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Mallard Bay

Declaration Of Covenants And Restrictions

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DECLARATION OF COVENANTS AND RESTRICTIONS
MALLARD BAY
Unit One

This DECLARATION OF COVENANTS AND RESTRICTIONS is made and entered into this 4th day of January, 2000 by Edwin T. Loy, Jr. hereinafter referred to as Developer.

WITNESSETH:

WHEREAS, Developer is the owner of the real property described in Article 1 of this Declaration as the "Property" and known as "Mallard Bay" and/or "Mallard Bay Subdivision" and desires to create thereon a residential community with common facilities for the benefit of the said community;

WHEREAS, Developer desires to place certain covenants, conditions, reservations and restrictions upon the use of all Lots and portions of such Lots in said subdivision for the benefit and protection of homeowners of the dwellings erected thereon in order to establish and maintain a sound value for such dwellings and to maintain the aesthetic quality of the development;

WHEREAS, Developer has formed or intends to form a Tennessee not-for-profit corporation (hereinafter called the "Association") to be called the Mallard Bay Homeowners Association, Inc. or a name similar thereto. Upon formation of such Association, each Lot Owner, in accepting a deed for any Lot in Mallard Bay Subdivision, agrees to and shall become a member of and be subject to the obligations and duly enacted By laws of the Association. Each Lot Owner's membership shall terminate upon the sale or other disposition of his or her Lot, at which time the new Lot Owner shall automatically become a member of the Association; and

WHEREAS, Developer is now the owner of real property contiguous with the Property and described in Exhibit B attached hereto and by reference made a part hereof (said Exhibit B property hereinafter referred to as the "Additional Land").

NOW THEREFORE, the Developer declares that the real property described in Article 1 as the Property is and shall be held, transferred, sold, conveyed and occupied subject to the covenants, restrictions, bylaws, easements, charges and liens (sometimes referred to as "covenants and restrictions") hereinafter set forth and described, and further provides itself a right to add and subject the Additional Land to this Declaration in accordance with the provisions hereof.

ARTICLE I

DEFINITIONS

Section 1. "Architectural Control Committee" shall mean and refer to such individuals as Developer may appoint until all Lots in Mallard Bay shall have been fully developed and permanent improvements constructed thereon and sold to permanent residents at which time such term shall mean and refer to those persons selected annually by the Board in compliance with this Declaration to serve as members of said committee.

Section 2. "Association" shall mean and refer to Mallard Bay Homeowners Association Inc., a Tennessee not-for-profit corporation, its successors and assigns.



Section 3. "Board" shall mean and refer to the Board of Directors of the Association.

Section 4. "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 other property designated by the Developer for the common use and enjoyment of all Mallard Bay Owners, including, but not limited to, development and recreational amenities described herein, being the areas shown as "Open Space" on the recorded plat of Mallard Bay, and any and all portions of the Property which are or may be designated as joint permanent access easements and sign easements on the Plat. The Common Area shall include the property encumbered or to be encumbered by any sign, wall, fence, sidewalk, and landscape easements as so designated on the Plat of the Property as established by separate declaration of easements instruments. The Common Area will be maintained and repaired by the Association in accordance with the provisions hereof.

Section 5. "Common Expenses" shall mean and refer to the actual and estimated expenses of operating the Association, including any reasonable reserve, as may be found to be necessary and appropriate by the Board pursuant to this Declaration and Articles of Incorporation of the Association.

Section 6. "Declaration" shall mean to covenants, conditions, restrictions, easements and all other provisions herein set forth in this entire document, as may from time to time be amended.

Section 7. "Developer" shall mean and refer to Edwin T. Loy, Jr. or any successor-in-title interest. Such successor-in-title is expressly designated as the "Developer" hereunder by the grantor of such conveyance, which grantor shall be the Developer hereunder at the time of such conveyance.

Section 8. "Lot" shall mean and refer to any parcel of land shown upon any recorded subdivision plat of the Property upon which a single-family residence may be constructed.

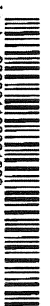
Section 9. "Owner" shall mean and refer to the recorded owner, whether one or more Persons, of the fee simple title to any Lot which is a part of the Property, but excluding those having such interest merely as security for the performance of any obligation.

Section 10. "Person" shall mean and refer to a natural person, corporation, partnership, association, trust or other legal entity, or any combination thereof.

Section 11. "Plat" shall mean and refer to that certain Final Subdivision Plat for Mallard Bay prepared by Jim Sullivan, recorded in Map Cabinet Slides all in the Register's Office for Knox County, Tennessee, which reflects eleven (11) Lots, and as may be shown by any amended or supplemental map of the subdivision subsequently recorded in the Register's Office for Knox County, Tennessee.

Section 12. "Property" shall mean and refer to that certain real property described in Exhibit A attached hereto and by reference made a part hereof, together with such additional real property as may by subsequent amendment be added to and subjected to this Declaration.

Section 13. "Structure" shall mean and refer to (i) any thing or object, the placement of which upon any Lot may affect the appearance of such Lot, including by way of illustration but not limited to, any building or part thereof, garage, porch,



gazebo, shed, greenhouse or bathhouse, coop or cage, covered or uncovered, patio, swimming pool, tennis court, basketball goal (s), fence curbing, paving, wall, tree, shrub, sign, signboard, mailbox, driveway, temporary or permanent living quarters (including any house trailer) or any other temporary or permanent living quarters or any other temporary or permanent improvement to such Lot; (ii) any excavation, grading, fill ditch, diversion dam or other thing, object or device which affects or alters the natural flow of surface waters from, upon or across any Lot, or which affects or alters the flow of any waters in any natural or artificial creek, stream, wash, or which causes a drainage change from, upon or across any Lot; and (iii) any change in grade at any point on a Lot of more than twelve (12) inches, whether or not subsection (ii) of this Section 13 applies to such change. No reference to any of the foregoing things or objects which will be deemed to be a "Structure" shall indicate or imply that all of such things or objects are permitted Structures under the terms and provision of this Declaration.

ARTICLE II

ARCHITECTURAL CONTROL COMMITTEE (ACC)

Section 1. Purpose, Powers, and Duties of the Architectural Control Committee. The purpose of the Architectural Control Committee is to assure that the installation, construction or alteration of any Structure on any Lot is submitted to the Architectural Control Committee for approval (i) as to whether the proposed installation, construction or alteration is in conformity and harmony with the external design and general quality with the existing standards of the neighborhood and with the standards of the development of the Property established from time to time by the Developer; and (ii) as to the location of the Structure with respect to topography, finished ground elevation and surrounding Structures to the extent necessary to carry out such purpose, the Architectural Control Committee shall have all of the powers and duties to each and every thing necessary, suitable, convenient or proper for, or in connection with or incidental to, the accomplishment of such purpose, including, without being limited to, the power and duty to approve or disapprove plans and specifications for any installation, construction or alteration of any Structure on any Lot. However, any decision of the Architectural Control Committee may be appealed to the Board and may be overruled by the Board's majority vote.

Section 2. Construction Bond or Cash Deposit. With respect to all proposed Structures, the builder or Owner shall submit to the Architectural Control Committee, at the time that plans and specifications are submitted, a construction bond or cash deposit of One Thousand Dollars (\$1,000.00) per Lot to be held in an interest bearing escrow account by the Architectural Control Committee until its final inspection. The Construction bond or cash deposit shall be used to offset costs incurred by the Association or the Architectural Control Committee as a result of or to:

- (a) Clean-up, maintain, or repair damage to any property caused by the builder or Owner or their subcontractors, suppliers and representatives during construction;
- (b) The expenditure of legal fees and other costs incurred by the Architectural Control Committee in order to correct the construction or alteration not performed in substantial compliance as provided by the Architectural Control Committee.

At the point that a letter of compliance is provided, the deposits and any accrued interest, less any amounts used as provided for in Article II, Section 2, will be returned. Should such costs exceed said bond or cash deposit, the balance shall be due from



owner and become a lien on said lot until paid in full.

Section 3. Submission of Plans and Specifications. No Structure shall be commenced, erected, placed, moved onto or permitted to remain on any Lot, nor shall any existing Structure upon any Lot be altered in any way which materially changes the exterior appearance of the Structure or Lot, unless plans and specifications therefore shall have been first submitted to and approved in writing by the Architectural Control Committee. Such plans and specifications shall be in such form and shall contain such information as may be reasonably required by the Architectural Control Committee, including, without being limited to, two copies of the following:

- (a) A site plan showing the location of all proposed existing Structures on the Lot, including building setbacks, open space, driveways, walkways and parking spaces;
- (b) Final and complete architectural floor plan drawings;
- (c) Exterior elevations of all proposed Structures and alterations to existing Structures, as such Structures will appear after all backfilling and landscaping are completed;
- (d) Specifications showing the nature, kind, shape, height materials, basic exterior finishes and colors of all proposed Structures and alterations to existing Structures, and also showing front, side and rear elevations;
- (e) Plans for grading and landscaping including exterior lighting scheme;
- (f) Garage door location and design; and
- (g) Samples of building and painting materials to be used.

Section 4. Approval of Builders. Any builder or landscaper, prior to performing any work on any Lot on the Property, must first be approved by the Architectural Control Committee as to financial stability, building or landscaping experience and ability to build or landscape Structures or grounds of the class and type of those which are built on the Property. Such approval shall be within the absolute and sole discretion of the Architectural Control Committee. In considering whether to grant such approval, the Architectural Control Committee shall give great weight as to whether the builder or landscaper obtains his or her income primarily from construction or landscaping of the type which will be permitted to act as his or her own builder or contractor except where such Owner obtains his or her income primarily from the construction of the type of Structures to be constructed on the Property and otherwise meets the qualifications hereinafter set forth. Owner or Contractor that is permitted to construct a house on any Lot shall have a current license with the State of Tennessee.

