

THIS INSTRUMENT PREPARED BY: Gloria D. Holcomb
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AMENDMENT TO DECLARATION OF COVENANTS,
CONDITIONS, RESTRICTIONS, AND EASEMENTS FOR
THE HIGHLANDS ON NORRIS LAKE

This amendment modifies that certain Declaration of Covenants, Conditions, Restrictions, and Easements for The Highlands on Norris Lake, of record in the Register of Deeds Office for Union County, Tennessee at Book V6 Page 102 and is made this 28th day of August 2006 by The Highlands on Norris Lake Homeowners Association, by action of its duly appointed Board of Directors.

Grantor, being The Highlands on Norris Lake Homeowners Association, by action of its duly appointed Board Of Directors, declares the following changes are made to Article VI, Land Use and Building type;

Section 6.09 shall be revised to read as follows:

A lot owner agrees to maintain:

- A written lease which binds all renters to the declaration of restrictions under the covenant for The Highlands on Norris Lake development.
- A written lease which provides for a rental term of no less than 90 days.
- A written lease which prohibits renters from subleasing.
- A written lease which requires that all renters must occupy the rental property.
- A written lease which must be filed with the Homeowners Association before occupancy of any rental property.

All other reservations and restrictions shall remain the same and in full force.

IN WITNESS WHEREOF, THE SAID Grantor has hereunto caused this amendment to be executed on this _____ day of August, 2006.

THE HIGHLANDS ON NORRIS LAKE HOMEOWNERS ASSOCIATION

BY: Gloria D. Holcomb
Gloria D. Holcomb, Secretary/Treasurer

STATE OF TENNESSEE
COUNTY OF UNION

DECLARATION OF COVENANTS, CONDITIONS,
RESTRICTIONS AND EASEMENTS FOR
THE HIGHLANDS ON NORRIS LAKE

THIS DECLARATION OF COVENANTS, RESTRICTIONS AND EASEMENTS FOR THE HIGHLANDS ON NORRIS LAKE is made this 31st day of October, 2000, by FOUR SEASONS PROPERTIES OF TENNESSEE, LLC ("Declarant").

WITNESSETH:

WHEREAS, Declarant is the owner of certain real property located in County of Union, State of Tennessee containing approximately one hundred sixty (160) acres, more or less; and

WHEREAS, Declarant intends to develop the property as a subdivision known as "THE HIGHLANDS ON NORRIS LAKE" ("Property"), which is more fully described in Exhibit "A," attached hereto and incorporated herein by reference; and

WHEREAS, additional property may be included in The Highlands on Norris Lake in the future and Declarant wishes to reserve the right to subject other properties into The Highlands on Norris Lake by way of future amendments of this Declaration in accordance with the provisions contained herein; and

WHEREAS, Declarant intends by this Declaration to impose upon the property mutually beneficial restrictions under a general plan of improvement for the benefit of all owners of property in The Highlands on Norris Lake, and to provide a flexible and reasonable procedure for the development of the Property;

NOW THEREFORE, Declarant hereby declares that the Property which is described in Exhibit "A" and any property hereafter made subject hereto as hereinafter provided shall be held, transferred, sold, conveyed, leased, occupied and used subject to the following easements, restrictions, covenants, charges, liens and conditions which are for the purpose of protecting the value and desirability of the Property, and which shall touch and concern and run with title to the Property. The Covenants and all provisions hereof shall be binding on all parties having any right, title or interest in the Property or any portion thereof, and their respect, heirs, successors, successors in title and assigns and shall to the benefit of each owner thereof.

ARTICLE I
IMPOSITION OF COVENANTS AND
STATEMENT OF PURPOSE

Section 1.01 Imposition of Covenants. Declarant hereby makes declares and establishes the following covenants, conditions, restrictions and easements (collectively, "Covenants") upon the "Property" which shall be held, sold and conveyed subject to the Covenants. The Covenants shall run with the land and shall be binding upon all persons or entities having any right, title, or interest in all or any part of the Property, and the covenants shall inure to the benefit of each owner of the Property.

Section 1.02 Statement of Purpose. The Covenants are imposed for the benefit of all owners of the parcels of land located within the Property. These Covenants create specific rights and privileges which may be shared, enjoyed, and enforced by all owners and occupants of any part of the Property.

Section 1.03 Declarant's Intent. The provisions of these Covenants, as amended from time to time, are intended to act as the land use controls applicable to the Property, and in the events of a conflict or difference between the provisions hereof and of the Union County Zoning Ordinance, the terms of this Declaration, as amended, shall control and supersede such Zoning Ordinance. Each Owner, automatically upon the purchase of any portion of the Property, is deemed to waive all protections afforded to him, now or in the future, under the Union County Zoning Ordinance to the extent such Zoning Ordinance is at variation with the provisions of this Declaration, as amended, or with the provisions of any of the other The Highlands on Norris Lake Documents, including but not limited to the Architectural Guidelines established the Architectural Review Committee.

