation of Parcel Assessment. There are hereby created Parcel Assessments for Common Expenses as may from time to time be authorized by the Board of Directors. Parcel Assessments shall, from and after the respective Commencement Date relating to a respective Lot, be levied against such Lots within particular Parcels of the Properties for whose benefit expenses are incurred, such as maintaining and operating facilities and amenities within a Parcel reserved for use of the residents within that Parcel, expenses of enforcing all assessments, covenants, and conditions relating to a respective Parcel, and expenses determined by the Board to be for the benefit of a respective Parcel. Each Lot within a Parcel shall pay a Parcel Assessment computed in the same manner as such Lot pays a General Assessment. Parcel Assessments established in one Parcel do not need to be equal to Parcel Assessments established in another Parcel. Despite anything contained herein to the contrary, the assessments against a respective Lot shall not commence until the Commencement Date as respects such Lot as set forth in Section 8 of this Article.

Section 3. Allocation of Assessments. Assessments, including both General and Parcel Assessments, shall be allocated, from and after the Commencement Date, in accordance with the terms hereof and additionally:

(a) any Common Expense benefiting less than all Lots shall be specially assessed equitably among all the Lots benefited as determined by the Board, and

(b) any Common Expenses significantly disproportionately benefiting all of the Lots shall be assessed equitably among all of the Lots in the Development as determined by the Board.

Section 4. Creation of the Lien and Personal Obligation of Assessments. All sums lawfully assessed by the Association against any Lot Owner, whether for the shared, or Common Expenses pertaining to that Lot, fines, or otherwise, and all reasonable charges made to any Lot Owner, or Lot, for materials furnished, or services rendered by the Association at the Owner's request to or on behalf of the Lot Owner or Lot shall, from the time the sums became due and payable, be the personal obligation of the Lot Owner and shall constitute from and after the time of recordation in the Register's Office, DeKalb County,

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Tennessee a lien in favor of the Association on the Lot prior and superior to all the liens whatsoever except: (i) liens for ad valorem taxes on the Lot; (ii) the lien of any first priority mortgage covering the Lot, and the lien of any mortgage recorded prior to recording of the Declaration; or (iii) the lien of any secondary purchase money mortgage covering the Lot, provided that neither the Grantee nor any successor Grantee on the mortgage is the Seller of the Lot. Sums lawfully assessed by the Association against any Lot Owner shall include but not be limited to the following:

(a) annual assessments or charges, including General and Parcel Assessments, which Assessments may be assessed pursuant to the terms herein from and after the Commencement Date;

(b) special assessments, such assessments to be established and collected as hereinafter provided; and

(c) specific assessments against any particular Lot or Residential Unit which are established pursuant to the terms of this Declaration, including, but not limited to, reasonable fines as may be imposed in accordance with Article II, Section 7, hereof and the costs and expenses as set forth in Article II, paragraph 9(b) hereof and the assessments established pursuant to Article V, Section 6.

All such assessments, together with simple interest at the rate of ten (10%) percent per annum, a late or delinquency charge in the greater of ten dollars (\$10.00), or ten (10%) of the amount of each assessment, or installment thereof not paid when due, the costs of collection, including court costs, the expenses required for the protection and preservation of the Lot, and reasonable attorney's fees actually incurred, and the fair rent or value of the Lot from the time of the institution of an accident until the sale of the Lot at foreclosure, or until judgment rendering the action is otherwise satisfied shall be included within the personal obligation and the lien for assessments as set forth herein above. Each such assessment, together with interest, costs, late fees and reasonable attorney's fees, shall, as stated above, be the personal obligation of the Owner who is the Owner of such Lot at the time the assessment came due, and his or her grantee shall be jointly and severally liable for such portion thereof as may be due and payable at the time of conveyance; without prejudice to the Grantee's right to recover from the Grantor the amounts paid by the Grantee; provided, however, that the Grantor/Grantee shall request a statement from the Association, such Grantee and his or her successors, successors in title and assigns shall not be liable, nor shall the Lot conveyed be subject to a Lien for any unpaid assessments against such Grantor in excess of any amount set forth in the statement.

In the event that a holder of a first priority mortgage or secondary purchase money mortgage of record, provided that neither the Grantee nor any successor or Grantee on the secondary purchase money mortgages which is the Seller of the Lot, or in the event that any other person acquires title to any Lot as a result of foreclosure of any such mortgage, such holder or such other person in his or her successors, successors in title, and assigns, shall not

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be liable for, nor shall the Lot be subject to any lien for assessments under this Declaration or under any instrument chargeable to the Lot on account of any period prior to the acquisition of any title; provided, however, that the unpaid share of an assessment shall be deemed to be a Common Expense collectable from all of the Lot Owners, including such holder or other persons and his or her successors, successors and titles and assigns. Assessments shall be paid in such manner and on such dates as may be fixed by the Board of Directors, which may include, without limitation, acceleration of the annual assessment for delinquents. The assessment shall be paid annually, in advance, unless other provided by the Board of Directors.

Section 5. Computation of General and Parcel Assessments.

It shall be the duty of the Board at least forty-five (45) days prior to the commencement of a fiscal year to prepare a budget covering the estimated costs of operating the Association and the Properties during the coming year. The budget shall separately list General and Parcel Assessments, if any, and specific assessments to the extent known. The Board shall cause a copy of the budget and the assessments to be levied therefrom to be available to all members at a central location on the Properties at least twenty (20) days prior to the annual meeting of the Association. The budget and assessment established therefrom shall become and be effective unless objected to in writing executed by at least a majority of the total Association eligible vote and delivered to the Board of Directors no later than ten (10) days prior to the effective date of the proposed budget. Notwithstanding the foregoing, in the event that the membership disapproves the proposed budget or the Board fails for any reason so to determine the budget for the succeeding year, then and until such time as a budget shall have been determined, as provided herein or by the procedure herein described repeated as need be, the budget and assessments in effect for the current year shall continue for the succeeding year.

Section 6. Initial Assessment. The Board of Directors of the Association shall fix for any calendar year, in addition to any and all other assessments authorized in these covenants, for each Lot conveyed from its current owner to an unrelated third party, an initial assessment in an amount determined annually by the Board of Directors. The initial assessment for the period beginning thirty (30) days from the date of recordation of this amendment through December 31, 1998 shall be Five Hundred and No/100 Dollars (\$500.00) and shall be paid at the time of closing of any such Lot.

Section 7. Special Assessments. In addition to the assessments authorized elsewhere herein, the Association may levy a special assessment in any year. The Board, by majority vote, may impose any special assessment without a membership vote; provided that so long as Declarant owns a Lot on the community, no special assessment may be adopted without the consent of the Declarant.

Section 8. Commencement of Assessments. Notwithstanding anything herein to the contrary, any and all assessments provided for in or otherwise assessed pursuant to this

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Declaration shall commence against a respective Lot and any Resort Interest therein as in this Section provided. Any and all assessments shall commence in respect to each respective Lot and Resort Interest therein at: (a) the earlier to occur of the following: (i) at the time of conveyance of the respective Lot or Resort Interest therein by the Declarant to an Owner other than a Builder/Owner or (ii) one (1) year from the date such Lot or Resort Interest therein is conveyed to a Builder/Owner or (iii) at the time a Residential Unit constructed on such Lot or Residential Unit thereon is first occupied and (b) upon the date of substantial completion of the Golf Course, which date shall be determined in the sole discretion of the Declarant.

The date of commencement of the assessment as to any particular Lot or Resort Interest therein as determined aforesaid, is in this Declaration sometimes referred to as the "Commencement Date." The first annual assessment for a Lot or Resort Interest therein payable to the Association in respect to such Lot or Resort Interest therein shall be adjusted according the number of months remaining in the calendar year as of the Commencement Date. Such prorated assessment shall be paid on the Commencement Date or such later date as provided by the Board of Directors. The foregoing shall be deemed to be the Commencement Date of assessment as it affects each respective Lot or Resort Interest therein and from and after the date of commencement as affects such Lot or Resort Interest therein set forth herein, no Owner of such Lot or Resort Interest therein other than the Association shall be exempted from any liability for any assessment for any reason whatsoever, including, without limitation, abandonment, nonuse, or waiver of the use or enjoyment of his or her Lot, Resort Interest therein, or a part of the Common Area.