Section 5. Approval and Disapproval of Plans and Specifications.

- (a) The Architectural Control Committee shall have the right to approve or disapprove any plans and specifications submitted to it in its absolute and sole discretion, which approval or disapproval may be based upon any grounds, including purely aesthetic considerations which shall be deemed sufficient.
- (b) Upon approval by the Architectural Control Committee of any plans and specifications submitted pursuant to this Declaration, a copy of such



plans and specifications, approved, shall be deposited for permanent record with the Architectural Control Committee and a copy of such plans and specifications bearing such approval in writing shall be returned to the applicant submitting the same. Approval of any plans and specifications for use in connection with any Lot or Structure shall not be deemed a waiver of the Architectural Control Committee's right, in its absolute and sole discretion, to disapprove similar plans and specifications or any of the features of elements included therein if such plans, specifications, features or elements are subsequently submitted for use in connection with other Lots or Structures. Approval of any such plans and specifications relating to any Lot or Structure, however, shall be final as to that Lot or Structure and such approval may not be revoked or rescinded thereafter, provided that there has been adherence to, and compliance with, such plans and specifications, as approved, and any conditions attached to any such approval. In the event that the Architectural Control Committee rejects plans, specifications, or site submitted for approval under this Article, the party submitting the plans, specifications or site plans may make the necessary alterations to said plans or specifications and resubmit applicant may appeal the disapproval by the Architectural Control Committee to the Board as provided for in Article II, Section 1.

(c) Neither Developer nor any member of the Architectural Control Committee shall be responsible or liable in any way for any plans or specifications approved by the Architectural Control Committee, or for any structural defects in any work done according to such plans and specifications approved by the Architectural Control Committee. Further, approval of plans and specifications by the Architectural Control Committee shall not be deemed to represent or warrant to any Person that the plans and specifications comply with applicable codes and laws, nor the quality, function or operation of the Structure or of any construction, workmanship, engineering, materials or equipment. Neither Developer nor any member of the Architectural Control Committee shall be liable in damages or in any other respect to anyone submitting plans and specifications for approval under this Article, or to any Owner, or to any other Person having an interest in any of the Property by reason of mistake in judgment, negligence, misfeasance or nonfeasance arising out of or in connection with the approval or disapproval or failure to approve or disapprove any such plans or specifications. By submission of such plan and specifications to the Architectural Control Committee, every owner of any Lot releases and agrees to hold harmless and to defend Developer and any member of the Architectural Control Committee from any such alleged liability, claim and/or damage including attorney's fees.

(d) The Architectural Control Committee may if it elects, adopt certain design standards (the "Design Standards") to aid and assist Owners submitting plans and specifications for approval by the Architectural Control Committee. As guidelines, the Design Standards may not be determinative of whether or not a particular use of a single Lot is acceptable, or whether not the plans and specifications for a proposed improvement will be approved. Because of the uniqueness of each Lot, including variations in size, topography and location, certain uses, improvements or modifications suitable for one Lot may be inappropriate for another Lot. Therefore, despite any guidelines which may be offered by the Design Standards (if adopted by the Architectural Control



Committee), the Architectural Control Committee is authorized to apply or adopt different standards for different Lots to reflect those differences. As an example, the Architectural Control Committee may allow an improvement, modification or change to a Structure which cannot be seen from any street or other Lot, but prohibit the same improvement if it can be seen from any street or from another Lot.

Section 6. Obligation to Act. The Architectural Control Committee shall take action on any plans and specifications submitted as herein provided within fifteen (15) days after receipt thereof. Approval by the Architectural Control Committee, if granted, together with any conditions imposed by the Architectural Control Committee, shall be placed in writing on the plans and specifications shall be returned to the applicant. Failure by the Architectural Control Committee to take action within fifteen (15) days of the receipt of plans and specifications submitted for approval shall be deemed rejection by the Architectural Control Committee of such plans and specifications.

Section 7. Right of Inspection. During the construction process of a Structure, the Architectural Control Committee, its agents and representative, shall have the right during reasonable hours to enter upon and inspect any Lot and Structure thereon for the purpose of ascertaining whether the installation, construction, or alteration of any Structure or the use of any Lot or Structure is in compliance with the provisions of this Declaration; and the Architectural Control Committee shall not be deemed to have committed a trespass or other wrongful act solely by reason of such entry of inspection.

Section 8. Violations.

(a) If any Structure shall be erected, placed, maintained or altered upon any Lot, other than in accordance with the plans and specifications approved by the Architectural Control Committee pursuant to the provisions of this Article, such erection, placement, maintenance or alteration shall be deemed to have been undertaken in violation of this Article and without the approval required herein. If in this opinion of the Architectural Control Committee such violation shall have occurred, the Architectural Control Committee shall be entitled and empowered to enjoin or remove any such construction. Any costs and expenses incurred by the Architectural Control Committee in enjoining and/or removing any construction or improvements shall be added to and become a part of the assessment to which the Owner of such a Structure and his or her Lot are subject.

(b) The Architectural Control Committee shall provide written notice to the Owner by certified mail, setting forth in reasonable detail the nature of the violation and the specific action or actions required to remedy the violation. The Owner shall take reasonable steps toward the required remedial action and shall use due diligence and best efforts to timely and promptly complete the required remedial action. If the Owner shall not have taken reasonable steps toward the required remedial action within twenty (20) days after the mailing of the aforesaid notice of violation, then the Architectural Control Committee shall have the right of abatement as provided in Section 1 (b) of Article XXI hereof. In addition to the right of abatement, the Board, upon being informed of such violation by the Architectural Control Committee, shall be entitled to seek equitable relief to enjoin such construction and / or to remove any structure subject to the violation.

Section 9. Conduct. All builders and Owners shall be held responsible for the acts of their employees, subcontractors, suppliers and other persons or parties



involved in construction or alteration of a Structure. In this regard, a builder or Owner shall be responsible for the following:

- (a) Ensuring that the construction site is kept clean and free of debris and waste materials and that stockpiles of unused materials are kept in a neat and orderly fashion.
- (b) Prohibiting the consumption of alcoholic beverages, illegal drugs or other intoxicants that could hamper the safety or well-being of other personnel on the site or affect the quality of workmanship.
- (c) Ensuring that the aforementioned are properly insured, particularly by carrying of workman's compensation insurance and by carrying a policy of general liability insurance of at least Three Hundred Thousand Dollars (\$300,000.00) per person per incident.
- (d) Ensuring that the aforementioned do not commit any violation of the rules and regulations of Mallard Bay.
- (e) Ensuring that, as soon as reasonably possible but no later than when the foundation for the Structure is poured, all driveways on the construction site are sufficiently graveled, a portable toilet is available and used by the construction workers and any mud or any debris caused by the construction are removed from the adjoining roadways. Further, silt fences shall be installed to keep silt, mud and other debris off of the street, off adjacent lots and along lake frontage of all lake front lots.
- (f) Each builder and Owner shall be responsible for providing metered water and electrical service to the job site prior to starting work. Usage of water and electricity from adjoining properties is not permitted. Each building site shall be kept in good appearance at all times. **THE CONSTRUCTION AREA SHALL BE POLICED AND KEPT FREE OF DEBRIS AT THE END OF EACH DAY.** No burning, dumping, or burial of any kind is permitted and each builder shall place a trash receptacle on the Lot at least twenty (20) feet from street. Obnoxious or loud music and behavior shall not be permitted on the construction site.

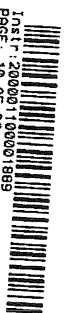
Article III

Board of Directors

Section 1. Composition. The affairs of the Association shall be governed by the Board. The initial Board shall be composed of three (3) persons. The directors shall be Owners or spouses of such Owners; however, no Owner and his or her spouse may serve on the Board at the same time. Notwithstanding the above so long as there shall be a Class B member of the Association, the directors need not be Owners. In the event that an Owner is a corporation, partnership, trust or other legal entity other than a natural person or persons, then any shareholder, officer or beneficiary or individual trustee of such trust, or manager of such other legal entity, may be eligible to serve as a director. A director may succeed himself or herself in office. It is hereby established that there shall be a total of three directors.

Section 2. Term of Office. The directors shall be elected as provided in Section 7 of this Article III. Each director, except in case of death, resignation,

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retirement, disqualification or removal, shall serve until his or her successor shall have been elected and qualified.

Section 3. Removal of Directors. At any regular or special meeting of the Association duly called, any one or more of the directors may be removed with or without cause by a majority vote of the members of the Associations and a successor may then and there be elected to fill the vacancy thus created.

Section 4. Vacancies. Vacancies in the Board caused by any reason, but excluding the removal of a director by vote of the Association, shall be filled by a vote of the majority of the remaining directors, even though less than a quorum, at any meeting of the Board for the remainder of the term of the director being replaced. Said director shall serve until a successor shall be elected at the annual meeting of the Association to fill the unexpired portion of the term.

Section 5. Compensation. Directors shall not be compensated unless and to the extent three-fourths (3/4) of the Owners authorize compensation at any meeting duly called for that purpose.

Section 6. Nomination. Nomination for election to the Board shall be made by nominating committee which shall consist of three (3) members appointed by the President of the Association to serve from the close of one annual meeting to the close of the succeeding meeting. Such appointment shall be announced at the annual meeting. The nominating committee may nominate any number of qualified individuals, but no less than the number of directors to be elected. The nominations shall be made at least twenty-one (21) days prior to the annual meeting and a brief statement about the qualifications of each individual nominated shall be included with the notice of the annual meeting. Nominations shall also be allowed from the floor at the meeting. Failure to comply with the provision hereof shall in no way invalidate the election of directors so nominated.