Section 1.04 Areas Subject to These Covenants. Be it understood that these covenants shall apply only to the development of The Highlands on Norris Lake by Four Seasons Properties of Tennessee, LLC.

ARTICLE II DEFINITIONS

The following terms as used in these Covenants, are defined as follows:

Section 2.01 "Architectural Review Committee" or "ARC" shall mean and refer to the committee formed pursuant to Article VII below to maintain the quality and architectural harmony of improvements in The Highlands on Norris Lake.

Section 2.02 "Assessments" shall mean and refer to annual special and default assessments levied pursuant to Article IV below to meet the estimated cash requirements of the Associations.

Section 2.03 "Association" shall mean and refer to The Highlands on Norris Lake Owners Association, Inc., a non-profit corporation or any successor of the Association by whatever name, charged with the duties and obligations set forth in these Covenants.

Section 2.04 "Building" shall mean and refer to any one or more Buildings constructed on a Lot or Tract.

Section 2.05 "Covenants" shall mean and refer to this Declaration of Covenants, conditions, restrictions, and easements for The Highlands on Norris Lake, as and if amended.

Section 2.06 "Declarant" shall mean and refer to Four Seasons Properties of Tennessee, LLC, its successors and assigns.

Section 2.07 "Lot" shall mean and refer to a parcel of land designated as a lot on any Plat of The Highlands on Norris Lake.

Section 2.08 "Maintenance Fund" shall mean and refer to the fund created by Assessments and fees levied pursuant to Article IV below to provide the Association with the funds required to carry out its duties under these Covenants.

Section 2.09 "Membership" shall mean and refer to the rights and responsibilities of every Owner of any Lot in The Highlands on Norris Lake. Every Owner by virtue of being an owner and only as long as he or she is an Owner, shall retain their Membership in the Association. The Membership may not be separated from Ownership of any Lot. Regardless of the number of individuals holding legal title to a Lot no more than one Membership shall be allowed per Lot owned. However, all individuals owning such Lot shall be entitled to the right of Membership and the use and enjoyment appurtenant to such ownership.

Section 2.10 "Owner" shall mean and refer to the record owner, whether an individual or entities, of fee simple title.

Section 2.11 Plat shall mean and refer to any plat (or as built survey) depicting the Property filed in the Registrar's Office for Union County, Tennessee, as such plat may be amended from portions of the Property from time to time.

Section 2.12 "Supplemental Covenants" shall mean and refer to additional or further restrictive covenants imposed on a portion or portions of the Property from time to time.

Section 2.13 "The Highlands on Norris Lake" shall mean and refer to the planned community created by these Covenants, consisting of the Property and all of the Improvements located on the Property.

Section 2.14 "Common Area" shall mean all real property (including the improvements thereto) owned by the Home Owners Association by deed of Declarant for the common use and enjoyment of the Owners. The Common Area or Areas, as exists by plat, shall be conveyed to the Association no later than when seventy-five percent (75%) of the lots in the Subdivision are sold.

ARTICLE III THE ASSOCIATION

Section 3.01 Developer as The Association. Until such time as seventy-five percent (75%) of the lots in The Highlands on Norris Lake are deeded to individual lot purchasers, and the Association is operative, the Declarant shall act and have the authority to act as the Homeowners Association and have such rights and such obligations as are created herein.

Section 3.02 Members. Every owner of a lot shall be a member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any lot which is subject to assessment.

Section 3.03 Board of Directors. The Association shall elect at its first annual meeting a Board of Directors which shall govern the Association. The Board of Directors shall consist of five (5) members, all of whom must be property owners in The Highlands on Norris Lake Development and a member in good standing with the association. The Board of Directors shall consist of a President, Vice President, Secretary and Treasurer and a member who shall also serve on the Architectural Review Committee and serve as a Liaison between the Board of Directors of the Association and the Architectural Review Committee. The Board of Directors shall have the responsibility of overseeing all functions of the association as stated in these covenants and restrictions and shall be responsible for collecting all association assessments and shall develop and amend association by-laws consistent with these covenants and restrictions. Furthermore, the Board shall be responsible for appointing and over-seeing the members of the Architectural Review Committee.

Section 3.04 Association Records. Upon written request to the Association by any Owner of a lot or any Mortgagee, or guarantor of a first mortgage on any Lot, or the insurer of improvements on any Lot the Association shall make available for inspection current copies of the Association's documents, books, records, and financial statements. The Association shall also make available to the prospective purchasers current copies of the Association's documents, including rules governing the use of lots and the most recent annual financial statement, if such is prepared.

"Available" as used herein shall mean available for inspection upon written request, during normal business hours.

ARTICLE IV COVENANT FOR COMMON AREAS AND MAINTENANCE ASSESSMENTS

Section 4.01 Declaration of Declarant's Intent for Common Areas. It is the Declarant's intent to create an owners' association.

Section 4.02 Roads. It is the intent of the Declarant to convey all public roads to the Union County Highway Department and said entity will take over the ownership and maintenance of all public roads throughout the development. Public roads shall be defined as all roads which are not noted on any of the recorded plats as a private road.

Section 4.03 Owner's Responsibility.