Section 9. Foreclosure and Actions in Respect to Liens and Assessments. Not less than ten (10) days after notice is sent by certified mail, return receipt requested to the Owner, both at the address of the Lot, and at any other address or addresses which the Owner may have designated to the Association in writing, the lien may be foreclosed by the Association by an action, judgment, and foreclosure in the same manner as other liens as improvement for the improvement of real property. The notice shall specify the amount of the assessments then due and payable and together with the authorized late charge and interest accrued thereon. The Association shall have the power to bid on the Lot (or Resort Interest therein) at any foreclosure sale and to acquire, hold, lease, encumber and convey the same. The lien for assessment shall lapse and be of no further affect, as to assessments or installments thereof, together with late charges and interest applicable thereto, which first become due and payable more than three (3) years prior to the date upon which the notice contemplated in this section is given, or more than three (3) years prior to the institution of an action therefore, if an action is not instituted within ninety (90) days after the giving of the notice. Nothing in this section, or otherwise contained in this Declaration, shall be construed to prohibit personal actions for money owed maintainable to recover sums for which this Declaration creates a lien from and after the Commencement Date.

Section 10. Request for Notice of Lien. Any Lot Owner, Mortgagee of a Lot, or a person having executed the contract for the purchase of a Lot, or lender considering the

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loan of funds to be secured by a Lot shall be entitled upon request to a statement from the Association, or to managing agent, setting forth the amount of the assessments past due and unpaid, together with late charges and interest applicable thereto against the Lot. Such requests shall be in writing and shall be delivered to the registered office of the Association and shall state an address to which the statement is to be directed. Failure on the part of the Association within five (5) business days from the receipt of such request to mail or otherwise furnish such statement regarding amounts due and payable at the expiration of such five (5) day. With respect to the Lot involved that such addresses may be specified in the written request therefore shall cause the lien for assessments to be extinguished and of no further force or affect as to the title or interest acquired by the purchaser or lender, if any, as the case may be, and their respective successors and assigns, into transaction contemplated in connection with such request. The information specified in such statement shall be binding upon the Association and every Lot. Payment of a fee of ten dollars (\$10.00) may be required as a prerequisite to the issuance of such statement if the instrument so provides.

Section 11. Budget Deficits During Declarant Control. For so long as the Declarant has the authority to appoint the directors and officers of the Association, Declarant may (i) advance funds to the Association sufficient to satisfy the deficit, if any, between the actual operating expenses of the Association (but specifically not including an allocation for capital reserves), and the sum of the annual, special and specific assessments collected by the Association in any fiscal year, and such advances may be evidenced by promissory notes from the Association in favor of the Declarant; or (ii) cause the Association to borrow such amount from a commercial lending institution at the then prevailing rates for such a loan in the local area of the Community. The Declarant in its sole discretion may guarantee repayment of such loan, if required by the lending institution, but no Mortgage secured by the Common Area or any of the improvements maintained by the Association shall be given in connection with such loan.

Section 12. Contribution for Roads. To the extent the Declarant develops property listed in Exhibit "B" which is not subject to this Declaration, and to the extent that such developed property requires access through, across or over the Common Area, the Declarant, or its successors and assigns who own such developed property, shall pay a contribution fee to the Association for the sole purpose of contributing to repaving the roads within the Common Area. The fee paid by the Declarant or successor owner shall be determined by taking a fraction whose numerator is the square footage of the Property developed and unsubmitted and dividing such number by the square footage of the total area subject to assessments under the Declaration plus the square footage of Property developed and unsubmitted by the Declarant and multiplying such fraction by the total cost of repaving the roads. Such amount shall be placed into a road reserve account which the Developer shall hold as trustee on behalf of the Association.

ARTICLE IX
Architectural Standards

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All property which is now or may hereafter be subjected to this Declaration is subject to architectural review. This review shall be in accordance with this Article and such standards as may be promulgated by the Board, the New Construction Review Board, or the Modifications Committee.

Section 1. New Construction Review Board.

(a) The New Construction Review Board (NCRB) shall have exclusive jurisdiction over all original construction on any portion of the Properties. No original construction, improvements, buildings, structures, or development of any kind whatsoever shall commence or be carried out on any Lot until approved in writing by the NCRB. Approval shall be subject to such regulations, architectural standards, and application procedures as may be promulgated by the NCRB and as set forth herein.

(b) The NCRB may charge a non-refundable reasonable fee not to exceed Four Hundred Dollars (\$400.00) to cover the administrative expense of its review and comment, and may also charge a refundable deposit not to exceed Three Thousand Dollars (\$3,000.00) in order to ensure that all aspects of the approval by the NCRB are adhered to, such fees to be payable to the NCRB members.

(c) The NCRB shall make its regulations, standards, and procedures available to Owners, Builder/Owners, and developers who seek to engage in development or improvement of construction upon all or any portion of the Properties and shall conduct its operations in accordance therewith.

(d) The Declarant, in its sole discretion, shall appoint the members of the NCRB which shall consist of three (3) or more members, none of whom shall be required to be residents of RiverWatch or own property at RiverWatch. The NCRB shall and may act independently of the Association and its Board until such time as the Declarant assigns its rights of appointment to the Board of Directors, at which time the NCRB shall function in the same fashion as committees of the Association. This Section may not be amended without the written approval of Declarant.

(e) Decisions of the NCRB shall take into account and be founded upon the nature, kind, shape, color, size, material and location of any construction, improvements, buildings, structures or development and the quality of workmanship planned, the design and harmony of external design and relation to surrounding structures, topography and elevation of such construction, improvements, buildings, structures and development and any disapproval may be based upon any ground whatsoever so long as the same is consistent with the objectives and purposes of this Declaration, including, but not limited to, aesthetic considerations. The provisions hereof shall not be applicable to the Golf Course, the Club,

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or any of the Additional Property; provided such shall be applicable to those portions of the Additional Property annexed to this Declaration.

(f) For purposes of this Article "construction, improvements, buildings, structures or development" shall include by way of example and not limitation the construction, installation or alteration of Residential Units, sidewalks, driveways, parking areas, mailboxes, basketball goals, decks, patios, courtyards, swimming pools, tennis courts, greenhouses, playhouses, play equipment, awnings, walls, steps, stoops, yard equipment, fences, exterior lights, garages, landscaping, lawns, guests or servants quarters, or other outbuildings. Plans, specifications and related data as submitted for any such construction, improvements, buildings, structures or development requested for approval shall show the nature, color, type, shape, height, materials and location of the same.

Section 2. Modifications Committee.

(a) By way of example and not limitation of the terms of this Article, the NCRB shall have the right to approve upon submission of a request pursuant to the terms of this Article any and all modifications, additions or alterations made on or to a Lot, including any modifications, additions or alterations to a Lot affecting the exterior portion of the Residential Unit thereon. Notwithstanding this authority of the NCRB, the NCRB (or after the time that the members of the NCRB are appointed by the Board of Directors, the Board) may authorize, continue and discontinue a Modifications Committee (MC) to review any and all proposed modifications, additions or alterations to a Lot or affecting the exterior portion of the Residential Unit thereon.

(i) If such Modifications Committee is established, such Committee's authority shall be limited to review of proposed modifications, additions or alterations made on or to a Lot or affecting the exterior portion of the Residential Unit thereon, following (a) completion of the construction of the initially proposed Residential Unit and the improvements thereon as approved by the NCRB (b) occupancy of such Residential Unit and (c) issuance of a certificate of occupancy if such is issued by the local jurisdiction. The Modifications Committee shall not have authority to review modifications, additions or alterations made by the Declarant or by Builder/Owners, which modifications, additions or alterations shall be subject, at all times, only to review and approval of the NCRB.

(ii) The results of any and all review by the Modifications Committee shall be submitted to the NCRB with a recommendation, in writing, by the Modifications Committee for approval, approval as noted with comments, or disapproval. The recommendation of the Modifications Committee shall not be binding until adopted by the NCRB, who may accept, accept with comment or reject such recommendation. If any recommendation of the Modifications Committee is rejected by the NCRB, the NCRB may substitute its own response to any such proposed modification, addition or alteration, which shall then be binding.

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(iii) Review and recommendation by the Modifications Committee shall be based upon the terms of this Declaration and any applicable design standards.

(b) The Modifications Committee shall, if established, consist of at least three (3) and no more than five (5) members, all of whom shall be appointed by the Declarant until such time as the members of the NCRB are appointed by the Board of Directors. At such time that the members of the NCRB are appointed by the Board of Directors, the Board of Directors shall also appoint the members of the Modifications Committee, if existing. If the NCRB determines that it has jurisdiction over and in respect to any submission to the Modifications Committee, the NCRB shall be authorized to review and approve such submission to the exclusion of Modifications Committee. The Modifications Committee shall, as soon as practical after receipt by it of any submission hereunder review the same and deliver its recommendation to the NCRB. If the NCRB fails to approve or disapprove, in writing, any proposed modification, addition or alteration within thirty (30) days after such have been submitted, such plans and specifications will be deemed expressly approved, provided the proposed modification, addition or alteration is in general harmony with a community wide standard as determined by the NCRB. The provisions hereof shall not be applicable to the Golf Course or the Additional Property; provided such shall be applicable to those portions of the Additional Property as have been annexed to this Declaration.