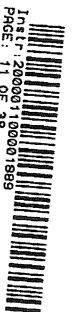
Section 7. Elections. At each annual meeting of the Association, the Owners shall be entitled to vote for directors, and the candidates receiving the highest number of votes with respect to the number of offices to be filled shall be deemed to be elected.

Section 8. Regular Meetings. Regular meetings of the Board may be held at such time and place as shall be determined from time to time by the Board, but such meetings shall be held once every six months. The Board shall meet within ten (10) days after each meeting of members.

Section 9. Special Meetings. Special meetings of the Board may be called by the President of the Association on three (3) days notice to each director given by mail, in person or by telephone, which notice shall state this time, place and purpose of the meeting. Special meetings of the Board shall be called by the President of Secretary/Treasurer of the Association in like manner and on like notice on the written request of at least two (2) directors or as specified in this Article III, Section 13 (K).

Section 10. Quorum. A quorum of directors shall be deemed present throughout any Board meeting at which a majority of the directors are present at the beginning of such meeting.

Section 11. Conduct of Meetings. The President of the Association shall also preside over all meetings of the Board, and the Secretary shall keep a minute book recording therein all resolutions adopted by the Board and a record of all transactions



and proceedings occurring at such meetings. Robert's Rules of Order (latest edition) shall govern the conduct of the meetings of the Board when not in conflict with this Declaration or the Bylaws of the Association.

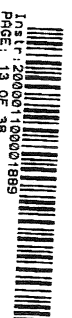
Section 12. Action Without a Meeting. Any action by the Board required or permitted to be taken at any meeting may be taken without a meeting if all of the directors consent in writing to such action. Such written consent or consents shall be filed with the minutes of the Board.

Section 13. Powers and Duties. The Board shall exercise for the Association all powers, duties, and authority vested therein by this Declaration and by the By laws, except for such powers, duties and authority reserved thereby to the members of the Association or the Developer. The Board shall have the following powers and duties:

- (a) To elect the officers of the Association as hereinafter provided;
- (b) To administer the affairs of the Association;
- (c) To engage the service of an agent (hereinafter sometimes referred to as the "Managing Agent") to maintain, repair, replace, administer the Common Area or any part thereof for all of the Owners, upon such terms and for such compensation as the Board may approve, including a Managing Agent which is affiliated with one or more directors, or the Developer, or both;
- (d) To provide for the operation, care, upkeep, maintenance, repair, replacement and improvement of the Common Area and payments thereof, and to approve payment vouchers or to delegate such approval to the officers of the Association or the Managing Agent;
- (e) To have access to each Lot excluding Structures from time to time as may be necessary for the maintenance, repair or replacement of the Common Area therein or accessible therefrom, or for making emergency repairs therein necessary to prevent damage to the Common Area or to one or more other Lots;
- (f) To obtain adequate and appropriate kinds of insurance as provided in Article IV of this Declaration;
- (g) To engage or conduct for the services of others, and to make purchases for the maintenance, repair, replacement, administration, management and operation of the Common Area, and to delegate any such powers to a Managing Agent (and any employee or agents of a Managing Agent);
- (h) To appoint committees and to delegate to such committees the Board's authority to carry out certain duties of the Board;
- (i) To determine the fiscal year of the Association and to change said fiscal year from time to time as the Board deems advisable;
- (j) To estimate the amount of, prepare, adopt and distribute the budget for the Association not less frequently than annually, to provide the manner of assessing, levying on and collecting from the Owners the annual and special assessments;



- (k) To cause to be kept a complete record of all its acts and corporate affairs, to present a statement thereof to the Owners at the annual meeting of the members, or any special meeting when such statement is requested in writing by one-fourth (1/4) of the Owners who are entitled to vote and to file Federal and State tax returns as required by law;
- (l) To bid and purchase for and on behalf of the Association, any Lot, or interest therein, at a sale pursuant to a deed of trust foreclosure, a foreclosure of the lien for annual assessments, special assessments or both, or any order or direction of a court, or at any other involuntary sale, upon the affirmative vote of not less than seventy-five percent (75%) of the votes of Owners at a meeting duly called for that purpose, provided that the Owners shall set forth a maximum price that the Board or its duly authorized agent may bid and pay for such Lot or interest therein;
- (m) To make such mortgage loan arrangements and special assessments proportionately among the respective Owners, and other such financing arrangements, as the Board may deem desirable, in order to close and consummate the Association; provided, however, that no such financing arrangement shall be secured by an encumbrance on any interest in the Property other than the Lot, or interest therein, to be purchased or leased;
- (n) To act in a representative capacity in relation to matters involving the Common Area or more than one Lot, on behalf of the Owners, as their interest may appear;
- (o) To enforce by legal means the provisions of this Declaration and the Bylaws of the Association with respect to the Property;
- (p) To renew, extend or compromise indebtedness owed to or by the Association;
- (q) Unless otherwise provided herein, to comply with the instructions of a majority of the Owners as expressed in a resolution duly adopted at any annual or special meeting of the Association;
- (r) The Association shall (i) have all powers permitted to be exercised by a nonprofit corporation and (ii) have and exercised all powers necessary or convenient to effect any or all powers necessary or convenient to effect any or all of the purposes for which the Association is organized, and to do every other act not inconsistent with the law which may be appropriate to promote and attain the purposes set forth in this Declaration and the Bylaws of the Association;
- (s) To issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment.
- (t) To supervise all officers agents and employees of the Association and see that their duties are properly performed;
- (u) To employ attorneys to represent the Association when deemed necessary;



(v) To adopt and publish rules and regulations governing the use of the Common Area, and the conduct of the Owners and their guests thereon and to establish penalties for infractions therefore;

(w) To suspend the voting rights of an Owner during any period in which such Owner shall be in default under the provisions of this Declaration or the Bylaws of the Association in the payment of any assessment, dues or charges levied by the Association. Such rights may also be suspended after notice and hearing for a period not to exceed sixty (60) days for infraction of published rules and regulations; and

(x) To declare the office of a director of the Board to be vacant in the event such director shall be absent from three (3) consecutive regular meetings of the Board.

Section 14. Nondelagation. Nothing in this Article III or elsewhere in this Declaration or in the Bylaws shall be considered to grant to the Board, the Association or to the officers of the Association any powers or duties which, by law, have been delegated to the Owners.

ARTICLE IV

Grievance Procedure

Section 1. Any grievance or complaint which an Owner shall have against any other Owner for violation of the provisions of this Declaration, the By Laws of the Association, other rules and regulations of the Association, or for any other reason, shall be submitted to the Board for arbitration.

Section 2. All such grievances shall be submitted in writing to the Board outlining the Owner or Owners complaining, the Owner or Owners complained against, the nature of the complaint, the date of all relevant facts, and the specific violations, if any, which are relied upon by the complaining party or parties. A hearing shall be held by the Board following submission of all complaints within thirty (30) days. Said hearing shall be held only after five (5) days written notice to all parties and shall afford all parties an opportunity to present evidence and questions by any other party or witness. Owners shall not be represented by attorneys at this hearing. If the Board decides adversely to the complaining party or fails to act within thirty (30) days of submission of the complaint, then complaining party shall have the right to resort to any other legal remedies which may be available to them.

Section 3. The grievance procedure set out herein shall be the conclusive remedy for all grievance and complaints, and no Owner shall have the right to resort to other legal remedies until the remedies provided herein have been fully exhausted.

ARTICLE V

Amendments to Bylaws

Until the date of the first annual meeting of the Association as defined in Section 1, Article VII, this Declaration and the Bylaws of the Association may be altered and / or amended by the Developer. From and after the date of the first annual meeting of the Association, the Bylaws of the Association may be altered, amended or repealed and new Bylaws may be adopted by the affirmative vote of seventy-five percent (75%) of all owners at regular meeting or at any special meeting called for such purpose subject

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to the provisions set forth in Article IX, Section 8, of this Declaration.

ARTICLE VI

Liability and Indemnity

The directors of the Board and the officers of the Association shall not be liable to the Owners, for any acts or omission made in good faith as such members of the Board or officers. The owners shall indemnify and hold harmless each of such directors or officers against all contractual liability to others arising out of contracts made by such directors or officers unless contract shall have been made in bad faith or contrary to the provisions of this Declaration or the Bylaws of the Association for Mallard Bay. Every director and every officer of the Association shall be indemnified by the Association against all expenses and liabilities, including attorney's fees, reasonably incurred by or imposed upon him or her in connection with any proceeding to which he or she may be a party, or in which he or she may become involved, by reason of his or her being or having been a director or officer unless said director or officer is adjudged guilty or willful misfeasance or malfeasance in the performance of his or her duties. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such director or officer may be entitled.

ARTICLE VII

Membership and Voting Rights

Section 1. Membership. Every Lot owner shall be a mandatory member of the Association. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. Membership shall be appurtenant to and may not be separated from ownership of any lot which is subject to this Declaration and shall pass automatically to an owner's successor-in-title to the lot.

Section 2. Voting Rights. The Association shall have two classes of voting memberships and one class of non-voting membership.

Class A. Initially, the Class A members shall be all Lot Owners, with the exception of the Developer, and shall be entitled to one vote for each Lot owned. When more than one Person holds an interest in any Lot, all such Persons shall be members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Lot.

Class B. The Class B members shall be the Developer and shall be entitled to four (4) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership on the happening of any of the following events:

- (a) When the total votes outstanding in Class A membership equal or exceed the total votes outstanding in the Class B membership; or
- (b) Seven (7) years from the date this Declaration is filed of record in the Register's Office for Knox County, Tennessee; or
- (c) When, in its discretion, the Developer so determines and notifies the Owners and the Board in writing.

Class C. The Class C members shall consist the owners of four tracts of land which were part of the original tract of land known as the Clarence Miller Property



said tracts being located on the east side of Harvey Road and known as Parcels 44, 44.01, 45, 46, CLT Map 162, Knox County, TN.