Section 4.02 Roads. It is the intent of the Declarant to convey all public roads to the Union County Highway Department and said entity will take over the ownership and maintenance of all public roads throughout the development. Public roads shall be defined as all roads which are not noted on any of the recorded plats as a private road.

Section 4.03 Owner's Easement of Enjoyment. Every owner shall have a right and easement of enjoyment in and to the Common Area or Areas which shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

- The right of the Home Owner's Association to Suspend the voting rights and right to use of the recreational facilities by an owner for any period during which any assessment against his/her lot remains unpaid.
- The right of the Home Owner's Association to dedicate or transfer all or any part of the Common Area to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the Board of Directors of the Home Owner's Association.
- No such dedication or transfer shall be effective unless an instrument agreeing to such dedication or transfer signed by an authorized officer of the Home Owner's Association has been recorded in the Registrar's Office of Union County, Tennessee.

Section 4.04 Delegation of Use. Any owner may delegate, in accordance with the By-Laws, his right of enjoyment to the Common Area and facilities to the members of his family or the owner's accompanied guests.

Section 4.05 Default Assessments. All monetary fines assessed against an Owner pursuant to The Highlands on Norris Lake Documents, or any expense of the Association which is the obligation of an Owner or which is incurred by the Association or the Declarant on behalf of the Owner Pursuant to The Highlands on Norris Lake Documents shall be a default Assessment and shall become a lien against such owner's Lot which may be foreclosed or otherwise collected as provided in these Covenants.

Notice of the amount and due date of such default Assessment shall be sent to the Owner subject to such Assessment at least thirty (30) days prior to the due date, provided that failure to give such thirty (30) days prior notice shall not constitute a waiver thereof, but shall only postpone the due date for payment thereof until the expiration of said thirty (30) day period.

Section 4.06 Effect of Nonpayment of Assessment; Lien Remedies of Association. Any Assessment, whether pertaining to annual, special, or default Assessments, which is not paid within thirty (30) days of its due date shall be delinquent. In the event that an Assessment becomes delinquent, the Association, in its sole discretion, may take any or all of the following action:

- Assess a late charge of at least fifteen percent (15%) per delinquency;
- Assess an interest charge from the date of delinquency at the rate per annum of two points above the prime rate shown in the Wall Street Journal as of the date of the event of default, or such other rate as shall have been establish by the Board;
- Assess a charge for attorney fees and court costs as well as any and all other costs of collection;
- Suspend the voting rights of the Owner during any period of delinquency;
- Suspend all privileges to recreational facilities situated upon common areas;
- Accelerate any unpaid annual Assessments for the fiscal year such that they shall be due and payable at once;

- Bring an action at law against any Owner personally obligated to pay the delinquent installments; or
- File a statement of lien with respect of the Lot, and foreclose set forth in more detail below.

Section 4.07 Annual Assessments. The Declarant shall not be required to pay any association dues or annual assessments on any of the unsold lots. The purpose of the assessments by the Declarant is to provide funding for the declarant or the Association to maintain common areas, entrances and any other obligations as provided in The Highlands on Norris Lake Documents.

- (a) The initial maximum annual assessment for each residential lot shall be Three Hundred (\$300.00) Dollars per year. Each owner of each individual lot shall not be required to pay the annual assessment until January 1, of the year immediately following the execution of the deed of conveyance by the Declarant to the owner of each lot, until the Association is formed.
- (b) From and after January 1, of the year immediately following the conveyance of the first lot to an owner, the maximum annual assessment may be increased each year by the Board of Directors of the Association, or the Declarant if the Association is not operable by not more than ten percent (10%) (but no more than twenty-five percent (25%) over a five (5) year period) above the maximum assessment for the previous year without a majority vote of the Home Owner's Association.

- (c) The Board of Directors of the Home Owner's Association may fix the annual assessment at an amount not to exceed the maximum.

ARTICLE V INSURANCE

Section 5.01 Casualty Insurance on Insurable Common Areas. The Association shall keep all insurable improvements and fixtures of the Common Area or Areas insured against loss or damage by fire for the full insurance replacement cost thereof, and may obtain insurance against such other hazard and casualties as the Association may deem desirable. The Association may also insure any other property whether real or personal, owned by the Association, against loss or damage by fire and such other hazards as the Association may deem desirable, with the Association as the owner and beneficiary of such insurance. The insurance coverage with respect to the Common Area shall be written in the name of, and the proceeds thereof shall be payable to the Association. Insurance proceeds shall be used by the Association for the repair and replacement of the property for which the insurance was carried. Premiums for all insurance carried by the Association are common expenses included in the common assessments made by the Association.

Section 5.02 Liability Insurance. The Association shall maintain liability insurance as to all common areas and property, acts or omissions of its officers or governing body, or otherwise as it deems necessary designated as a common expense in the By-Laws by the Owners Association.