(c) Nothing contained herein shall be construed to limit the right of an Owner to remodel the interior of his or her Residential Unit or to paint the interior of his or her Residential Unit any color desired.

(d) The Modifications Committee may charge a non-refundable reasonable fee not to exceed Four Hundred Dollars (\$400.00) to cover the administrative expense of its review and comment and may also charge a refundable deposit not to exceed Three Thousand Dollars (\$3,000.00) in order to ensure that all aspects of the approval by the Modifications Committee are adhered to, such fees to be payable to the Modifications Committee.

Section 3. Approval of Plans. No approval of plans and specifications and no publication of standards pursuant to the terms of this Declaration by the New Construction Review Board or the Modifications Committee shall be construed as representing or implying that such plans, specifications or standards will, if followed, result in properly designed improvements. Such approvals and standards shall in no event be construed as representing or guaranteeing that any Residential Unit or other improvement built in accordance therewith will be built in a good workmanlike manner. The Declarant, the Association, the New Construction Review Board or Modifications Committee shall not be responsible or liable for any defects in any plans or specifications submitted, revised, or approved pursuant to the terms of this Declaration, any loss or damages to any person rising out of the approval or disapproval of any plans or specifications, any loss or damage arising from the non-compliance of such plans and specifications as with any governmental ordinances and

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regulations, nor any defects in construction undertaken pursuant to such plans and specifications.

Section 4. Construction Criteria and Requirement of Compliance With Law. All Residential Units and other structures shall be constructed in compliance with any and all applicable state, county and municipal zoning and building restrictions and any applicable regulations and restrictions as might apply to the real estate. All grading, clearing, construction of impervious surfaces, building and other construction activity performed on Lots or Residential Units that are subject to the rules, regulations, guidelines and restrictions of any regulatory authority shall be performed in accordance with such rules, regulations, guidelines and restrictions.

Section 5. Building Criteria.

(a) Each Owner of a Lot or Residential Unit shall provide visually screened area to service yards in which garbage receptacles, fuel tanks, wood piles, gas and electric meters, air conditioning equipment, and vehicles, materials, supplies and equipment which are stored outside by Owners shall be placed or stored in order to conceal them from view from roads and adjacent Properties. Any such visual barriers shall be at least six (6) feet high and may consist of either fencing or landscaping and planting which is approved by the New Construction Review Board in accordance with the terms of this Declaration.

Section 6. Approval of Sanitary Disposal Systems. The New Construction Review Board shall have the complete authority, right and power to approve any and all installation of a sanitary sewer system, including a modular sanitary sewer system, as may serve a Lot, prior to the Lot owner having any such sanitary sewer system installed. By way of example and not limitation, prior approval of the NCRB shall be required before the installation of any septic tank system, or any modular sanitary sewer system, as may serve a Lot and in so reviewing any application for a sanitary sewer system as may serve a Lot, the NCRB may take into account modern technology, including modular systems and other alternatives to individual septic tank systems, and facilities as may be available, from time to time, to provide sanitary sewage service to each Lot.

Section 7. Plans and Specifications. PLANS AND SPECIFICATIONS ARE NOT APPROVED FOR ENGINEERING OR STRUCTURAL DESIGN OR QUALITY OF MATERIALS, AND BY APPROVING SUCH PLANS AND SPECIFICATIONS NEITHER THE DECLARANT, NCRB OR MC, THE MEMBERS THEREOF, NOR THE ASSOCIATION OR THE BOARD OR ITS MEMBERS ASSUMES LIABILITY OR RESPONSIBILITY THEREFOR, NOR FOR ANY DEFECT IN ANY STRUCTURE CONSTRUCTED FROM SUCH PLANS AND SPECIFICATIONS. NEITHER DECLARANT, THE ASSOCIATION, THE NCRB OR MC, THE BOARD, NOR THE OFFICERS, DIRECTORS, MEMBERS, EMPLOYEES, AND AGENTS OF ANY OF THEM, SHALL BE LIABLE IN DAMAGES TO ANYONE SUBMITTING PLANS AND SPECIFICATIONS TO ANY OF THEM FOR APPROVAL, OR TO ANY OWNER OF

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PROPERTY AFFECTED BY THESE RESTRICTIONS BY REASON OF MISTAKE IN JUDGMENT, NEGLIGENCE, OR NONFEASANCE ARISING OUT OF OR IN CONNECTION WITH THE APPROVAL OR DISAPPROVAL OR FAILURE TO APPROVE OR DISAPPROVE ANY SUCH PLANS OR SPECIFICATIONS. EVERY PERSON WHO SUBMITS ITS PLANS OR SPECIFICATIONS AND EVERY OWNER AGREES THAT SUCH PERSON OR OWNER WILL NOT BRING ANY ACTION OR SUIT AGAINST DECLARANT, THE ASSOCIATION, THE NCRB OR MC, THE BOARD, OR THE OFFICERS, DIRECTORS, MEMBERS, EMPLOYEES, AND AGENTS OF ANY OF THEM, TO RECOVER ANY DAMAGES AND HEREBY RELEASES, REMISES, QUITCLAIMS, AND COVENANTS NOT TO SUE FOR ALL CLAIMS, DEMANDS, AND CAUSES OF ACTION ARISING OUT OF OR IN CONNECTION WITH ANY JUDGMENT, NEGLIGENCE, OR NONFEASANCE AND HEREBY WAIVES THE PROVISIONS OF ANY LAW WHICH PROVIDES THAT A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS, DEMANDS, AND CAUSES OF ACTION NOT KNOWN AT THE TIME THE RELEASE IS GIVEN.

Section 8. Rights and Remedies.

(a) Any construction or modification made or performed on the Lot or Properties without application having first been made and approval obtained or that is inconsistent with any approved layout, plans, drawings or specifications may be required to be restored to its former condition by and at the expense of the Owner of the Lot on which such construction or improvements were made or performed. Upon the failure or refusal of such Owner to perform the required restoration, the NCRB, or the Modifications Committee, as the case may be, or their authorized agents or employees may, after fourteen (14) days notice to said Owner, enter upon the Lot (or Residential Unit) and perform such restoration as the NCRB, or Modifications Committee, in the exercise of their sole discretion, may deem necessary or advisable.

(b) Such Owner shall be personally liable to the NCRB or Modifications Committee for all direct and indirect costs (including court costs and reasonable attorney's fees), as may be reasonably incurred by the NCRB and Modifications Committee in the performance of such restoration and the liability for such costs as shall be enforceable by the NCRB or the Modifications Committee on behalf of the NCRB or Modifications Committee by appropriate proceedings in law or in equity. The Owner's liability for such costs shall also be a permanent charge or lien upon the Lot or Residential Unit of such Owner, enforceable by the NCRB or Modifications Committee by any appropriate proceeding in law or equity. The rights and remedies established in this Section 8 are in addition to those provided and inherent to the Association.

ARTICLE X
Mortgagee's Rights

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The following provisions are for the benefit of holders, insurers, or guarantors of first mortgages in RiverWatch. To the extent applicable, necessary, or proper, the provisions of this Article apply to both this Declaration and to the By-Laws of RiverWatch Property Owners Association, Inc. Where indicated, these provisions apply only to "eligible holders," as hereinafter defined.

Section 1. Notice of Action. So long as required by the Federal National Mortgage Association but only provided that RiverWatch is a planned development approved by or seeking approval by such Association (and such is approved by the Declarant, in writing) an institutional holder, insurer, or guarantor or a first mortgage who provides a written request to the Association (such request to state the name and address of such holder, insurer, or guarantor and the unit number), (therefore becoming an "eligible holder"); will be entitled to timely written notice of:

- (a) any proposed termination of the development;
- (b) any condemnation loss or any casualty loss which affects a material portion of the Properties or which affects any Lot or Residential Unit on which there is a first mortgage held, insured, or guaranteed by such eligible holder;
- (c) any delinquency in the payment of assessments or charges owed by an Owner of a Lot or Residential Unit subject to the mortgage of such eligible holder, insurer, or guarantor, where such delinquency has continued for a period of sixty (60) days;
- (d) any lapse, cancellation, or material modification of any insurance policy maintained by the Association; or
- (e) any proposed action which would require the consent of eligible holders, as required in Sections 2 and 3 of this Article.

Section 2. Other Provisions For First Lien Holders. To the extent possible under Tennessee law:

(a) Any restoration or repair of the Common Area after a partial condemnation or damage due to an insurable hazard shall be substantially in accordance with this Declaration and the original plans and specifications unless approval is obtained of the eligible holders of first mortgages to which at least fifty-one (51%) percent of the votes of Lots and Residential Units, subject to mortgages held by such eligible holders are allocated.