Class C memberships shall be non-voting, non-paying members of this Association and shall have access to any common amenities and open space areas which may be available to any other members of the Association and are hereby granted other special rights as described in a "Access Agreement" provided however that no rights to membership in the Association shall be granted to Class C members unless said "Access Agreement" between the Class C members and the developer has been recorded in the Knox County Register of Deed's Office, Knoxville, TN.

Section 3. Suspension of Membership Rights. If an Owner shall have failed to pay when due any assessment or charge lawfully imposed upon him or her on any property owned by him or her, or if the Owner, his or her family, or guests shall have violated any of the covenants contained in this Declaration or any rule or regulation of the Board regarding the use of any property or conduct with respect thereto, then the Board shall provide written notice to the Owner by certified mail, setting forth in reasonable detail the nature of the violation and the specific action or actions required to remedy the violation. If the Owner shall not have taken reasonable steps toward the required remedy action within twenty (20) days of mailing of aforesaid notice of violation, then the Board may suspend the membership rights (including voting rights of that Owner).

ARTICLE VIII

Meetings of Owners

Section 1. Annual Meeting. The first annual meeting of the Owners shall be held on such date as is fixed by the Board, which date shall in no event be later than the earlier of (a) seven (7) years from the date of recording of this Declaration in the Office of the Register of Deeds of Knox County, Tennessee, or (b) no later than sixty (60) days from the date when one hundred percent (100%) of all Lots have been conveyed by the Developer, or (c) such earlier time as selected by the Developer. Thereafter, an annual meeting of the Owners shall be held on such date as selected by the Board which is within thirty (30) days before and after the first anniversary of the first annual meeting of the Owners for the purpose of electing directors of the Association and for the transaction of such other business as may come before the meeting. If such a day be a legal holiday, the meeting shall be held on the day designated herein for any annual meeting, or at any adjournment thereof, the Board of the Association shall cause the election to be held at a special meeting to be called as soon thereafter as conveniently possible.

Section 2. Special Meetings. Special meetings of the Owners may be called by the Board, the President or by not less than one-fifth (1/5) of the Members. The notice for any special meeting shall specify the matters to be considered at such special meeting.

Section 3. Place and Time of Meeting. All meetings of the Members shall take place at 8:00 p.m., in some portion of Mallard Bay designated by the person or persons calling a special meeting, or at such other reasonable place or time designated by the Board of Directors.

Section 4. Notice of Meetings. Written or printed notice starting the purpose, place, day and hour of any meeting of Owners shall be delivered personally or by mail to each Owner entitled to vote at such meeting in care of his or her residence not less
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than ten (10) nor more than thirty (30) days before the date of such meeting, by or at the direction of the President or the Secretary/Treasurer, or the officers or persons calling the meeting. In case of a special meeting or when required by statute or by the Bylaws, the purpose for which the meeting is called shall be stated in the notice. The notice of a meeting shall be deemed delivered when personally delivered, or if mailed, when deposited in the United States mail addressed to the Owner at his or her address as it appears on the records of the Association.

Section 5. Quorum. To establish a quorum there must be present:

- (a) Owners holding a majority of the votes which may be cast at any meeting; and
- (b) A majority of the Owners.

Section 6. Manner of Acting. Except as set forth below and except as otherwise required by this Declaration, any action to be taken at any meeting of the Owners at which a quorum is present shall be upon the affirmative vote of a majority of the votes which may be cast at such meeting.

ARTICLE IX

Property Rights

Section 1. Owner's Easement of Enjoyment. Subject to the provisions herein, every member of the Association shall have a right and easement of use and enjoyment in and to the Common Area including, without limitation, the right of pedestrian (but not vehicular) access, ingress and egress to and from his or her Lot over those portions of the Common Area from time to time designated for such purpose. Which right and easement shall be appurtenant to and shall pass with the title to every Lot, subject to the following:

- (a) The right of the Association to adopt and publish rules and regulations governing the use of the Common Area;
- (b) The right of the Association to suspend an Owner's voting right and rights to use the Common Area for any period during which any assessment of the Association against said Owner's Lot remains unpaid;
- (c) The right of the Association to dedicate or transfer all or any part of the Common Area to any public agency, authority for such purposes and subject to such conditions as may be agreed to by members. No such dedication or transfer shall be effective unless an instrument signed by three-fourths (3/4) of each class of members, agreeing to such a dedication or transfer, has been recorded; and
- (d) The easements reserved in Article XII of this Declaration.

Section 2. Declaration of Use. Any Owner may delegate, in accordance with Bylaws, his or her right of use and enjoyment in and to the Common Area and the improvements thereon, if any, to the members of his or her family, guests and invitees, subject to such regulations as may be established from time to time by the Association.

Section 3. Title to Common Area. Developer may from time to time convey to the Association, at no expense to the Association, real and personal property for the common use and enjoyment of the Owners. The Association hereby covenants and



agrees to accept from Developer all such conveyances of real and personal property. Notwithstanding any legal presumption to the contrary, the fee simple title or easement to such real and personal property designated as Common Area or for public use, together with all rights therein, shall be reserved to Developer until such time as the real and / or personal property is conveyed to the Association or to any municipality or other governmental body, agency or authority.

Section 4. No Partition. Other than as provided for in Article XIII, Section 8, there shall be no judicial partition of the Property or any part thereof, nor shall any Person acquiring any interest in the Property or any part thereof seek any such judicial partition unless the Property has been removed from the provisions of this Declaration.

Article X

Covenant for Maintenance and Capital Improvement Assessments

Section 1. Creation of the Lien and Personal Obligation of Assessments. Each Owner of a Lot, by acceptance of a deed therefore, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association (1) an initiation fee, (2) annual assessments which may or shall be levied by the Association, and (3) special assessments, such assessments to be established and collected as hereinafter provided. The initiation fee and annual and special assessments, together with interest thereon and costs of collection thereof, hereinafter provided, including reasonable attorney's fees, shall also be the personal obligation of the Person who was the Owner of such Lot at the time the initiation fee and assessment fell due. The personal obligation for delinquent initiation fees and assessment shall not pass to his or her successors-in-title unless expressly assumed by them.

Section 2. Purpose of Initiation Fees and Assessments. The initiation fees and assessments levied by the Association shall be used exclusively for promoting the health, safety, pleasure and welfare of the Owners of the Lots and the costs and expenses incident to the operation of the Association, including without limitation, the maintenance and repair of the Common Area and Improvements thereon, if any, the maintenance of services furnished by the Association, the purchase of insurance by the Association, the repair and replacement of improvements on the Common Area, payment of all taxes, insurance premiums and all costs and expenses incidental to the operation and administration of the Association and establishment and maintenance of a reasonable reserve fund or funds. It is anticipated that the boundary fences and / or walls running parallel to Harvey Road, sidewalks, Common Area trees and other landscaping, Common Area amenities such as a combination fishing pier, gazebo, and a courtesy dock and related recreational facilities (established by the Developer and / or the Association and to be maintained by the Association), any "greenbelt areas" established by the Developer and / or Association, Common Area signage and lighting, and public sidewalks located adjacent to public railroads or in the Common Area not otherwise maintained by governmental authorities, are improvements to the Common Area and other improvements to be maintained by the Association from the initiation fees and assessments; provided, however, that the sidewalks may be maintained by Knox County after construction of the same by the Developer and acceptance of same by Knox County (to the extent and on such terms of such acceptance).

Section 3. Computation of Annual Assessments. If the Association incurs ongoing Common Expenses it shall be the duty of the Board at least thirty (30) days prior to the Association's annual meeting to prepare a budget covering the estimated



Common Expenses of operating the Association for the coming year; such budget shall include a capital contribution or reserve account in accordance with capital needs of the Association as and if established by the Board. The budget and the proposed annual assessments to be levied against each Lot shall be delivered to each Owner no later than ten (10) days prior to such annual meeting. The annual assessment shall be the same to each Lot. The budget and annual assessments shall become effective unless disapproved at the annual meeting by either (i) Developer, so long as there is a Class B member; or (ii) a vote of a majority of the Owners voting in person or by proxy at such meeting. In the event the proposed budget is not approved or the Board fails for any reason to determine the budget for the the succeeding year, then until a budget has been determined as provided herein, the budget and annual assessments in the effect for the then current year shall continue for the succeeding year. If any budget at any time proves inadequate for any reason, the Board may call a special meeting of the Association for the approval of a special assessment.

Section 4. Special Assessments. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, special assessments applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including roads sidewalks, provided that any such assessments shall have the assent of at least three-quarters (3/4) of the Class A members and the Class B member, if any, voting in persons or by proxy at a meeting duly called for such purpose. Special assessments may also be levied by the by the Association if for any reason the annual assessments prove inadequate to defray the expenses of the Association in fulfilling its duties and obligations hereunder, subject to the consent of the members as set forth above.

Section 5. Notice and Quorum for any Action Authorized Under Section 3 and 4. Written notice of any meeting called for the purpose of taking any action authorized under Section 3 and 4 of this Article X above shall be sent to all members not less than ten (10) days nor more than thirty (30) days in advance of the meeting. At the first such meeting called, the presence of members or of proxies entitled to cast fifty percent (50%) of all the votes of each class of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 6. Rate of Initiation Fees and Assessments. Initiation fees and annual and special assessments must be fixed at a uniform rate for all Lots and may be, as to assessments, collected to an annual, semi-annual or quarterly basis by the Secretary/Treasurer of the Association, with whether such assessments are to be collected and paid on an annual, semi-annual or quarterly basis as established by the Board. It is anticipated that initiation fees will be collected and paid (at least so long as Developer owns any Lots) at the completion of construction of the dwelling to be located on the Lot; and, in any event, shall be a one-time charge for any person owning a lot.