Section 5.03 Replacement or Repair of Property. In the event of damage to or destruction of any part of the Common Area Improvements, the Association shall repair or replace the same from the insurance proceeds available. If such insurance proceeds are insufficient to cover the costs of repair or replacement of the property damaged or destroyed, the Association may make a Reconstruction Assessment against all lot owners to cover the additional cost of, repair or replacement not covered by the insurance proceeds in addition such lot owner.

Section 5.04 Annual Review of Policies. All insurance policies shall be reviewed at least annually by the Board of Directors in order to ascertain whether the coverage contained in the policies sufficient to make any necessary repairs or replacement of the property which may have been damaged or destroyed.

ARTICLE VI
LAND USE AND BUILDING TYPE

WHEREAS, it is the desire of the Declarant to maintain fair and adequate property values in said development and to prevent nuisances and to maintain an attractive area for residential purposes thus the following covenants are adopted.

Section 6.01 Minimum residence size restrictions. Each dwelling shall contain a minimum of 1,800 square feet of heated living space, excluding garages, porches, overhangs, etc. Dwellings of two (2) stories above ground level shall contain in the heated living area thereof (excluding garages, porches, overhangs, etc.) not less than 1,800 total square feet, inclusive of both stories, with the main first floor to contain not less than 900 square feet.

Section 6.02 Intentionally Omitted.

Section 6.03 Residential Use Only. The lots shall be used for residential purposes only, and no commercial use shall be permitted. This restriction shall not be construed to prevent rental of any dwelling for private residential purposes.

Section 6.04 Types of Dwellings Prohibited. Mobile homes, modular homes, or manufactured homes (unless permanently affixed to a permanent foundation), housing motor coaches, recreational vehicles, house trailers, trailers and basements are prohibited for permanent residential or occupancy purposes.

Section 6.05 Review by Architectural Committee. All proposed plans of dwellings to be erected in said subdivision shall be submitted to Architectural Committee to be reviewed and approved by said Committee in accordance with Article VII. Four Seasons Properties of Tennessee, LLC shall constitute the Architectural Committee until such time as there is a transfer pursuant to Article VII.

Section 6.06 Exposed Block. No exposed concrete foundation or block shall be permitted above ground level in construction of a dwelling, building, wall or fence.

Section 6.07 Drainage. No construction on any lot shall be done in such a way as to materially increase the drainage of water upon any adjoining lot.

Section 6.08 Television, Radio and Satellite Antenna. All television or radio antennas must be placed in the attic of a residence unless an alternative location is approved by the Architectural Committee. Television or radio towers are prohibited. Satellite dishes of 24 inches or less are allowed. All satellite dishes above 24 inches are prohibited.

* Section 6.09 Rental. Residences may be rented and all tenants are awarded owner's privileges and are required to abide by all covenants and restrictions.

Section 6.10 Construction Completion. All exterior work on improvements shall be completed and an occupancy permit obtained no later than twelve (12) months from the commencement of the construction of the improvement unless specifically waived by the Architectural Review Committee. "Commencement of construction" shall be defined as disturbing the soil and/or accepting delivery of or acquiring building materials.

Section 6.11 Setbacks and Building Location. Unless otherwise set forth in the plat, no building or any part thereof, shall be erected on any lot nearer than thirty (30) feet to the road side lot line or nearer than thirty (30) feet to any side street line. No building or any part thereof shall be located nearer than fifteen (15) feet to any interior lot line or nearer than fifteen (15) feet to any rear lot line, except if the rear lot line is the 1044 TVA Contour Line, then the rear set back line shall be five (5) feet from the 1044 TVA Contour Line.

Section 6.12 Easements. Declarant reserves unto itself, its successors, and assigns, the right to erect and maintain all utilities and electric lines, and grant easements for utility purposes, with the right of access and ingress for the purpose of installing and maintaining such easements and

structures and utility lines, including but not limited to water, sewer, gas and cable situate thereon; on, over, and under a strip of land ten (10) feet wide along the side and rear lot lines of each lot and twenty (20) feet wide along the front lot lines of each lot. Unless the rear lot line in the 1044 TVA contour line and in that event said easement shall be five (5) feet from the 1044 TVA contour line. No structures, plantings or other materials shall be placed or permitted remain, or activities undertaken thereon, which may damage or interfere with the usage of said easements for utility purposes areas on any lot affected by such easements shall, except for improvements situated thereon, by public authority or utility company, be maintained by the owner of the lot.

Section 6.13 Intentionally Omitted.

Section 6.14 Garages. A private garage may be built separately or attached to and made a part of the dwelling, but must be made of the same materials or conform to construction with the dwelling and must be built at the same time or after construction of the dwelling and must be approved by the ARC.

Section 6.15 Outbuildings. Any separate storage building, workshop or other incidental outbuilding may be allowed provided that the architectural style, quality of construction and building material are consistent with the caliber and appearance of the main residence structure. All out buildings must be approved by the Architectural Review Committee prior to construction, and must be built at the same time or after construction of the dwelling.

Section 6.16 Construction Materials. The exterior walls of any structure or dwelling on any such lot shall be of materials consisting of wood, log, stone, stucco, or brick and must be of earth tone colors. Any type or color of aluminum or vinyl siding is prohibited, except as used for trim, gutters, shutters, soffits and roofs.