(b) Any election to terminate the development after substantial destruction or a substantial taking in condemnation must require the approval of the eligible holders of

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first mortgages to which at least fifty-one (51%) percent of the votes of Lots and Residential Units, subject to mortgages held by such eligible holders, are allocated.

Section 3. Amendments to Documents. The following provisions do not apply to amendments to the constituent documents or termination of the development made as a result of destruction, damage, or condemnation pursuant to (a) and (b) above, or to the addition of land in accordance with Article VI which might occur pursuant to any plan of expansion or phased development previously approved by the agencies and corporations, to the extent such approval was required under the applicable programs of the agencies and corporations.

(a) The consent of at least sixty-seven (67%) percent of the Class "A" votes and of the Declarant, so long as it owns any land subject to this Declaration, and the approval of the eligible holders of first mortgages to which at least sixty-seven (67%) percent of the votes of such subject to a mortgage appertain, shall be required to terminate the development.

(b) So long as required by the Federal National Mortgage Association but only provided that the RiverWatch Community is a planned development approved or seeking approval by the Federal National Mortgage Association (and such is approved by the Declarant, in writing) the consent of at least sixty-seven (67%) percent of the Class "A" votes and of the Declarant, so long as it owns any land subject to this Declaration, and the approval of eligible holders of first mortgages to which at least fifty-one (51%) of the votes of Residential Units and Lots subject to a mortgage appertain, shall be required materially to amend any provisions of the Declaration, By-Laws, or Articles of Incorporation of the Association, or to add any material provisions thereto, which establish, provide for, govern, or regulate any of the following:

- (i) voting;
- (ii) assessments, assessment liens, or subordination of such
liens;
- (iii) reserves for maintenance, repair, and replacement of the
Common Area;
- (iv) insurance of Fidelity Bonds;
- (v) rights to use of the Common Area, subject to the
allowances herein contemplated;
- (vi) responsibility for maintenance and repair of the Properties;

(vii) other than as in this Declaration provided, expansion or contraction of the Properties, or the addition, annexation, or withdrawal of property to or from the regime;

(viii) other than as in this Declaration provided or contemplated, boundaries of any Lot;

(ix) leasing of Residential Units;

(x) imposition of any right of first refusal or similar restriction on the right of any Owner to sell, transfer, or otherwise convey his or her Lot;

(xi) establishment of self-management by the Association where professional management has been required by any of the agencies or corporations; or

(xii) any provision included in the Declaration, By-Laws, or Articles of Incorporation which are for the express benefit of holders, guarantors, or insurers of first mortgages on Lots and Residential Units.

Section 4. Special FHLMC Provision. So long as required by the Federal Home Loan Mortgage Corporation (The Mortgage Corporation), but only provided that RiverWatch is a planned development approved by or seeking approval by The Mortgage Corporation (and such is approved by the Declarant, in writing), the following provisions apply in addition to and not in lieu of the foregoing. Unless two-thirds (2/3) of the first mortgagees or Owners give their consent, the Association shall not:

(a) by act or omission seek to abandon, partition, subdivide, encumber, sell, or transfer the Common Area which the Association owns, directly or indirectly (the granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Area shall not be deemed a transfer within the meaning of this clause);

(b) change the method of determining the obligations, assessments, dues or other charges which may be levied against an Owner;

(c) by act or omission change, waive, or abandon any scheme of regulations or enforcement thereof pertaining to the architectural design or the exterior appearance and maintenance of Lots or Residential Units and of the Common Area;

(d) fail to maintain fire and extended coverage insurance, as required by this Declaration; or

(e) use hazard insurance proceeds for any Common Area losses for other than the repair, replacement, or reconstruction of such property.

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Section 5. Payment of Taxes. First mortgagees may, jointly or individually, pay taxes or other charges which are in default and which may or have become a charge against any Common Area and may pay overdue premiums on hazard insurance policies or secure new hazard insurance coverage on the lapse of a policy for such Common Area. First mortgagees making such payments shall be owed immediate reimbursement therefor from the Association.

Section 6. No Priority. No provision of this Declaration or the By-Laws gives or shall be construed as giving any Owner or any other party priority over any rights of the first mortgagee in the case of a distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of Common Area.

Section 7. Notice of Default. Notwithstanding anything contained herein which might otherwise be construed to the contrary, a first mortgagee, upon request, will be entitled to written notification from the Association of any default in the performance by an Owner of a Lot or Residential Unit in which such mortgagee has an interest of any obligation under this Declaration, the By-Laws, or the Articles of Incorporation which is not cured within sixty (60) days.

ARTICLE XI **Use Restrictions**

Section 1. General. This Article sets out certain use restrictions which shall be complied with by all Owners. These use restrictions may only be amended pursuant to Article XII, Section 2, below. In addition, the Board may from time to time, without consent of the members promulgate, amend and modify rules and regulations applicable to the Properties.

Section 2. Annoyance or Nuisances.

(a) It shall be the responsibility of each Owner to prevent the development of any unclean, unhealthy, unsightly, or unkempt condition on his or her Lot or Unit. No Lot or Unit shall be used, in whole or in part, for the storage of any property or thing that will cause such Lot or Unit to appear to be in an unclean or untidy condition or that will be obnoxious to the eye; nor shall any substance, thing, or material be kept that will emit foul or obnoxious odors or that will cause any noise or other condition that will or might disturb the peace, quiet, safety, comfort, or serenity of the occupants of surrounding properties. No noxious or offensive activity shall be carried on within the Properties, nor shall anything be done tending to cause embarrassment, discomfort, annoyance, or nuisance to any Person using any property within the Properties.

(b) There shall not be maintained any plants or animals or device or thing of any sort whose activities or existence in any way is noxious, dangerous, unsightly, unpleasant, or of a nature as may diminish or destroy the enjoyment of the Properties.

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Without limiting the generality of the foregoing, no speaker, horn, whistle, siren, bell, amplifier or other sound device, except such devices as may be used exclusively for security purposes, shall be located, installed or maintained upon the exterior of any Lot or Unit unless required by law.

(c) The display or shooting of firearms, fireworks, or firecrackers is expressly forbidden; provided that the Declarant expressly reserves unto itself and its invitees the right to hunt on any portions of the Additional Property so long as such is not submitted and subject to the terms of this Declaration. Other than as expressly stated in the preceding sentence, no hunting shall be permitted on the Property. Nothing herein shall be construed to inhibit the Declarant or Builder/Owner from improving, developing and allowing use thereby of the Properties as Declarant may determine.

Section 3. Temporary Structures. Subject to Declarant's and Builder/Owner's reserved rights herein, and other than for temporary facilities as might be installed by Declarant, the Association for purposes of administration of the Properties, or the Owner of the Golf Course, no structure of a temporary character, whether trailer, basement, tent, shack, garage, barn, or other outbuilding shall be maintained or used on any Lot or Unit at any time as a residence or for any other purpose, either temporarily or permanently. No garage, servants' quarters, or other permitted accessory structure shall be erected, placed, or maintained on any Lot or Unit until construction of a main residential dwelling has commenced. Any structure on which construction has commenced must be completed within a reasonable length of time.

Section 4. Vehicles. The term "vehicles," as used herein, shall include, without limitation, motor homes, boats, trailers, motorcycles, minibikes, scooters, go-carts, trucks campers, buses, vans, golf carts and automobiles. All vehicles shall be parked and stored within enclosed areas out of view from the streets and Golf Course or within approved parking areas. Where the Lot is required to contain a garage, the approved and designated parking area shall mean the garage located on the Lot. Garage doors shall be kept closed at all times, except during times of ingress and egress from the garage. No vehicle may be left upon any portion of the Properties, except in a garage or other area designated by the Board, for a period longer than five (5) days if it is unlicensed or if it is in a condition such that it is incapable of being operated upon the public highways. After such five (5) day period, such vehicle shall be considered a nuisance and may be removed from the Properties. Any towed vehicle, boat, recreational vehicle, motor home, or mobile home regularly stored on the Property or temporarily kept in the Properties, except if kept in a garage or other area designated by the Board, for periods longer than twenty-four (24) hours each shall be considered a nuisance and may be removed from the Properties. Trucks with mounted campers which are an Owner's primary means of transportation shall not be considered recreational vehicles, provided they are used on a regular basis for transportation and the camper is stored out of public view upon removal. No motorized vehicles, except golf carts, shall be permitted on pathways or unpaved Common Area except for public safety vehicles

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and vehicles authorized by the Board. Notwithstanding the above, boats are not permitted to be stored on any portion of the Property.