Section 7. Date of Commencement of Annual Assessment Due Dates. The first annual assessment shall become due payable on the earlier of (a) completion of the recreational amenities described herein to be located on the Exhibit C property ("completion" to be determined by Developer in its reasonable opinion) and (b) January 1, 1998. Thereafter as each Person becomes an Owner, such new Owner's assessment for the current year shall be a pro rata part of the date such Person becomes a member of the Association, such member shall not be entitled to any



refund of his or her annual assessment. For a two (2) year period commencing on January 1, 1998 or until such time as when twenty (20) Lots are sold, the Developer will subsidize, to the extent necessary, maintenance costs attributable to the Common Areas provided, however, that the Developer shall not be responsible for assessments on Lots which have not been sold.

Section 8. Remedies of the Association due to Nonpayment of Assessment.
Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the maximum legal rate annum. In such case, the Association may accelerate, at its option, the entire unpaid balance of the assessment and may bring an action at law against such Owner personally obligated to pay the same, or foreclose the lien against such Owner's Lot, and interest costs and reasonable attorneys fees or any such action shall be added to the amount of such assessment. Each such Owner by his or her acceptance of deed to a Lot, hereby expressly vests in the Association, or its agents, the right and power to bring all action against such Owner personally for the collection of such charges as a debt and to enforce the aforesaid lien by all methods available for the enforcement of the liens against real property. The lien provided for in this Section shall be in favor of the Association and shall be for the benefit of all other Owners. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area, abandonment of his or her Lot or by renunciation of membership in the Association.

Article VII, Section 3, provides additional action that may be taken by the Board in the event of nonpayment.

Section 9. Subordination of the Lien to First Mortgages. The lien of the assessments provided for herein shall be subordinate to the lien of any first mortgage or deed of trust, first purchase money security deed, or security deed representing a first lien on the Property, any Lots, or any portions thereof. However, the sale or transfer of any Lot pursuant to foreclosure of a first mortgage or deed trust or proceeding in lieu thereof shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve the Owners of such Lot from liability for any assessments thereafter becoming due or from the lien thereof.

Section 10. Exempt Property. The following property subject to this Declaration shall be exempted from the assessments, charges and liens created herein:

- (a) All properties to the extent of any easement or other interest therein dedicated and accepted by the local public authority and devoted to public use;
- (b) All Common Area;
- (c) All development amenities located in the Common Area; and
- (d) All properties exempted from taxation by state or local governments upon the terms and to the extent of such legal exemption.

Notwithstanding any provisions herein, no land or improvements devoted to dwelling use shall be exempted from said assessments, charges or liens.



ARTICLE XI

Maintenance

Section 1. Association's Responsibility. Except as otherwise provided for herein, the Association shall maintain and keep in good repair all portions of the Common Area and improvements thereon, if any. The Association's responsibility with respect to the Common Area shall be deemed to include the maintenance, repair and replacement of (i) all roads, driveways, walks, parking areas, Common Area walls and fencing, and other improvements, if any, situated within the Common Area; (ii) such utility lines, pipes, plumbing wires, conduits and system which are a part of the Common Area; (iii) all development amenities located in and constituting a part of the Common Area; and (iv) all lawns, trees, shrubs, hedges, grass and other landscaping situated within or upon the Common Area.

Section 2. Owner's Responsibilities. Each Owner, other than the Developer, of a Lot, whether vacant or occupied, shall keep and maintain his or her Lot and the exterior of any and all improvements located thereon in a neat, attractive and safe condition. Such maintenance shall include, but shall not be limited to, painting, repairing, replacing and care for roofs, gutters, down spouts, building surfaces, trees, shrubs, grass, walks and other exterior improvements. Should any Owner of a Lot fail to maintain his or her Lot or the improvements thereon as set forth hereinabove, the Architectural Control Committee, its agent and representatives, may after fifteen (15) days written notice to the Owner of such Lot, enter upon his or her Lot for the purpose of mowing, removing, clearing, cutting, or pruning underbrush, weeds, or other unsightly growth, for removing garbage or trash, or for performing such exterior maintenance as the Architectural Control Committee, in the exercise of its sole discretion, deems necessary or advisable. Such Owner shall be personally liable to the Architectural Control Committee for the direct and indirect cost of such maintenance, which costs shall be added to and become part of the assessment to which such Owner and his or her Lot are subject. Although notice given as herein provided shall be sufficient to give the Architectural Control Committee, its agents and representatives, the right to enter upon such Lot and perform such maintenance, entry for the such purpose shall be only between the hours of 9:00 a.m. and 5:00 p.m. on any day except Sunday. The provisions hereof shall not be construed, however, as an obligation on the part of the Architectural Control Committee to mow, clear, cut or prune any Lot, to provide garbage or trash removal service, or to perform such exterior maintenance. Specifically, where any Owner, other than the Developer, has elected not to build on, the Lot shall be maintained as a finished yard (hand mowed and trimmed) during that time that construction has not commenced, and enforcement of such covenant (in addition to the enforcement of other covenants contained herein) shall be in accordance with the terms and provisions of Article XV, Section 1, below.

ARTICLE XII

Easements

Section 1. Utility and other Easements. There is hereby created in favor of the Association an easement upon, across, over, through and under all of the Common Area for ingress, egress, installation, replacement, repair, and maintenance of (a) all utility and service lines and systems, including but not limited to water, sewers, gas, telephones, electricity, television, cable or communication lines and systems, and (b) public sidewalks and trees landscaping adjacent thereto. An easement is further granted to the Association, its officers, agents, employees, and any management company retained by the Association, to enter in or to cross over the Common Area and the Lots, to inspect and to perform the duties of maintenance and



repair of the Common Area and the Lots, as provided for herein. Notwithstanding anything to the contrary contained in this Section 1, no sewers, electrical lines, water lines, or other utilities may be installed or relocated on the Property except as initially programmed and approved by the Developer or thereafter approved by the Developer or the Board. Should any utility furnishing a service covered by the general easement herein provided request a specific easement to be a separate recordable document, Developer or the Association shall have the right to grant such easement on the Common Area without conflicting with the terms hereof.

Section 2. Easements for Developer. Developer hereby reserves for itself, its successors and assigns, the following easements and rights-of-way in, on, over, under and through any part of the Property owned by the Developer and the Common Area for so long as Developer owns any Lot primarily for the purpose of sale:

- (a) For the erection, installation, construction, and maintenance of wires, lines and conduits, and necessary or proper attachments in connection with the transmissions of electricity, gas, water, telephone, community antenna, television cables and other utilities;
- (b) For the construction of improvements on the Lots;
- (c) For the installation, construction and maintenance of storm-water drains, public and private sewers, and for any other public or quasi-public utility facility;
- (d) For the erection, installation, construction, and maintenance of development amenities to be located in the Common Area, including but not limited to, installation, construction and maintenance of a swimming pool, tennis courts, Common Area fencing and walls, and a combination pier-boat dock;
- (e) For the installation, construction and maintenance of sea walls, the Common Area pier, lakeshore riprap or related shoreline improvements on those portions of the Property adjoining Lake Loudon in accordance with applicable TVA and related governmental requirements;
- (f) For use of the Common Area and any sales offices and parking spaces in connection with its efforts to market the sale of Lots; and
- (g) For the maintenance of such other facilities and equipment as in the sole and absolute discretion of Developer may be reasonably required, convenient or incidental to the completion, improvement and sale of Lots.

Section 3. Easements for Association. There shall be general right and easement for the benefit of the Association, its directors, officers, agents and employees, including any management company retained by the Association, to enter upon the Common Area to perform their respective duties.

ARTICLE XIII

General Covenants and Restrictions

The following covenants and restrictions shall apply to all Lots and to all

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Structures erected or placed thereon:

Section 1. Residential Use. All Lots shall be restricted exclusively to single-family residential use. No Lot, or any portion thereof, shall at any time be used for any commercial, business or professional purpose; provided, however, that nothing herein shall be construed to prohibit or prevent Developer or any builder of residences in Mallard Bay from using any Lot owned by Developer or such builder for the purpose of carrying on business related to the development, improvement and sale of Lots in Mallard Bay.

Section 2. Common Area. The Common Area shall be used only by the Owners and their agents, servants, family members, invitees and licensees for access, ingress and to egress from their respective Lots and for such other purposes as may be authorized by the Association.

Section 3. Nuisances.

(a) No unlawful, noxious or offensive activities shall be carried on in any Lot, or upon the Common Area, nor shall anything be done therein or thereon which, in the judgment of the Board, constitutes a nuisance, causes unreasonable noise or disturbance to others or unreasonably interferes with other Owners' use of their Lots and / or the Common Area.

(b) No rubbish or debris of any kind shall be dumped, placed or permitted to accumulate upon any portion of a Lot so as to render the same unsanitary, unsightly or offensive. No nuisance shall be permitted to exist upon any portion of the Property. Without limiting the generality of any of the foregoing, no horns, whistles, or bells, except security devices used exclusive for security purposes, shall be located, used or placed on the Property or any portion thereof.

(c) All alarms or security systems with a siren, bell or other auditory warning device shall have an automatic device to stop the siren, bell or other device from sounding after a ten (10) minute period of time.

Section 4. Erosion Control. No activity which may create erosion or siltation problems shall be undertaken on any Lot without the prior written approval of the Architectural Control Committee of plans and specifications for the prevention and control of erosion or siltation. The Architectural Control Committee may, as a condition of approval of such plans and specifications, require the use of certain means of preventing and controlling such erosion or siltation. Such means may include (by way of example and not of limitation) physical devices for controlling runoff and drainage of water, special precautions in grading and otherwise changing the natural landscape and required landscaping as provided for in Article XIII, Section 5.