Section 6.17 Foundations. All foundations shall be fully enclosed at the exterior walls; no pier-type foundations or unenclosed foundations shall be permitted.

Section 6.18 Intentionally Omitted.

Section 6.19 Nuisances. No noxious or offensive trade or activities shall be carried on upon any lot, nor shall anything be done there on which may be or may become an annoyance or nuisance to the neighborhood. No hunting or discharging of firearms shall be permitted within the subdivision.

Section 6.20 Maintenance. Each residence shall be maintained in a neat and sanitary condition. Each owner shall promptly remove or otherwise dispose of any accumulation of trash, garbage or rubbish. All equipment or facilities for the storage or disposal of such material shall be kept in a clean and sanitary condition. Junked, inoperative or unlicensed vehicles shall not be stored or kept on any Lot.

Section 6.21 Pets, Livestock and Poultry. No animals, livestock or poultry of any kind shall be kept, used or bred on any lot either for commercial or private purposes, except the usual domestic pet, provided that the same is not allowed to run at large and does not otherwise constitute a nuisance to the neighborhood or a health or safety hazard.

Section 6.22 Signs. No signs of any kind shall be displayed to the public view on any lot, except one (1) sign of not more than six (6) square feet identifying the owners of the property and the address of the property.

Section 6.23 Sewage Disposal. No individual sewage disposal system shall be permitted on any lot unless approved by the Tennessee Department of Health.

Section 6.24 Fences. All fencing around walls must be attractive and consistent with color and materials used on the main dwelling and must be approved by the Architectural Review Committee. Chainlink fences are not permitted.

Section 6.25 Further Subdivision of Lots. No originally platted lots may be subdivided or divided in any manner without the express written consent of the Developer or the Association.

Section 6.26 Combining Platted Lots. Combining two (2) or more adjacent lots owned by a common owner or owners to create one (1) lot will be permitted. In the event of such occurrence, all set back lines will apply to the newly formed lot and all assessments will apply to the combined lots as one (1) lot.

Section 6.27 Development Tools. Nothing contained in these covenants and restrictions shall prevent the Declarant or any person designated by the Declarant from erecting or maintaining such commercial and display signs, such temporary dwellings, model houses or other tools as are deemed necessary for completion and sale of the development.

Section 6.28 Mail Boxes. In order to promote uniformity and make a more desirable neighborhood, all mail boxes must be approved by the Architectural Committee and located in areas designated by the developer.

ARTICLE VII ARCHITECTURAL REVIEW COMMITTEE

Section 7.01 Membership. There is hereby established an ARC which shall be responsible for the establishment and administration of the Architectural Review Guidelines to carry out the purpose and intent of these Covenants. The ARC shall be composed of five (5) persons of which a minimum of three (3) must be Members who are in good standing with the Association. All of the Members of the ARC shall be appointed, removed and replaced by the Board. The ARC is the only standing committee of the Board that has perpetual existence. One Director shall serve as a member of the ARC and as a liaison to the Board. Until such time as the ARC is functional, the Declarant and/or its assigns shall act as the ARC, having such duties, rights and obligations created herein.

Section 7.02 Duties of ARC.

Section 7.02.1 The ARC shall exercise its best judgment to see that all improvements conform and harmonize with any existing structures as to external design, quality, Covenants as outlined in the Architectural Guidelines.

Section 7.02.2 No improvements on the Property shall be erected, placed or altered on any Lot, Building Site nor shall any construction be commenced until plans for such improvements shall have been approved by the ARC; provided, however, that improvements and alterations which are completely within a building may be undertaken without such approval.

Section 7.02.3 The actions of the ARC in the exercise of its decision including approval of plans, approval of plans with conditions, or disapproval of plans, or with respect to any other matter before it, shall be conclusive and binding on all interested parties subject to appeal as approved in the By-Laws.

Section 7.03 Organization and Operations of the ARC.

Section 7.03.1 Term. The term of office of each Member of the ARC, shall be two (2) years except the initial terms of two (2) Members which will be for one (1) year each to create an alternating board, commencing on January 1 of each year and continuing until his or her successor shall have been appointed. Should an ARC Member die, retire, or become unable to serve or in the event of a temporary absence of an ARC Member, a successor may be appointed by the Board.

Section 7.03.2 Chairman. The chairman of the ARC shall be appointed for a two (2) year term by a majority vote of said Board.

Section 7.03.3 Operations. The chairman shall preside over and conduct all meetings and shall provide for reasonable notice to each Member of the ARC prior to any meeting. The notice shall

set forth the time and place of the meeting and notice may be waived by any member. In the absence of a Chairman, the Vice Chairman shall serve as temporary successor.

Section 7.03.4 Voting. The affirmative vote of a majority of the Members of the ARC shall govern its actions and be that act of the ARC. A quorum shall consist of a majority of the Members.

Section 7.03.5 Expert Consultation. The ARC may avail itself of technical and professional advice and consultants as it deems appropriate.