Section 5. Signs and Billboards. No signs, including for sale signs, billboards, posters, or advertising devices of any character shall be erected, permitted, or maintained on any Lot or Unit or on the Common Area without the express prior written consent of the Board of Directors, except for Builder/Owners, who may place on each Lot or Unit owned by such Builder/Owners during the construction and sales period of improvements signs as approved by the Declarant. The Board of Directors is expressly authorized to regulate the size and number of for sale or similar signs as may be placed on a Lot or Unit. The right is reserved by Declarant to construct and maintain such signs, billboards, or advertising devices as is customary in connection with the general sale of Property.

Section 6. Unightly or Unkept Conditions. It shall be the responsibility of each Owner to prevent any unclean, unhealthy, unsightly or unkept condition from existing on his or her Lot or Unit. Any item such as boats, boat covers, outside patio furniture, or any other articles that can be viewed from the street, lakes, ponds, water courses, and Golf Course, shall be maintained in a neat and attractive condition as determined by the Association. The pursuit of hobbies or other activities, including specifically, without limiting the generality of the foregoing, the assembly and disassembly of motor vehicles and other mechanical devices, which might tend to cause disorderly, unsightly, or unkept conditions, shall not be pursued or undertaken in any part of the Properties.

Section 7. Oil and Mining Operations. Other than for water wells as might be established on the Properties, no oil drilling or development operation, soil refining, quarrying, or mining operations of any kind shall be permitted upon or in any Lot, nor shall oil wells, tanks, tunnels, mineral excavations, or shafts be permitted upon or in any Lot. No derrick or other structure designed for use in boring for oil, natural gas, or minerals shall be erected, maintained, or permitted upon any Lot.

Section 8. Storage and Disposal of Garbage and Refuse. Subject to Declarant's reserved rights, no Lot shall be used or maintained as a dumping ground for rubbish. Trash, garbage, or other waste materials shall not be kept, except in sanitary containers constructed of metal, plastic, or masonry materials with sanitary covers or lids. Equipment for the storage or disposal of such waste materials shall be kept in clean and sanitary condition. No Lot shall be used for the open storage of any materials whatsoever, which storage is visible from the street, except that new building materials used in the construction of improvements erected upon any Lot may be placed upon such Lot at the time construction is commenced and may be maintained thereon for a reasonable time, so long as the construction progresses without undue delay, until the completion of the improvements, after which these materials shall either be removed from the Lot or stored in a suitable enclosure of the Lot.

Section 9. Pets. No animals, livestock or poultry of any kind shall be raised, bred, or kept on any Lot, except that dogs, cats or other usual household pets may be kept

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by the respective Owners on their respective Lots, provided that they are not kept, bred or maintained for any commercial purpose and do not endanger the health of or unreasonably disturb the Owner of any Lots within the RiverWatch Community; provided that the Board of Directors may, by adoption of rules and regulations, (i) prohibit from the community animals which are determined by the Board to be dangerous or detrimental to the health, safety or welfare of the Owners and (ii) prohibit any respective pet from travel upon or use of the common area unless the owner of such pet pays a user fee to the Association in an amount determined by the Board. In addition, rules and regulations may include but not be limited to the prohibition of animals as to size, weight or type. No pet enclosure shall be erected, placed or permitted to remain on any Lot subjected to this Declaration. In the event a pet or pets become a nuisance in the opinion of the Declarant or the Board, they shall be removed from the properties. All animals, as are permitted herein, shall be kept and maintained in accordance with the rules and regulations established by the Board of Directors.

Section 10. Drainage. Catch basins and drainage areas are for purpose of natural flow of water only. No obstructions or debris shall be placed in these areas. No Owner or person may obstruct or re-channel the drainage flows after location and installation of drainage swales, storm sewers, or storm drains. Declarant hereby reserves a perpetual easement across all Common Area for the purpose of altering drainage and water flow. Rights exercised pursuant to such reserved easement shall be exercised with a minimum of interference to the quiet enjoyment of affected property, reasonable steps shall be taken to protect such property, and damage shall be repaired by the Person causing the damage at its sole expense. The Board may remove any culvert that obstructs the flow of water through the street ditches. The breaking of curbs for drive installations will be accomplished in a good and workmanship-like manner, and such break will be installed without hindrance to drainage, and such work is subject to inspection and approval, as provided in Article IX hereof.

Section 11. No Antennas, Etc. Antennas, satellite dishes and other such devices which are located outside and/or affixed to the exterior of the Residential Unit or located on the Lot outside of the Residential Unit are strictly prohibited, except as may be allowed by applicable law provided the same are in compliance with such rules and regulations as may be adopted by the Board, from time to time. The Association shall have the right, but not the obligation, to erect and operate or to contract for erection and operation of a master antenna, satellite dish, cable system or other similar master system for television reception for the benefit of the Owners.

Section 12. Commencement of Construction and Occupancy of Residential Units. Once commenced, the construction of a Residential Unit on a Lot shall be completed within twelve (12) months from the date of commencement. A Residential Unit may not be temporarily or permanently occupied until the exteriors thereof have been completed and a certificate of occupancy, if issued by the local jurisdiction in which the property is located, for such Residential Unit has been issued. During the continuation of construction of any Residential Unit, any and all contractors in respect to the construction thereof shall maintain

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the Lot, the Residential Unit, and the surrounding Common Area in a reasonably clean and uncluttered condition and, to the extent possible, all construction trash and debris shall be kept within refuse containers. Upon completion of construction, the Owner of the Lot shall cause such contractors to immediately remove all equipment, tools and construction material and debris from the Lot and Residential Unit on which such construction has been completed.

Section 13. Resort Interest Regimes. No Resort Interest arrangement nor other arrangement or plan as might be subject to registration under Tennessee law, nor any other plan, scheme, idea, or similar device, whether by membership, agreement, tenancy-in-common, sale, lease, deed, rental agreement, license, right to use agreement, point allocation, or club whereby a purchaser or other consumer, in exchange for and in consideration, receives the right to use or an interest in accommodations or facilities, or both, including any Lot or Residential Unit, for a specific period of time less than a full year during any given year, but not necessarily for consecutive years, and which extends for a period of more than three (3) years shall be permitted within the Properties, unless the same is established by the Declarant, or is otherwise approved, in writing, by the Declarant. In the event of establishment of such regime by the Declarant, or in the further event of approval of such regime by the Declarant, such regimes shall be expressly permissible on the Property.

Section 14. Wetlands Preservation. Any area of the Properties which is designated as a wetlands by any state or governmental authority or pursuant to any federal or state statute, or any other area of the Properties which is designated as an area to be undisturbed or preserved in any particular, by any state or federal authority or pursuant to any state federal statute, rule or regulation, shall be left and continued in such condition as complies with the pre-existing condition and neither the Association, the owner of the Golf Course (without consent of any proper regulatory authorities), nor any Owner shall take any action contrary to such preserved status.

Section 15. Shoreline Preservation. The property which lies between the lakeside property line of a particular Lake View Lot and Center Hill Lake is owned by the U.S. Corps of Engineers and is designated as an area to be undisturbed and shall be left and continued in such condition as complies with the pre-existing condition and neither the Association, the owner of the Golf Course, nor any Owner, including owners of Lake View Lots, shall take any action contrary to such preserved status.

Section 16. Occupants Bound. All provisions of the Declaration, Bylaws, and of any rules and regulations, use restrictions or design guidelines promulgated pursuant thereto which govern the conduct of Owners and which provide for sanctions against Owners shall also apply to all occupants even though occupants are not specifically mentioned. Fines may be levied against Owners or occupants. If a fine is first levied against an occupant and is not paid timely, the fine may then be levied against the Owner.

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Section 17. Air Conditioning Units. Except as may be permitted by the NCRB or MC, no window air conditioning units may be installed.

Section 18. Lighting. Except as may be permitted by the NCRB or MC, exterior lighting visible from the street shall not be permitted on any Lot.

Section 19. Artificial Vegetation, Exterior Sculpture, and Similar Items. No artificial vegetation shall be permitted on the exterior of any Lot or Unit. Exterior sculpture, fountains, flags and similar items located on any Lot or Unit must be approved by the NCRB or MC.

Section 20. Energy Conservation Equipment. No solar energy collector panels or attendant hardware or other energy conservation equipment shall be constructed or installed on any Lot or Unit unless they are an integral and harmonious part of the architectural design of the structure on the respective Lot or Unit, as determined in the sole discretion of the NCRB or MC.

Section 21. Swimming Pools. No swimming pools shall be constructed, erected, or maintained upon any Lot without the prior written consent of the NCRB or MC and in no event shall any above-ground swimming pool be permitted.

Section 22. Clotheslines. No exterior clotheslines of any type shall be permitted upon any Lot or Unit.

Section 23. Exterior Security Devices. No exterior security devices, including, without limitation, window bars, shall be permitted on any Residential Unit or Lot. Signs of not greater than two (2) square feet placed on the Lot or the exterior of the Residential Unit stating that such residence is protected by a security system shall be permitted and shall not be deemed to constitute an exterior security device.