Section 5. Landscaping. No construction or alteration of any Structure shall take place without the prior written approval by Architectural Control Committee of plans and specifications for landscaping to accompany such construction or alteration.

Section 6. Temporary Buildings. No temporary building, trailer, garage or building under construction shall be used, temporarily or permanently, as a residence on any Lot except as temporary sleeping or living quarters required or desirable for security purposes in accordance with plans and specifications or other arrangements approved by the Architectural Control Committee. No contractor or builder shall erect on any Lot any temporary building or shed for use in connection with construction on such Lot without the prior written consent of the Architectural Control Committee.



Section 7. Signs.

- (a) No signs whatsoever (including but not limited to commercial and similar signs) shall, without the Architectural Control Committee's prior written approval of plans and specifications therefore, be installed, altered or maintained on any Lot, entrance, or on any portion of a Structure visible from the exterior thereof, except:
 - (i) Not more than one sign indicating the builder, architect, landscaper and / or material supplier (s) for the residence on any Lot, and in no event shall any such sign be larger than three (3) square feet in area (i.e., only one sign for all of such trades per Lot);
 - (ii) Not more than one "For Sale" sign per Lot, and in no event shall any such sign be larger than three (3) square feet in area; and
 - (iii) Directional signs for vehicular or pedestrian safety in accordance with plans and specification approved by the Architectural Control Committee.
 - (b) Following the consummation of the sale of any Lot, the "For Sale" sign located thereon, if any, shall be removed immediately.
 - (c) There shall also be erected subdivision entrance signs in the Common Area at the entrances to the subdivision from Harvey Road. The Association shall repair and maintain said signs. Such entrance signs can only be modified, after initial placement, by the Association after approval of the Architectural Control Committee.
 - (d) There shall be erected in the Common Area signage relating to the identification and operation of certain Common Area amenities (for way of example and not limitation, signage relating to the swimming pool, tennis courts, boat dock and Common Area pier). The Association shall maintain and repair said signs. Such signs can only be modified, after initial placement, by the Association after approval of the Architectural Control Committee.
- At any time while the Developer still owns Lots, the provisions of this Section 7 shall be inapplicable to the Developer. Accordingly, the Developer shall have the right to erect and maintain temporary development signage with regard to the overall development of the Property and temporary development signs for the sale of individual Lots which do not comply with the foregoing sign restrictions. Such temporary signage shall be maintained and repaired at the cost of the Developer until such temporary signs are removed, which removal shall be done within fifteen (15) days after the Developer sells the last Lot it owns.

Section 8. Lots and Setbacks.

- (a) In approving plans and specifications for any proposed Structure, the Architectural Control Committee may establish setback requirements for the location of such Structure which are more or less restrictive than those established herein and by the Plat, subject to applicable governmental restrictions. No Structure except walls and fences expressly permitted in accordance with the provisions hereof shall be erected or placed on any Lot unless its location is consistent with all established setback requirements. It is hereby established that the front setback minimum will be thirty (30) feet, the side setback minimums will



be ten (10) feet each, and the rear setback minimum will be twenty-five (25) feet, subject to any more restrictive governmental requirements established by the Plat or applicable governmental agencies. In addition to the aforesaid setback requirements, Mallard Bay shall have a thirty-five (35) foot minimum peripheral setback inside the subdivision boundaries of Mallard Bay. Said thirty-five (35) minimum setback shall be measured from the TVA 813 contour line to the extent the 813-foot contour line lies within the peripheral subdivision boundaries. No setback provisions of this Section 8 shall be construed to permit the location of a Structure below the TVA 820 contour line which is subject to a TVA flowage easement of record in Deed Book 634, page 172, in the Register's Office for Knox County, Tennessee, except in accordance with applicable governmental restrictions and other building restrictions set forth herein. Variances to those standards will only be given by the Architectural Control Committee when site conditions dictate the necessity in the Architectural Control Committee's sole discretion, subject to applicable governmental restrictions.

- (b) No Lot, other than a Lot owned by the Developer, may be further subdivided in size by any devise, voluntary alienation, partition, judicial sale or other proceeds or process of any kind, except for the purpose of increasing the size of another Lot. In the event two (2) or more adjacent and contiguous Lots are purchased by the same person, those Lots may be combined to form one (1) Lot subject to the approval of the Architectural Control Committee and the approval of governmental authority.

Section 9. Walls and Fences. The Developer has constructed or may hereafter construct certain fencing and / or walls running parallel to Harvey Road in a portion of the Common Area. It is also contemplated that portions of the development amenities (e.g. the swimming pool area and portion of the Common Area in the vicinity of the common-use combination pier-boat dock) may also be improved by walls and / or fences approved by the Architectural Control Committee. In general, other walls and fences are not encouraged within Mallard Bay as they are often contrary to the architectural and landscaping concepts as well as the sense of community that is promoted at Mallard Bay. Hedges, berms and other landscape alternatives are preferred. However, in keeping with the desire of some Owners who may want to have swimming pools and / or gardens, walls and fences will be permitted on a restricted basis that will not detract from the overall appearance. Construction of walls and fences will only be of masonry (including stone, stucco, and brick), or masonry and wrought iron used in concert. Picket fences may also be permitted if they are in keeping with the approved architectural design of the Structure and landscaping for a particular Lot. Chain-link fences are prohibited except around tennis courts with the prior written approval of the Architectural Control Committee. No wall or fence of any kind shall be erected, maintained, or altered on any Lot without approval of the Architectural Control Committee of plans and specifications for such walls and fences. No wall or fence over five (5) feet in height shall be permitted except for special conditions approved by the Architectural Control Committee. In general it is encouraged that no wall or fence shall extend forward of the rear corners of the house. This Section 9 does not relate to the sea walls, lakeshore riprap or other shoreline improvements which are or may be located on the shores of Lake Loudon and adjoin a portion of the Property.

Section 10. Roads and Driveways. No road or driveway shall be constructed or altered on any Lot without the prior written approval of the Architectural Control Committee of plans and specifications locating such roads and driveways. Such stone

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or brick to be used in constructing such roads and driveways, which substance of concrete, stone or brick shall be satisfactory to the Architectural Control Committee. Parking spaces, garages, and the driveway to a garage shall be planned and executed in an attractive and functional manner and shall consider the location of existing trees, topography, street scape and capability with surrounding improvements. All homesites shall have a driveway of at least twelve (12) feet in width unless prior approval is obtained from the Architectural Control Committee.

Section 11. Antennas. No antenna, satellite dish or other device for the transmission or reception of televisions signals, radio signals or any other form of electromagnetic / wave or radiation shall be erected, used or maintained on the exterior of any Structure without the prior written approval of the Architectural Control Committee. In no event shall free-standing transmission or receiving towers be permitted. Digital satellite system dishes of not more than eighteen inches (18") in diameter are specifically allowed when the location of said dish is unobtrusively located and not seen from adjacent Lots. In no event shall flags or banners be displayed or placed on any permitted antenna.

Section 12. Clotheslines. No outside clothesline shall be placed on any Lot.

Section 13. Vehicles and Trailers. The Architectural Control Committee, in reviewing the plans and specifications for any proposed Structure, may require that special parking areas that are buffered with landscaping and/ or other methods of screening be made available for vehicles. No trailer, trailer house, boat, or recreational vehicle shall be parked on any Lot, except within enclosed garages erected in accordance with the plans and specifications submitted to and approved by the Architectural Control Committee. No abandoned cars, trucks, or other vehicles of any type shall be allowed on the Lot. No vehicle in an inoperative condition shall be kept in an area open to the view of the public or other Owners for a period in excess of fifteen (15) days. In the event of violation of this item, such vehicle may be removed by any other Owner at the expense of the owner of the Lot on which the vehicle is located.

Section 14. Recreational Equipment. Although swimming pools, basketball goals and other recreational and / or playground equipment are permitted, they shall not be erected, installed, moved or altered on any Lot without written approval of the Architectural Control Committee of plans and specifications for such structures and the location of such structures.

Section 15. Accessory Structures. The Architectural Control Committee shall have the right to approve or disapprove the plans and specifications for any accessory structure to be erected on any Lot, and construction of an accessory structure may not be commenced until complete final plans and specifications shall have been submitted to and approved by the Architectural Control Committee in accordance with the provisions of this Declaration.

Section 16. Improvement of Lots. All construction of dwellings, accessory structures and all other improvements in Mallard Bay shall be undertaken and completed in accordance with the following conditions:

- (a) All construction shall be carried out in compliance with the laws, codes, rules, regulations and orders of all applicable governmental agencies and authorities.
- (b) All residences on Lots shall be single-family and "classic" or "traditional"

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in style. The determination of whether or not a residence is "traditional" shall be decided by the Architectural Control Committee in its absolute and sole determination.