Section 7.04 Expenses. Except as provided below, all expenses of the ARC shall be paid by the Association. The ARC shall have the right to charge a fee for each application submitted to it for review in an amount which may be established by the ARC from time to time, and such fees shall be collected by the ARC and remitted to the Association to help defray the expenses of the ARC's or declarant's operations. Until December 31, 2001, the filing fee shall not exceed five hundred (\$500.00) dollars per dwelling unit but may be subject to reasonable increase after that date, as determined by the Board on recommendation from the ARC.

Section 7.05 Architectural Guidelines and Rules. The ARC shall adopt, establish and publish from time to time Architectural Guidelines which shall be The Highlands on Norris Lake Document. The Architectural Guidelines are subject to the approval of the Board and shall not be inconsistent with these Covenants, but shall more specifically define and describe the design standards for The Highlands on Norris Lake and the various uses within The Highlands on Norris Lake. The Architectural Guidelines may be modified or amended from time to time by the ARC. Further, the ARC, in its sole discretion, may excuse compliance with such requirements as are not necessary or appropriate in specific situations and may not permit compliance with different or alternative requirements. Compliance with The Highlands on Norris Lake design review process is not a substitute for compliance with the Union County building, zoning and subdivisions regulations, and each Owner is responsible for obtaining all approvals, licenses and permits as may be required prior to commencing construction.

Section 7.06 Procedures. As part of the Architectural Guidelines the ARC shall make and publish such rules and regulations as it may deem appropriate to govern its proceedings. Appeals shall be conducted as provided in the By-Laws.

ARTICLE VIII MAINTENANCE

Section 8.01 Association's Responsibility. The Association shall maintain and keep in good repair those areas designated as privately maintained roads, road signs, parks, marinas, boat ramps and entrance area into The Highlands on Norris Lake, such maintenance to be funded as provided below. This maintenance shall include repair and replacement, subject to any insurance then in effect, of all landscaping and other flora, structures and improvements situated in roadway and entrance area.

Section 8.02 Owner's Responsibility. Except as provided otherwise in The Highlands on Norris Lake Documents, applicable Project Document or by written agreement with the Association, all maintenance of the Lots and all structures, landscaping, parking areas and other improvements thereon shall be the sole responsibility of the Owner thereof, who shall maintain said Lot in accordance with community wide standards of The Highlands on Norris Lake. The Association shall in the discretion of the Board, assume the maintenance responsibilities of such Owner if, in the opinion of the Board, the level and quality of the maintenance being provided by such Owner does not satisfy such standards. Before assuming the maintenance responsibilities, the Board shall notify the Owner in writing of its intention to do so and if such Owner has not commenced and diligently pursued remedial action within thirty (30) days after mailing of such written notice, then the Association shall proceed. The expenses of such maintenance by the Association shall be reimbursed to the Association by the Owner, together with interest at five percent (5%) per annum above the prime rate charged by the Association's bank, or such other rate set by the Board, from the date of expenditure. Such charges shall be a default Assessment and a lien on the Lot or the Owner as provided herein.

ARTICLE IX
DAMAGE OR DESTRUCTION

Section 9.01 Damage or Destruction Affecting Lots. In the event of damage or destruction to the improvements located on any Lot, the Owner thereof shall promptly repair and restore the damaged improvements to their condition prior to such damage or destruction. If such repair or restoration is not commenced within one hundred twenty days (120) from the date of such damage or destruction, or if repair and reconstruction is commenced but then abandoned for a period of more than ninety (90) days, then the Association may after notice and hearing as provided in the By-Laws, impose a fine of not less than one hundred (\$100.00) dollars per day on the owner of the Lot until repair and reconstruction is commenced, unless the Owner can prove to the satisfaction of the Association that such failure is due to circumstances beyond the Owner's control. Such a fine shall be a default Assessment and a lien against the Lot as provided herein.

ARTICLE X
ENFORCEMENT OF COVENANTS

Section 10.01 Violations Deemed a Nuisance. Every violation of these Covenants or any other of The Highlands on Norris Lake document is deemed to be a nuisance and is subject to all remedies provided for the abatement of the violation. In addition, all public and private remedies allowed by law or in equity against anyone in violation of these Covenants shall be available.

Section 10.02 Compliance. Each Owner or other occupant of any part of the Property shall comply with the provisions of The Highlands on Norris Lake documents as the same may be amended from time to time.

Section 10.03 Failure to Comply. Failure to comply with The Highlands on Norris Lake documents shall be grounds for an action to recover damages or for injunctive relief cause any such violation to be remedied, or both. Reasonable notice and an opportunity for a hearing shall be given to the delinquent party prior to commencing any legal proceedings.

Section 10.04 Remedies. In addition to the remedied set forth above, any violation of The Highlands on Norris Lake documents shall give the Board, the Manager, or a designated representative of the Declarant, on behalf of the owners, the right to enter upon the offending premises or take appropriate peaceful action to abate, remove, modify, or replace at the expense of the offending owner, any structure, thing, or condition that may exist therein contrary to the interest and meaning of The Highlands on Norris Lake documents. If the offense occurs on any easement, walkways, Common Area or the like, the cure shall be at the expense of the Owner or other person responsible for the offending condition.