Section 24. Traffic Regulations. All vehicular traffic on the private streets and roads within the Properties shall be subject to the provisions of the laws of the State of Tennessee and DeKalb County concerning operation of motor vehicles on public streets. The Board is hereby authorized to promulgate, administer, and enforce reasonable rules and regulations governing vehicular and pedestrian traffic, including reasonable safety measures and speed limits including modifications of those in force on public streets, within the Properties. The Association shall be entitled to enforce same by establishing such enforcement procedures as it deems appropriate, including levying fines for the violation thereof. In the event of a conflict between such provisions of the laws of the State of Tennessee and DeKalb County and such rules and regulations promulgated by the Association, the rules and regulations of the Association shall control unless the laws of the State of Tennessee or DeKalb County are determined by the Board to be more restrictive. Only drivers licensed to operate motor vehicles by the State of Tennessee or by any other state in the United States may operate any type of motor vehicle, including golf carts,

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mopeds, all terrain vehicles, motorcycles, motor driven bicycles within the Properties. In order to operate a golf cart in the Properties, the Owner or user thereof shall have complied with any regulations and requirements for the operation thereof as may be required by the Association and the Golf Course Owner. All vehicles of any kind and nature which are operated on the streets of the Properties shall be operated in a careful, prudent, safe, and quiet manner with due consideration for the rights of all Owners within the Properties.

Section 25. Enforcement.

(a) Each Owner and occupant of a Lot or Residential Unit thereon shall comply strictly with this Declaration, the By-Laws, the design standards and Rules and Regulations of the Association, as any of the same may be amended from time to time. In the event of a violation or breach, or threatened violation or breach, of any of the same, Declarant, the Association or any aggrieved Owner, jointly and severally, shall have the right to proceed at law or in equity to compel compliance therewith or to prevent a threatened violation or breach thereof. In addition to all other remedies, Declarant or the Association, or any duly authorized agent thereof, shall, after ten (10) days written notice, have the right to enter upon any portion of the Properties where a violation exists and summarily abate or remove, at the expense of the violating Owner, using such force as may be reasonably necessary, any erection, thing or condition that may be or exist contrary to the intent and meaning of the provisions hereof. Notwithstanding the foregoing, the Association shall have the right to immediately tow, without any additional notice or period in which to correct such violation, any improperly parked or prohibited vehicle as identified herein or within the By-Laws or Rules and Regulations promulgated by the Association. Neither Declarant nor the Association, nor their agents, shall be deemed guilty or liable for any manner of trespass for such entry, abatement or removal. Such notice may be given in person or in the manner provided for notices in the By-Laws of the Association.

(b) Should the Declarant or the Association employ legal counsel to enforce this Declaration, the By-Laws, the design standards or Rules and Regulations of the Association, all costs incurred in such enforcement, including a reasonable fee for counsel, shall be paid by the violating Owner. Inasmuch as the enforcement of the provisions of this Declaration and the By-Laws and such rules and regulations is essential for the effectuation of the general plan of development contemplated hereby and for the protection of present and future Owners, it is hereby declared that any breach thereof cannot be adequately compensated by recovery of damages, and that Declarant, the Association, or any aggrieved Owner, in addition to all other remedies, may require and shall be entitled to the remedy of injunction to restrain any such violation or breach or threatened violation or breach. Further, in the event of any failure to comply strictly with this Declaration, the By-Laws, the design standards or the Rules and Regulations of the Association, then, in addition to the foregoing remedies, the Board of Directors of the Association may levy summary charges against the Owner for such failure, provided that no summary charges may be levied for more than \$50.00 for any one violation; but each day or time a violation is continued or repeated after written notice is given to the Owner to cease and desist, it shall be considered a separate

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violation. Collection of summary charges may be enforced against an Owner as if such charges were a common expense owed by the Owner involved.

(c) No delay, failure or omission on the part of the Declarant, the Association or any aggrieved Owner in exercising any right, power or remedy thereafter as to the same violation or breach, or as to a violation or breach occurring prior or subsequent thereto, shall bar or effect its exercise or enforcement. No right of action shall accrue nor shall any action be brought or maintained by anyone whomsoever against Declarant or the Association for or on account of any failure to bring any action on account of any violation or breach, or threatened violation, or breach of the provisions of this Declaration, the By-Laws, the design standards or such Rules and Regulations, however long continued, or for adopting provisions which may be deemed unenforceable.

ARTICLE XII **General Provisions**

Section 1. Coverage and Term. The covenants and restrictions of this Declaration shall run with and bind the Properties, and shall inure to the benefit of and shall be enforceable by the Association or the Owner of any property subject to this Declaration, their respective legal representatives, heirs, successors, and assigns. The covenants and restrictions of this Declaration, as they may be amended from time to time, shall run with and bind the Properties.

Section 2. Amendment.

(a) Subject to the provisions of Article X, this Declaration may be amended by the agreement of Owners of Lots to which two-thirds of the votes in the Association appertain; provided, however, that during any such time as there shall exist an unexpired option to add any Additional Property to the terms of this Declaration, or during any such time as Declarant has the right to vote its Class B votes, any such amendment shall require the written approval of Declarant.

(b) Notwithstanding the above, during such time as Declarant shall own at least one Lot primarily for the purpose of sale of such Lot, no amendment shall be made to this Declaration without the written agreement of the Declarant if such amendment would impose a greater restriction on the use or development by the Declarant of the Lot or Lots owned by the Declarant or otherwise, adversely effect the rights or privileges of Declarant.

(c) Except to the extent of submission of Additional Properties to the terms of this Declaration by the Declarant, or agreed upon by Lot Owners and the Mortgagees of Lots directly so affected, no amendment to this Declaration shall change the boundaries of any Lot not owned by Declarant, the number of votes in the Association appertaining thereto, or the liability for Common Expenses appertaining thereto.

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(d) The agreement of the required majority of Lot Owners to any amendment of this Declaration shall be evidenced by their execution of the amendment. In the alternative, the sworn statement of the President or any Vice President, or the Secretary of the Association attached to or incorporated in the amendment executed by the Association, which sworn statement states unequivocally that agreement of the required majority is otherwise lawfully obtained, that all notices required were properly given, shall be sufficient evidence to required Agreement. Any such amendment of the instrument shall become effective only when recorded, or at such later date as may be specified in the amendment itself.

(e) Notwithstanding any other provision herein to the contrary the Declarant may amend this Declaration without the vote of any other Owner so long as Declarant has the right to vote the Class B membership or there exists an unexpired option to add Additional Property to the terms of this Declaration and provided such amendment does not constitute an amendment as set forth in subparagraph (c) of this Section.

(f) Notwithstanding anything to the contrary in this Declaration, the approval of any proposed amendment by a Mortgagee shall be deemed implied and consented to if the Mortgagee fails to submit a response to any written proposal for an amendment within thirty (30) days after the Mortgagee receives notice of the proposed amendment sent by certified mail, return receipt requested. In any court suit or action where the validity of the adoption of the amendment to an instrument is an issue, the adoption of the amendment shall be presumed valid if the suit is commenced more than one year after the recording of the amendment on the public record. In such cases, the burden of proof shall be upon the party challenging the validity of the adoption of the Amendment.

(g) The Association shall have the power to amend this Declaration, the Articles of Incorporation, and the By-Laws of the Association in such respects as may be required to conform to mandatory provisions of any other applicable law without a vote of the Lot Owners, but subject to written approval by the Declarant as long as Declarant has the right to vote the Class B membership.

Section 3. Variances and Waiver of Restrictions. So long as permitted by Tennessee law and so long as Declarant owns any Lot or interest in property subjected to this Declaration, Declarant may waive or otherwise allow and authorize variances from the terms and restrictions hereof or the terms and restrictions of any Supplemental Declaration as might hereafter be relevant to the Property or any part thereof.

Section 4. Indemnification. The Association shall indemnify every officer and director against any and all expenses, including counsel fees, imposed upon or reasonably incurred by any officer or director in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Board of Directors) to which he or she may be a party by reason of being or having been an officer or director. The officers and directors shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misfeasance, malfeasance, misconduct, or

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bad faith. The officers and directors shall not have personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Association (except to the extent that such officers or directors may also be members of the Association), and the Association shall indemnify and forever hold each such officer and director free and harmless against any and all liability to others on account of any such contact or commitment. Any right to indemnification provided for herein shall not be exclusive of any other rights to which any officer or director, or former officer or director, may be entitled. The Association shall, as a Common Expense, maintain adequate general liability and officers' and directors' liability insurance to fund this obligation, if such insurance is reasonably available.