- (c) Concrete block or cinder block shall not be used as a building material for the exposed exterior surface of any dwelling or accessory structure constructed or placed on any Lot, and there shall be no chain-link fence or fences (except around tennis courts with the prior written approval of the Architectural Control Committee) or walls of any other materials which the architectural Control Committee determines to be incompatible with dwellings or other structures in Mallard Bay.
- (d) Only one (1) style of mailbox and adjoining / connecting paperbox shall be located on any Lot. All mailboxes and connecting paperboxes shall be of a common design as specified by the Architectural Control Committee and shall include only the Owner's name and house number, and shall be located as prescribed by the United States Postal Service.
- (e) No limber, bricks, stones, cinder blocks, scaffolding, mechanical devices, or any other materials or devices used for building purposes shall be on any Lot except for purposes of construction of a dwelling or accessory structure on such lot, nor shall any such building materials or devices be stored on any Lot for longer than the length of time reasonable necessary for the construction in which such materials or devices are to be used.
- (f) No exposed, above-ground tanks for the storage of fuel or water or any other substance shall be located on any Lot.
- (g) Adequate off street parking shall be provided for each Lot.
- (h) All garages must be full size garages (minimum dimensions of twenty [20] feet by twenty-four [24] feet) and have a minimum capacity of two (2) cars and have doors without glass panels, and each garage door must be coordinated with the Lot dwelling to which it is appurtenant. Detached garages will only be permitted with the prior written approval of the Architectural Control Committee. All garage doors must be located at the side or rear of dwellings (or detached buildings if allowed and approved) and emphasis will be given to ensure that garage doors will not face streets. Garage doors shall be kept in working order and shall be kept closed when not in use. For a period of time commencing on the date hereof and ending on the earlier of (i) the date thirty(30) years from the date hereof, and (ii) when the existing structure is demolished (excluding demolition due to fire or casualty if said Structure is repaired or rebuilt), the Structure located on the real property described on Exhibit D attached hereto shall be exempt from and not restricted by the provisions of this Section 16(h).
- (i) No window air conditioning unit may be located in any part of any dwelling or accessory structure. All exterior equipment (HVAC, pool, etc) shall be ground mounted and screened by fencing or planting of a density and height to hide the unit effectively, which fencing or planting shall first be approved by the Architectural Control Committee



- (j) Any screen porch which is a part of any Lot dwelling or accessory structure must have a dark color screen, and no bright color silver finish screens may be used .
- (k) No plumbing vent or heating vent shall be placed on the front side of any roof of any Lot dwelling or accessory structure.
- (l) Any construction on a Lot shall be at the risk of the Owner of such Lot and the Owner of such Lot shall be responsible for any damage to any curbing, sidewalks, or street resulting from construction on such Lot. Any damage to any section(s) of the sidewalk must be repaired by replacing completely all sections affected. Repairs of such damage must be made as soon as reasonably possible but in no event more than (30) days after completion of such construction.
- (m) The enclosed, heated living areas (exclusive of garages, carports, porches, terraces, bulk-storage and basement) of one story dwellings constructed on Lots shall contain not less than two thousand (2,000) square feet. The enclosed, heated living area (exclusive of garages carports, porches, terraces, bulk - storage and basement of all one and one-half story and two- story dwellings constructed on Lots shall contain not less than two thousand five hundred (2,500) square feet.
- (n) No lines, wires, or other devices for communications purposes, including telephone, television, cable, data and radio signals, or for transmission of electric current or energy, shall be construction or placed on any Lot unless the same shall be in or by conduits or cables constructed, placed and maintained underground or concealed in, under or on buildings, or other approved improvement subject, however, to the provisions of Article XIII, Section 11 and provided further, however that above ground electrical transformers and other equipment may be permitted if properly screened and approved by the Architectural Control Committee. In addition, all gas, water, sewer, oil and other pipes for gas or liquid transmission shall also be placed underground or within or under buildings. Nothing herein shall be deemed to forbid the erection and use of temporary power of telephone services incident to the construction of approved improvements on Lots or in the Common Area.
- (o) Garbage and refuse shall be placed in containers and shall be capped and contained in such a manner that they are inaccessible to animals. The containers for the Lots shall be concealed within buildings, be concealed by means of a screening wall of material similar to and compatible with that of the building, or concealed by sufficient landscaping to provide a permanent screen from view or surrounding property. These elements shall be integrated with the building plan, be designed so as not to attract attention, and shall be located in as reasonably inconspicuous manner as is possible.
- (p) All exterior lighting for the Lots shall be consistent with the character established in Mallard Bay and be limited to the minimum necessary for safety, identification and decoration. Exterior lighting of buildings for security and / or decoration shall be limited to concealed uplighting or downlighting. No color lens or lamps permitted. Any pole mounted light



fixture is to be operated by photo cell and of a design specified by the Architectural Control Committee and will be installed at the height and location specified by the Architectural Control Committee. It is each Owner's responsibility to ensure that this required pole fixture is in good operational condition at all times. The exterior lighting to be constructed, erected and placed in the Common Area by the Developer or the Association shall be exempt from and not restricted by the provisions of this Section 16 (p), provided such lighting shall still be consistent with the character established in Mallard Bay and limited to the minimum necessary for safety, identification and decoration. The Association shall maintain and repair said Common Area lighting. Such Common Area lighting can only be modified, after initial construction and placement, by the Association after approval of the Architectural Control Committee.

- (q) No private residence erected upon any Lot shall be occupied in any manner while in the course of construction, not at any time prior to its being fully completed, as herein required; nor shall any residence when completed, be in any manner occupied until made to comply with the approved plans, the requirements herein, and all other covenants, conditions, reservations, and restrictions herein set forth. All construction shall be completed within twelve (12) months from the start thereof, provided, that the Architectural Control Committee may extend such time when in its opinion conditions warrant such extension.
- (r) No garbage or trash incinerator shall be permitted on a Lot. The Lot owner shall keep and maintain on said Lot covered garbage containers in which all garbage shall be kept until removed from the Lot. Such garbage shall be kept at all times, at the option of the Lot Owner, either within a side or rear yard or within underground garbage receptacles located on the Lot. In no event shall garbage containers create a visual detriment to the Subdivision.
- (s) All yard maintenance equipment and other similar items shall be stored out of view of other Lot Owners.

Section 17. **Animals.** No animals, including birds, insects and reptiles may be kept on any Lot unless kept therein solely as household pets and not for commercial purposes. No animal shall be allowed to become a nuisance. No Structure or enclosure for the care, housing or confinement of any animal shall be constructed, placed or altered on any Lot unless plans and specifications for said structure have first been approved by the Architectural Control Committee. "Invisible fencing" for dogs and other animals (i.e., radio monitored under ground wiring systems) are encouraged Not more than two dogs and not more than two cats may be kept on any Lot by the occupants or others. All animals shall be kept confined or on a leash if they become a nuisance.

Section 18. **Water Supply.** No individual water supply system shall be permitted on any Lot without the prior written approval of the Architectural Control Committee. If such approval is given, such system must be located, constructed and equipped in accordance with the requirements, standards and recommendations of federal, state, and local public health authorities, and all necessary approvals of such system as installed shall be obtained from such authorities at the sole cost and expense of the Owner of the Lot to be served by such system.



Section 19. Building Construction Standard

- (a) Exterior Materials. Finish building materials shall be applied consistently to all sides of the exteriors of building. Exterior materials shall be brick, stone, stucco, Dryvit, or other materials approved by the Architectural Control Committee. All fireplaces and chimneys must be of masonry construction. There shall be no cantilevered fireplaces or window bays. No simulated brick or stone shall be permitted unless approved by the Architectural Control Committee. There shall be no exposed foundations of block or painted block.
- (b) Exterior Colors. Finish colors shall be applied consistently to all sides of the buildings. Color selections shall be harmonious with each other and with natural materials, and shall be compatible with colors of the natural surroundings and other adjacent property. All exterior wood, including hand rails, banisters, etc., must be painted or stained to coordinate with finish colors of the buildings although decking surfaces may be left in a natural condition.
- (c) Exterior Trim and Decoration. Exterior window and door trim and similar decorations shall be of the same color materials, unless otherwise approved by the Architectural Control Committee, and shall be either of the same material as exterior walls or directly compatible. Facia, gutters and down spouts shall blend in and be directly compatible with the architectural detail of the exterior walls. Reflective glass is prohibited.
- (d) Appurtenances. All exterior mechanical equipment including, but not limited to, transformers, vents, air conditioning compressors, pool pumps, meters, etc., shall be concealed from view by walls of the same material and color as the building or by an opaque landscaping screen. No color energy device shall be allowed.
- (e) Roofs. Roofing materials shall be "architectural dimensional shingles" of at least a thirty (30) to forty (40) year expected life manufactured by a company or companies approved in advance by the Architectural Control Committee in a color approved in advance by the Architectural Control Committee. Other roofing materials, to the extent three dimensional or higher quality, may also be utilized with the prior approval of the Architectural Control Committee. The majority of the roof pitch must be 8/12 or steeper on one-story dwellings and at least 8/10 or steeper on one and one-half story and two-story dwellings, except as otherwise approved by the Architectural Control Committee.

Substitutions of comparable appearance and quality may be made by the Architectural Control Committee when necessary.

Section 20. Landscaping and Open Space Standards.

- (a) General. Any Lot which has been altered from its natural state shall be landscaped according to plans approved by the Architectural Control Committee.



All shrubs, trees, grass, and plantings of every kind shall be kept well maintained properly cultivated and free of trash and other unsightly material. Landscaping as approved by the Architectural Control Committee shall be installed no later than (30) days following completion of any building with weather permitting.

- (b) Landscaping Plan. A comprehensive landscaping plan for each home-site must be designed by a Person competent in such area and must be submitted to and approved by the Architectural Control Committee. Such plan shall require sod from the rear of the dwelling Structure to the curb(s) of adjacent roadway(s) unless otherwise approved by the Architectural Control Committee.

Section 21. Lake Lot Improvements. Pertaining to lake front Lots: plans for any boat dock or pier must be submitted and approved by the Architectural Control Committee along the same procedure as outlined in this document for the main dwelling. All seawalls, where applicable, docks and piers must be repaired in a timely manner and maintained in a neat and orderly manner. Boat houses are prohibited.

ARTICLE XIV

Insurance

The Board or its duly authorized agent, shall obtain such insurance policies upon the Common Area as the Board deems necessary or desirable in its absolute and sole discretion. The named insured on all policies of insurance shall be the Association.