Section 10.05 Waiver. The failure of the Board, Board of Directors, Declarant, the Manager, the ARC or an aggrieved Owner to enforce The Highlands on Norris Lake documents shall not be deemed a waiver of the rights to do so for any subsequent violations or of the right to enforce any other part of The Highlands on Norris Lake documents at any future time.

ARTICLE XI
DURATION OF THESE COVENANTS AND AMENDMENT

Section 11.01 Term. The covenants and restoration of these Covenants shall run with and bind the Property, and shall inure to the benefit of and shall be enforceable by the Association or the Owner of any property subject to this Covenant, their respective legal representatives, heirs, successors and assigns for a term of twenty (20) years from the date these Covenants are recorded, after which time they shall be automatically extended for successive periods of ten (10) years, unless an instrument in writing, signed by a majority of the then Owners, has been recorded within the year preceding the beginning of each successive period of ten (10) years, agreeing to change covenants and restrictions in whole or in part or to terminate the same.

Section 11.02 Amendment.

(a) Subject to the requirements of (b) below, these Covenants, the Articles, or By-Laws may be materially amended only by unanimous vote of the Board and the affirmative vote of fifty-five percent (55%) of the Owners voting by absentee ballot. Any amendment must be recorded in the Registrar's Office of Union County, Tennessee.

(b) The Declarant, acting as the Homeowners Association, shall be the sole entity or person that may amend these Covenants, Articles or By-Laws until seventy-five percent (75%) of the Lots in The Highlands on Norris Lake are deeded.

Section 11.03 Effective on Recording. Any modification or amendment shall be immediately effective upon recording in the Registrar's Office for Union County, Tennessee a copy of such amendment or modification, executed and acknowledged by the necessary number of Owners (and by Declarant, as required), together with a duly authenticated Certificate of the Secretary of the Association stating that the required number of consents of Owners were obtained and are on file in the office of the Association.

ARTICLE XII
PRINCIPLES OF INTERPRETATION

Section 12.01 Severability. These Covenants, to the extent possible shall be construed or reformed to give validity all of its provisions. Any provisions of these Covenants found to be prohibited by law or unenforceable shall be ineffective to the extent of such prohibition or unenforceable without invalidating any other part hereof.

Section 12.02 Construction. In interpreting words in these Covenants, unless the context shall otherwise provide or require the singular shall include the plural, the plural shall include the singular and the use of gender shall include all genders.

Section 12.03 Headings. The headings are included for purposes of convenient references, and they shall not affect the meaning or interpretation of these Covenants.

Section 12.04 Registration of Mailing Address. Each Member shall register his mailing address with the Secretary of the Association from time to time, and notices or demands intended to be served upon or given to a Member shall be personally delivered or sent by mail, postage prepaid, addressed in the name of the member at such registered mailing address.

Section 12.05 Notice. All notices and requests required shall be in writing. Notice to any Member shall be considered delivered and effective upon personal livery or three days after posting, when sent by certified mail, turn receipt requested, to the address of such a Member on file in the record of the Association at the time of the such mailing. Notice to the Board, the Association, the ARC, or the Manager shall be considered delivered and effective upon personal delivery or three (3) days after postage, when sent by certified mail, returned receipt requested, to the Association, the Board, the ARC, or the Manager as such address shall be established by the Association from time to time by notice to Members. General notices to all Members or any classification thereof need not be certified, but may be sent by regular first class mail.

Section 12.06 Waiver. No failure on the part of the Association, the Board, or the ARC to give notice of default or to exercise or to delay in exercising any right or remedy shall operate as a waiver, except as specifically provided above in the event the Board fails to respond to certain requests. No waiver shall be effective unless it is in writing, signed by the Chairman or Vice Chairman of the Board on behalf of the Association, or by the Chairman of the ARC on behalf of the ARC.

Section 12.07 Limitation of Liability and Indemnification. The Association shall indemnify every Board Member or Committee Member, or Architectural Review Committee Member against any and all expenses, including trial and appellate attorney's fees and costs reasonably incurred by or imposed upon any officer or director in connection with any action, suit or other proceeding (including the settlement of any suit or proceedings if approved by the Board to

which he may be party by reason of being or having been a board member or committee member. The board members and committee members shall not be liable for any mistake of judgment, negligent, or otherwise, except for their own individual willful malfeasance, misconduct or bad faith. The board member and committee members shall have no personal liability with respect to a contract or other committee made by them, in good faith, on behalf of the Association (except to the extent of that such board member and committee member may also be members of the association), and the Association shall indemnify and forever hold each such board member or committee member free and harmless against any and all liability to others on account of any such contract or commitment any right to indemnification provided for herein shall not be exclusive of any other rights to which any board member or committee member may be entitled.

Section 12.08 Conflict Between Documents. In case of conflict between these Covenants and the Articles of the Bylaws, to be created by the Association, these Covenants shall control. In case of conflict between these Covenants and the Architectural Guidelines, the Architectural Guidelines shall control.