Section 5. Merger and Subdivision of Lots. Upon application in writing by an Owner of adjoining Lots, the Declarant and, upon assignment of such right, the Board of Directors, may authorize the merger of adjoining Lots or the subdivision of a Lot, subject to the consent of such mortgagees as may have an interest in the affected Lot. Such merger or subdivision shall be in conformance within the provisions of any Supplemental Declaration that may be applicable to such Lots, including provisions which may further regulate merger or subdivision and use provisions regulating use of Lots. Such plats and plans as may be necessary to show the merged or subdivided Lots shall be thereafter prepared at the expense of the requesting Owner, who shall additionally be responsible for all costs, including legal fees, associated with the merger or subdivision of such Lots. The Declarant (or Board of Directors, as the case may be) may impose conditions upon the Owner for any merger or subdivision of any Lots as a condition precedent to granting approval for such a merger or subdivision. From and after the time a merger or subdivision of Lots is approved, such resulting Lots shall, for all purposes, be considered Lots in accordance with their new boundaries.

Section 6. Corrective Plats. Until the time a Lot or Residential Unit within a respective Parcel or Phase is transferred by the Declarant to another (other than a Builder/Owner, an affiliate of Declarant, or a holder of a first mortgage), no owner of any Lot or Residential Unit shall have any rights whatsoever to the continuation of any covenants, or restrictions on such Parcel or Phase as contained herein or as may be imposed, expressly or impliedly, by recordation of any plat or as might otherwise be implied or expressed. In furtherance thereof, until the time a Lot or Residential Unit within a respective Parcel or Phase is transferred by the Declarant as aforementioned, the Declarant may revoke or cancel any plat or other instrument which might be deemed, either expressly or impliedly, to impose any covenants, conditions, or restrictions or may take whatever steps it deems necessary or desirable to avoid the implication of such existing.

Section 7. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no way affect any other provisions which shall remain in full force and effect.

Section 8. Perpetuities. If any of the covenants, conditions, restrictions, or other provisions of this Declaration shall be unlawful, void, or voidable for violation of the rule against perpetuities, then such provisions shall continue only until twenty-one (21) years after

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the death of the last survivor of the now living descendants of William Jefferson Clinton, President of the United States.

Section 9. Reservation From Lot Conveyance. It is expressly agreed and understood that the title conveyed by Declarant to any Lot or Parcel of land within the Properties by contract, deed, or other conveyance shall be subject to any easement affecting same for roadways or drainage, water, gas, sewer, storm sewer, electric light, electric power, telegraph, telephone, or cable television purposes and shall convey no interest in any pipes, lines, poles, or conduits, or in any utility facility or appurtenances thereto, constructed by or under authority of Declarant or any easement owner, or their agents through, along, or upon the premises affected thereby, or any part hereof, to serve said land or any other portion of the Properties, and where not affected, the right to maintain, repair, sell, or lease such appurtenances to any municipality or other governmental agency or to any public service corporation or to any other party, and such right is hereby expressly reserved.

Section 10. Incorporation by Reference. All dedications, limitations, restrictions, and reservations shown on any recorded subdivision plat or any recorded plat of a Phase are incorporated herein and made a part hereof as if fully set forth herein and shall be construed as being adopted in each and every contract, deed, or conveyance executed or to be executed by or on behalf of Declarant and, thereafter, each successive Owner, conveying any of the Properties, whether specifically referred to therein or not.

Section 11. Disclaimer of Liability of Association. Notwithstanding anything contained herein or in the Articles of Incorporation, By-laws, any Rules or Regulations of the Association or any other document governing or binding the Association (collectively, the "Association Documents"), the Association shall not be liable or responsible for, or in any manner a guarantor or insurer of, the health, safety or welfare of any owner, occupant or user of any portion of the properties including, without limitation, residents and their families, guests, invitees, agents, servants, contractors or subcontractors or for any property of any such persons. Without limiting the generality of the foregoing:

(a) It is the express intent of the Association documents that the various provisions thereof which are enforceable by the Association and which govern or regulate the uses of the properties have been written, and are to be interpreted and enforced, for the sole purpose of enhancing and maintaining the enjoyment of the properties and the value thereof;

(b) The Association is not empowered, and has not been created, to act as an entity which enforces or ensures the compliance with the laws of the United States, State of Tennessee, DeKalb County and/or any other jurisdiction or the prevention or tortious activities; and

(c) Any provisions of the Association documents setting forth the uses of assessments which relate to health, safety and/or welfare shall be interpreted and applied only as to limitations on the uses of assessment funds and not as creating a duty of the

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Association to protect or further the health, safety and welfare of any person(s), even if assessment funds are chosen to be used for any such reason.

(d) Each owner (by virtue of his acceptance of title to his lot) and each other person having an interest in or lien upon or making any use of any portion of the properties (by virtue of accepting such interest or lien or making such uses) shall be bound by this article and shall be deemed to have automatically waived any and all rights, claims, demands and causes of action against the association arising from or connected with any matter for which the liability of the Association has been disclaimed in this Article.

(e) As used in this Article "Association" shall include within its meaning all of the Association's directors, officers, committee and board members, employees, agents, contractors (including management companies), subcontractors, successors and assigns. The provisions of this Article shall also inure to the benefit of the Developer, which shall be fully protected hereby.

IN WITNESS WHEREOF, the undersigned Declarant has executed this Declaration this 15 day of April, 1998.

RIVERWATCH RESORT, LLC,
a Tennessee Limited Liability Company

By: Billy S. Hendrixson
Billy S. Hendrixson, Chief Manager

Attest: Gary W. Cripps
Gary Cripps, Secretary and Manager

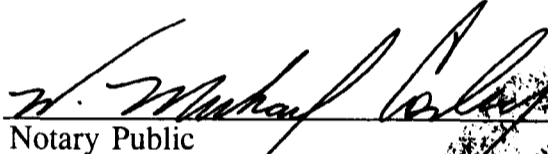
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STATE OF TENNESSEE
COUNTY OF DeKALB

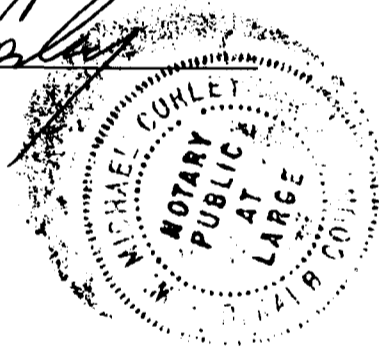
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Before me, a Notary Public in and for the aforesaid State and County, duly commissioned and qualified, personally appeared Billy S. Hendrixson, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself to be the Chief Manager of RiverWatch Resort, LLC, a Tennessee limited liability company, the bargainor, and that he, as Chief Manager, being authorized so to do, and executed the foregoing instrument for the purposes therein contained by signing the name of the LLC by himself as such Chief Manager.

IN WITNESS WHEREOF, I hereunto affix my signature and seal of office in Smithville, Tennessee, on this the 15 day of April, 1998.


Notary Public

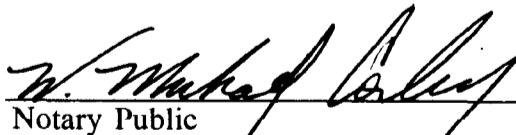
My commission expires: 3-27-2001



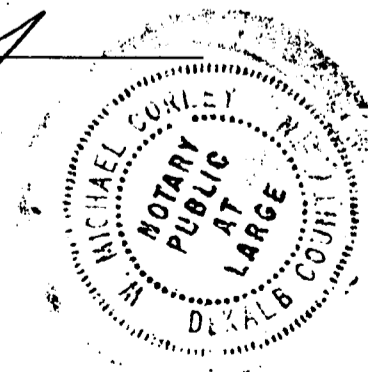
STATE OF TENNESSEE
COUNTY OF DeKALB

Before me, a Notary Public in and for the aforesaid State and County, duly commissioned and qualified, personally appeared Gary Cripps, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself to be the Secretary and Manager of RiverWatch Resort, LLC, a Tennessee limited liability company, the bargainor, and that he, as Secretary and Manager, being authorized so to do, and executed the foregoing instrument for the purposes therein contained by signing the name of the LLC by himself as such Secretary and Manager.

IN WITNESS WHEREOF, I hereunto affix my signature and seal of office in Smithville, Tennessee, on this the 15 day of April, 1998.


Notary Public

My commission expires: 3-27-2001



RIVERWATCH\DOCUMENT\DECLARAT.01

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EXHIBIT "A"

PROPERTY

Being a tract of land lying in the 5th Civil District, DeKalb County, Tennessee being lots 1-50 and such other areas, including, but not limited to, the roads, as shown on a final plat of RIVERWATCH, LLC, prepared by R. Scot Cherry, R.L.S. TN #1512 dated March 17, 1998 and recorded in Plat Book ~~SIDE~~ Pages 98-1, Register's Office, DeKalb County, Tennessee, which said plat and the record thereof is hereby incorporated by this express reference.