ARTICLE XV

Additional Land

Section 1. Developer's Reserved Rights. Developer hereby reserves the following rights:

- (a) The right by amendment or amendments to this Declaration to add and subject the Additional Land, or portions thereof, to this Declaration and to provide for the incorporation of the Additional Land and all improvements thereon into Mallard Bay Subdivision provided, however, that in no event shall there be created, in the aggregate, more than fifty-five (55) total Lots on the Property and on the Additional Land which shall be part of Mallard Bay Subdivision.
- (b) The right to utilize and establish those various easements set forth in Article XII, Section 2, above.
- (c) The right to store and secure construction materials on the Additional Land (whether relating to the construction and development of the Additional Land or the property.)

Section 2. Procedure for Adding Additional Land. The following procedures shall be followed to add and subject the Additional Land, or portions thereof, to this Declaration:



- (a) A subdivision plat or survey of the Additional Land, or a portion thereof, to be subjected to this Declaration, containing such detail and particulars as did the Plat, shall be recorded as a separate subdivision Plat or included in an amendment to the Plat to be recorded in the Register's Office for Knox County, Tennessee.
- (b) An amendment or amendments to this Declaration shall be recorded in the Register's Office for Knox County, Tennessee. The amendment or amendments to this Declaration with respect to the Additional Land shall: (i) describe the portion of the Additional Land to be added; (ii) state all development amenities and other Common Area located or to be located on the Additional Land to be added may be utilized by all Owner and (iii) state that all of the covenants, conditions and restrictions of this Declaration, including the obligation to pay certain assessments, shall apply to the Additional Land added to Mallard Bay Subdivision in the same manner as if it were originally covered by this Declaration
- (c) Liens arising from or in connection with the Developer's ownership of and construction of improvements upon the portions of the Additional Land to be subjected to this Declaration must not adversely affect the rights of existing Owners or the priority of deeds of trust on any Lots. All property taxes and assessments which are attributable to such property before it is added must be paid or escrowed by Developer prior to subjecting the property to this Declaration.

Section 3. Limitations on Developer's Reserved Rights as to Additional Land.

The Developer's rights to add and subject portions of the Additional Land to this Declaration may be exercised at any time, but not more than seven (7) years after the recording of this Declaration. In addition, as set forth above, not more than twenty (20) additional lots may be subjected to this Declaration. All Lots and additions to the Common Area to be contained and located on portions of the Additional Land will be restricted to residential use and subjected to this Declaration in the same manner and to the same extent as the Lots shown on the Plat as initially recorded.

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

Section 4. Phasing. No assurances are made by Developer regarding the Additional Land. No assurances are made that Developer will exercise Developer's reserved rights with respect to any portion of the Additional Land, nor as to which portions of the Additional Land the Developer will exercise such rights or the order in which such portions, or all the areas, will be developed.



The exercise of those rights reserved herein to the Developer as to some portions of the Additional Land will not in any way obligate Developer to exercise them as to any other portions of the Additional Land.

ARTICLE XVI

General Provisions

Section 1. Enforcement.

- (a) The Association, the Architectural Control Committee, or any Owner shall have the right to enforce, by and proceeding at law or in equity, all restrictions, conditions, covenants, reservations, easements, liens and charges now or hereafter imposed by the provisions of this Declaration. Failure by the Association, the Architectural Control Committee or by any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.
- (b) The architectural Control Committee shall have the right of abatement in all cases where an Owner of a Lot shall fail to take reasonable steps to remedy violation or breach of any restriction contained in this Declaration within twenty (20) days after the certified mailing of written notice of such violation or breach. The right of abatement means the right of Architectural Control Committee, through its agents and employees, to enter all reasonable times upon any Lot or Structure as to which a violation or breach exists, and to take such action or actions specified in the notice to the Owner to abate, extinguish, remove or repair such violations or breach, all without being deemed to have committed a trespass or wrongful act by reason of such entry and such actions. Further, the Architectural Control Committee, the Association, the Developer or any Owner may prosecute proceedings at law for the recovery of damages against those violations or attempting to violate the declaration of covenants and restrictions, and, or (2) maintain a proceeding in equity against those so violating or attempting to violate any covenants or restrictions for the purposes of preventing or enjoining all of any such violations or attempted violations, and / or to have any such violation removed from the Lot or cured.
- (c) The remedies contained in this Section 1 shall be construed as cumulative of all other remedies now or hereafter provided by law. If the Association, the Architectural Control Committee, the Board or any other Person or Persons owning a Lot shall successfully prosecute in law or equity an action pursuant to this or any other enforcement section of these covenants or restriction, then that party shall be entitled to receive its reasonable attorney's fees and the costs reasonably necessary to prosecute the case against the party violating the covenants and restrictions herein.

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Section 2. Severability. If any provisions of the Declaration, or any paragraph, subparagraph, article, section, sentence, clause, phrase, word, or the application thereof in any circumstances is held invalid, the remainder of this Declaration and the application of any such provision, paragraph, subparagraph, article, section, sentence clause, phrase or word in any other circumstances shall not be affected thereby and the remainder of this Declaration shall be construed as if such invalid part was never included therein.

Section 3. Heading. The headings of such articles and sections in this Declaration are for convenience of reference only and shall not in any way limit or define the content or substance of such articles and sections.

Section 4. Duration. The covenants and restrictions of this Declaration shall run with and bind the land for a period of twenty (20) years from the date this Declaration is recorded in the Register's Office for Knox County, Tennessee, at the end of which period such covenants and restrictions shall be automatically extended for the successive periods of ten (10) years each, unless at least three-fourths (3/4) of the Owners at the time of the expiration of the initial period, or of any extension period, shall sign an instrument in which said covenants and restrictions are modified in whole or in part, which instrument shall be recorded in the Register's office for Knox County, Tennessee.

Section 5. Rights and Obligations. Each grantee of the Developer, by the acceptance of a deed of conveyance, accepts the same subject to all restrictions, conditions, covenants, reservations, liens and charges, and the jurisdiction, rights and powers created or reserved by this Declaration. All rights, benefits and privileges of every character hereby imposed shall be deemed and taken to be covenants running with the land and shall bind any person having at any time any interest or estate in the Property or portion thereof, and shall inure to the benefit of such grantees in like manner as though the provisions of this Declaration were recited and stipulated at length in each and every deed of conveyance or contract for conveyance.

Section 6. Notices. Notices provided for in this Declaration shall be in writing and shall be addressed to any Owner at his or her Lot or at such other address as hereinafter provided. Notices to the Developer shall be in writing and shall be addressed to Edwin T. Loy, Jr., 5200 City Park Drive, Lenoir City, Tennessee 37772, or at such different address as disclosed in a written notice of change of address furnished to all Owners. Any Owner may designate a different address for notices to him or her by giving written notice to the Developer. All notices to Owners and Developer shall be deemed deliverable upon mailing by United States certified mail, return receipt requested, or when delivered in person.

Section 7. Construction. The Owner of any Lot shall not be required to commence construction on said Lot within any time period after the Lot is purchased from the Developer; provided however, Owner shall complete construction in compliance with approved plans and specifications and pass final inspection of the Architectural Control Committee within twelve (12) months of the time that the Architectural Control Committee granted approval of said plans. Undeveloped Lots other than those owned by Developer shall be maintained per Article XI, Section 2.

Section 8. Waiver and Modification.

- (a) Developer hereby reserves the right in its absolute and sole discretion at any time to annul, waive, change or modify any of the restricting



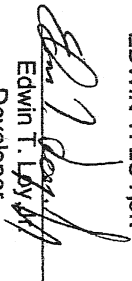
conditions or covenants contained herein and shall have further the right before a sale to change the size of or locate any of the lots, parcels, streets, or roads shown on any of the plats of Mallard Bay for a period of seven years. Further, the Developer may amend these covenants and restrictions for the purpose of clarifying any ambiguity or inconsistency between the provisions contained herein.

(b) Declaration. Further, this Declaration may be amended at any time and from time to time by an agreement signed by at least seventy-five (75%) of the Owners of Lots; provided, however, such amendment by the Owners shall not be effective unless also signed by Developer, if Developer is the owner of any real property then subject to this Declaration. Any such amendment shall not become effective until the instrument evidencing such change has been filed of record. Every purchaser or grantee of any interest in any real property made subject to this Declaration, by acceptance of a deed or other conveyance thereof, thereby agrees that this Declaration may be amended as provided in this Section.

Section 9. Assignment or Transfer. Any or all of the rights and powers, titles, easements and estates reserved or given to Developer in this Declaration may be assigned to any one or more corporations or assignees which will agree to assume said powers, duties and obligations and carry out and perform the same. Any such assignment or transfer shall be made by appropriate instrument in writing in which the assignee or transferee shall join for the purpose of evidencing its acceptance of such rights and powers and be subject to the same obligations and duties as are herein given to and assumed by Developer and Developer shall thereupon be released therefrom.

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

EDWIN T. LOY, JR.


Edwin T. Loy, Jr.

Developer

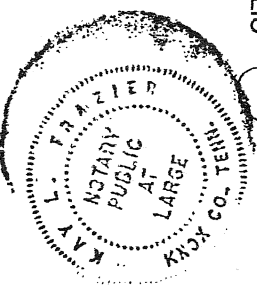


STATE OF TENNESSEE
COUNTY OF KNOX

Personally appeared before me, the undersigned authority, in and for said county and state, Edwin T. Loy, Jr., 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 Developer of Mallard Bay Subdivision, the within named bargainor, and that he as such Developer, executed the foregoing instrument for the purposes therein contained, by signing the name by himself as Developer.

Witness my hand and seal at office in Lenoir City, Tennessee, this 10 th day of JANUARY, 2000.

Ray J. Hagan
NOTARY PUBLIC



My Commission Expires: 04-27-2002



EXHIBIT B

HT DISTANCE
29 NORTHWEST
SIGHT
ROAD FROM
SUBDIVISION.

Future
Development

Future
Development



N MAGNETIC (SEE NOTE NO. 9)