IN WITNESS WHEREOF, the undersigned have executed this instrument effective the day and year first above written.

FOUR SEASONS PROPERTIES OF TENNESSEE, LLC

By: Mark Jendrek
 MARK JENDREK, Authorized Signatory

STATE OF TENNESSEE

COUNTY OF KNOX

Before me, the undersigned authority, a Notary Public for the said County and State, personally appeared MARK JENDREK, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence) and who, upon oath, acknowledged himself to be an authorized signatory (or other officer authorized to execute the instrument) of FOUR SEASONS PROPERTIES OF TENNESSEE, LLC, the within named bargain on, and that he as such authorized signatory, executed the foregoing instrument for the purpose therein contained, by signing the name of the corporation, by himself as such authorized signatory.

Witness my hand and seal, at office, this 31st day of October, 2000.

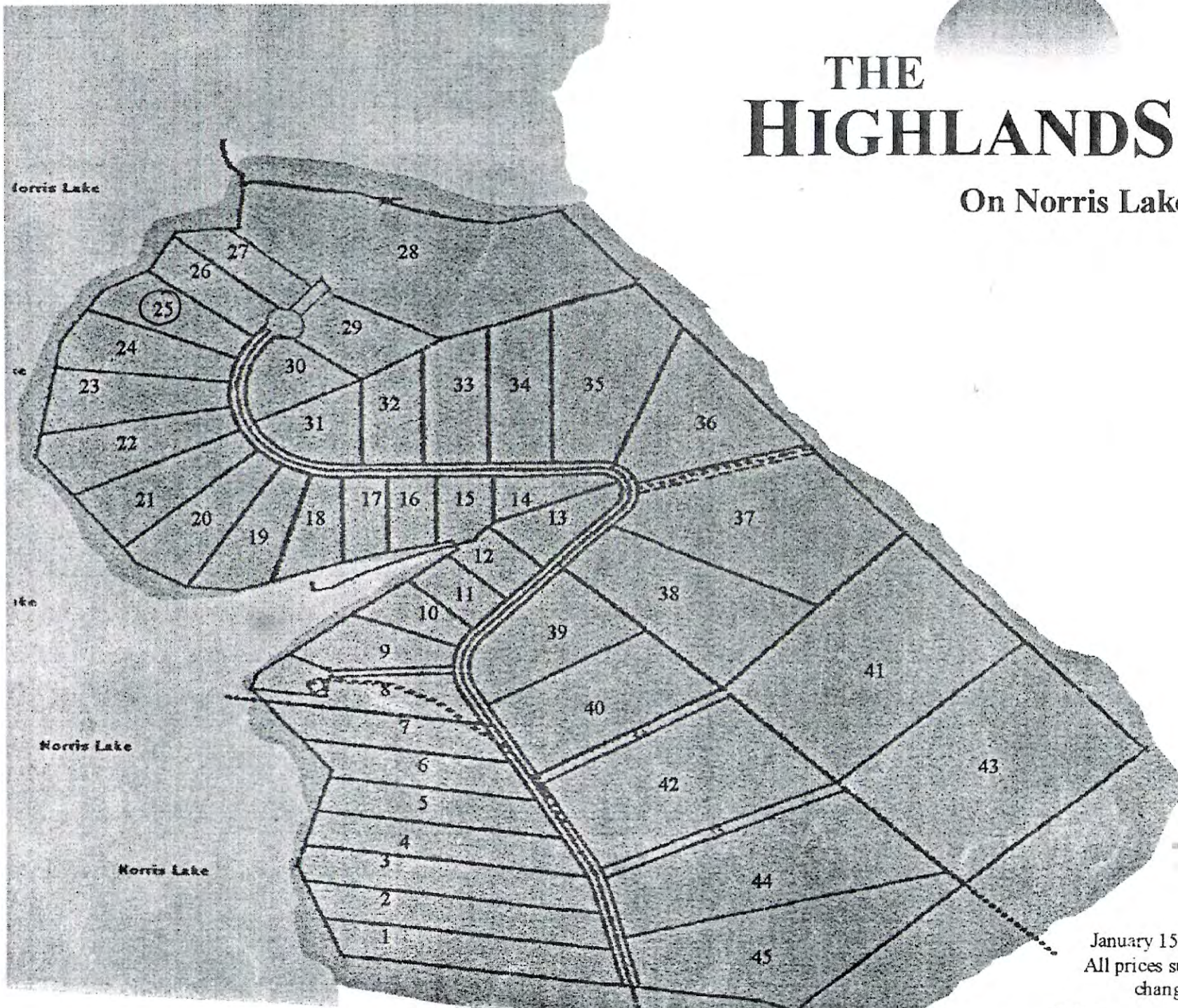
Rebecca A. Satterfield
 Notary Public



My Commission Expires: 2/4/04

THE HIGHLANDS

On Norris Lake



January 15, 20
All prices subj
change.

PRE
SIZE PRICE DEVELOPED