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EXHIBIT "B"

ADDITIONAL PROPERTY

Being a tract of land lying in DeKalb County, Tennessee, also being the property line taken from the Riverwatch Property line survey prepared by Crawford Land Surveyors, P.C., dated February 14, 1997, and being more particularly described as follows:

Beginning at a corner common with the property of Royce Poss, et ux, as of record in Deed Book 25, page 546, Register's Office, DeKalb County, Tennessee, thence north $78^{\circ} 23' 44''$ east, 136.50 feet to a point; thence south $89^{\circ} 03' 07''$ east, 198.51 feet to a point; thence south $19^{\circ} 07' 45''$ east, 211.07 feet to a point; thence south $20^{\circ} 21' 09''$ east, 210.19 feet to a point; thence south $48^{\circ} 41' 44''$ east, 649.80 feet to a point; thence south $39^{\circ} 14' 42''$ east, 174.24 feet to a point; thence south $13^{\circ} 28' 54''$ east, 86.17 feet to a point; thence south $19^{\circ} 25' 29''$ east, 155.21 feet to a point; thence south $14^{\circ} 49' 52''$ west, 68.23 feet to a point; thence south $01^{\circ} 20' 50''$ east, 219.32 feet to a point; thence south $40^{\circ} 45' 17''$ west, 24.02 feet to a point; thence south $21^{\circ} 46' 48''$ east, 47.82 feet to a point; thence south $34^{\circ} 04' 18''$ west, 41.92 feet to a point; thence south $31^{\circ} 41' 56''$ east, 90.92 feet to a point, thence south $50^{\circ} 33' 10''$ east, 35.29 feet to a point; thence south $02^{\circ} 37' 33''$ east, 58.04 feet to a point; thence south $20^{\circ} 11' 05''$ west, 69.58 feet to a point; thence south $25^{\circ} 41' 40''$ east, 24.96 feet to a point; thence south $47^{\circ} 26' 55''$ east, 66.16 feet to a point; thence south $11^{\circ} 45' 11''$ west, 72.90 feet to a point; thence south $18^{\circ} 44' 14''$ east, 40.44 feet to a point; thence south $35^{\circ} 24' 33''$ east, 95.72 feet to a point; thence south $00^{\circ} 19' 01''$ east, 71.46 feet to a point; thence south $41^{\circ} 00' 03''$ east, 93.19 feet to a point; thence south $13^{\circ} 47' 09''$ east, 99.28 feet to a point; thence south $62^{\circ} 50' 18''$ east 67.53 feet to a point; thence south $35^{\circ} 21' 19''$ east, 108.32 feet to a point; thence south $79^{\circ} 51' 52''$ east, 196.98 feet to a point; thence north $80^{\circ} 16' 17''$ east, 55.14 feet to a point; thence south $81^{\circ} 27' 50''$ east, 77.35 feet to a point; thence south $73^{\circ} 34' 26''$ east, 169.73 feet to a point; thence south $54^{\circ} 09' 48''$ east, 42.07 feet to a point; thence south $30^{\circ} 42' 54''$ east, 168.12 feet to a point; thence south $44^{\circ} 39' 23''$ east, 76.95 feet to a point; thence south $21^{\circ} 17' 09''$ east, 134.83 feet to a point; thence south $40^{\circ} 40' 58''$ east, 85.59 feet to a point; thence south $49^{\circ} 54' 45''$ west, 646.41 feet to a point; thence north $30^{\circ} 23' 54''$ west, 303.07 feet to a point; thence north $89^{\circ} 14' 29''$ west, 1744.12 feet to a point; thence north $86^{\circ} 48' 25''$ west, 744.12 feet to a point; thence north $10^{\circ} 53' 08''$ east, 583.33 feet to a point; thence south $68^{\circ} 24' 58''$ west, 672.23 feet to a point; thence south $37^{\circ} 49' 14''$ west, 312.07 feet to a point; thence south $12^{\circ} 50' 07''$ west, 655.20 feet to a point; thence south $85^{\circ} 19' 26''$ west, 376.14 feet to a point; thence north $00^{\circ} 06' 13''$ east, 1634.98 feet to a point; thence north $86^{\circ} 19' 00''$ west, 61.18 feet to a point; thence north $86^{\circ} 08' 59''$ west, 129.50 feet to a point; thence south $16^{\circ} 20' 03''$ west, 1541.48 feet to a point; thence north $84^{\circ} 00' 01''$ west, 420.04 feet to a point; thence north $20^{\circ} 31' 39''$ west, 605.36 feet to a point; thence south $58^{\circ} 37' 40''$ west, 1447.63 feet to

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a point; thence south 47° 10' 34" west, 545.73 feet to a point; thence south 58° 06' 32" west, 1469.38 feet to a point; thence south 71° 01' 24" west, 645.15 feet to a point; thence south 08° 00' 42" west, 439.21 feet to a point; thence south 74° 31' 45" west, 1440.49 feet to a point; thence north 39° 49' 31" west, 298.03 feet to a point; thence south 84° 02' 27" west, 651.43 feet to a point; thence north 00° 26' 24" east, 623.90 feet to a point; thence south 54° 52' 48" west, 824.58 feet to a point; thence north 22° 56' 42" west, 560.29 feet to a point; thence south 84° 17' 21" west, 617.73 feet to a point; thence north 23° 20' 25" west, 1454.13 feet to a point; thence north 29° 34' 46" east, 582.46 feet to a point; thence north 59° 00' 17" east, 608.56 feet to a point; thence north 88° 10' 50" east, 206.30 feet to a point; thence south 64° 42' 49" east, 144.84 feet to a point; thence north 11° 45' 03" east, 219.64 feet to a point; thence north 41° 09' 47" west, 272.91 feet to a point; thence north 15° 52' 42" west, 377.70 feet to a point; thence north 05° 27' 05" east, 551.40 feet to a point; thence north 00° 58' 38" west, 321.16 feet to a point; thence south 65° 33' 59" east, 1050.41 feet to a point; thence north 09° 41' 53" west, 793.76 feet to a point; thence north 44° 34' 49" west, 862.74 feet to a point; thence north 69° 18' 01" east, 842.46 feet to a point; thence south 65° 25' 04" east, 1210.68 feet to a point; thence south 09° 33' 26" east, 1402.48 feet to a point; thence north 68° 08' 06" east, 630.17 feet to a point; thence north 35° 52' 06" east, 768.88 feet to a point; thence north 72° 02' 59" east, 1514.52 feet to a point; thence north 81° 00' 05" west, 1752.67 feet to a point; thence north 56° 33' 17" west, 695.37 feet to a point; thence north 55° 07' 26" east, 487.62 feet to a point; thence south 75° 11' 03" east, 639.72 feet to a point; thence north 79° 20' 49" east, 466.30 feet to a point; thence north 59° 42' 47" east, 1764.65 feet to a point; thence north 50° 12' 20" east, 467.24 feet to a point; thence north 31° 54' 52" east, 430.76 feet to a point; thence north 68° 17' 08" east, 591.95 feet to a point; thence north 62° 36' 57" east, 353.01 feet to a point; thence north 89° 01' 53" east, 1678.37 feet to a point; thence south 06° 28' 38" west, 1490.21 feet to a point; thence south 01° 41' 41" west, 434.41 feet to a point; thence south 17° 30' 00" east, 130.45 feet to a point; thence south 66° 14' 00" east, 137.61 feet to a point; thence south 00° 05' 00" west, 258.97 feet to a point; thence south 13° 13' 00" west, 206.66 feet to a point; thence south 63° 22' 00" east, 175.10 feet to a point; thence north 85° 20' 00" east, 259.35 feet to a point; thence north 89° 56' 00" east, 179.65 feet to a point; thence north 65° 26' 00" east, 97.00 feet to a point; thence north 42° 46' 00" east, 175.17 feet to a point; thence south 15° 18' 53" east, 323.57 feet to a point; thence north 65° 21' 07" east, 499.07 feet to a point; thence north 04° 22' 16" east, 154.65 feet to a point; thence north 09° 31' 16" east, 210.69 feet to the point of beginning. Containing 51,195,026 square feet or 1,175.276 acres more or less.

STATE OF TENNESSEE, DEKALB COUNTY

The foregoing instrument and certificate were noted in
 Note Book 5, Page 363 at 12:18 o'clock M. 4-15-98
 and recorded in Record Book 88, Page 1
 State Tax Paid \$ 4-18-98 Fee Recording Fees 20 Total \$ 256.00
 Witness My Hand. 45724
 Receipt No.

Jeffrey F. McMillon
 Register

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