DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR LEGACY BAY SUBDIVISION

This Declaration of Covenants, Conditions and Restrictions for Legacy Bay Subdivision is made as of June 1, 2000 by Lake Developers, a Tennessee General Partnership ("Developer").

WHEREAS, Developer owns certain real property in Mooresburg, Hawkins County, Tennessee, more particularly described in Exhibit A attached hereto and incorporated herein by reference (the "Property"), which is to be developed as a residential subdivision and which is to be marketed as Legacy Bay; and,

WHEREAS, Developer desires to subject the real property described in Exhibit A, together with such additions as may hereafter be made thereto, to the covenants, restrictions, easements, charges and liens as contained in this Declaration, all of which are for the benefit of the Property and each individual owner thereof; and,

WHEREAS, Developer has incorporated under the laws of the State of Tennessee a non-profit corporation known and identified as Legacy Bay Homeowners Association, Inc., for the purpose of maintaining and administering and enforcing the covenants and restrictions and collecting and disbursing the assessments and charges hereinafter created;

NOW, THEREFORE, Developer hereby declares that all of the Property shall be held, sold and conveyed subject to the following easements, restrictions, covenants, and conditions which are for the purpose of protecting the value and desirability of the Property. The easements, restrictions, covenants and conditions shall run with the property and be binding on all parties having any right, title or interest in the property, their heirs, successors and assigns and shall inure to the benefit of each owner.

ARTICLE I

DEFINITIONS

Section 1. "Association" shall mean and refer to the Legacy Bay Homeowners Association, Inc., a Tennessee non-profit corporation, its successors and assigns.

Section 2. "Board of Directors" means the board of directors of Legacy Bay Homeowners Association, Inc.

Section 3. "By Laws" means the by laws of Legacy Bay Homeowners Association, Inc., as amended from time to time. All provisions contained in the body of this Declaration dealing with the administration and maintenance of the Property shall be deemed to be part of the By- Laws.

Section 4. "Common Area" shall mean that portion of the Property (including the improvements thereto) not contained in Lots, shall include road, streets, marinas, recreation areas, green areas, landscape features, irrigation systems and fountains and all other portions of the Property designated on the Plat as Common Areas.

Section 5. "Community Wide Standard" shall mean the standard of conduct, maintenance or other activity generally prevailing throughout the Property. Such standard may be more specifically determined and set forth by the Board of Directors or its designee.

Section 6. "Developer" shall mean and refer to Lake Developers, a Tennessee General Partnership.

Section 7. "Lake Front Lot" shall mean and refer to any numbered parcel of the Property as shown on the plats of Legacy Bay which abut the Cherokee Lake.

Section 8. "Lot" shall mean and refer to any numbered parcel of the Property as shown on the plats of the Legacy Bay Subdivision.

Section 9. "Interior Lot" shall mean any lot other than a Lake Front Lot.

Section 10. "Majority" shall mean those votes of the Owners representing more than fifty (50%) percent of the total vote in the Association. Any specific percentage of Lot Owners means that percentage of Lot Owners who in the aggregate are entitled to exercise such specified percentage of the total vote in the Association.

Section 11. "Marina" shall mean common area lake front property used for the purpose of slips, storage and launching of boats.

Section 12. "Member" shall mean and refer to every person or entity who holds membership in the Association.

Section 13. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a 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 an obligation.

Section 14. "Person" shall mean any individual, corporation, partnership, joint venture, limited liability company, trustee or other legal entity.

Section 15. "Plat" means the final record plats of survey of the Property of record in the Register's Office for Hawkins County, Tennessee, showing the number of each Lot and expressing its area, location and other data necessary for identification as such plat or plats may be amended from time to time.

Section 16. "Property" shall mean and refer to that certain real property described in Exhibit A attached hereto and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 17. "Unit" shall mean and refer to any improved residential lot.

ARTICLE II

LEGACY BAY HOMEOWNERS ASSOCIATION

Section 1. Members. Developer and every Owner of a Lot which is subject to an assessment shall be a member of the Association. Such Owner and Member shall abide by the Association By Laws, articles, rules and regulations and shall pay the assessments provided for in this Declaration when due and shall comply with decisions of the Association's Board of Directors. Conveyance of a Lot, except a conveyance to a trustee under a deed of trust or to a mortgagee in a foreclosure, automatically transfers membership in the Association without necessity of further documentation. Membership shall be appurtenant to and may not be separated from any Lot which is subject to assessment. No Owner, whether one or more persons, shall have more than one membership per Lot owned. In the event an Owner of a Lot is more than one person, votes and rights of use and enjoyment shall be as provided herein. The rights and privileges of membership, including the right to vote, may be exercised by a member or the member's spouse subject to the provisions of this Declaration and the By Laws. The membership rights of a Lot owned by a corporation or a partnership shall be exercised by the individual authorized in a written instrument provided to the Secretary of the Association subject to the provisions of this Declaration.

Section 2. Classes of Membership. The Association shall have two classes of voting membership:

(a) Class A. Class A members shall be all Lot Owners, with the exception of the Developer, and shall be entitled to one (1) vote for each Lot owned. If more than one person holds interest in such Lot, the vote for such Lot shall be exercised as the persons determine among themselves and advise the Secretary of the Association prior to any meeting. In the absence of such advise, the

Lot's vote shall be suspended if more than one person seeks to exercise such vote.

(b) Class B. The Class B member shall be Developer. Developer shall be entitled to one (1) vote for each Lot owned and it shall determine who shall cast the votes. In addition, the Class B member shall be entitled to appoint a majority of the members of the Board of Directors, in accordance with the By-Laws, until 100% of the Lots shown on Exhibit A, as amended from time to time, including additions thereto, have certificates of occupancy issued thereon and have been conveyed to persons other than Developer or builders holding title for the purposes of development and sale. The Class B membership shall cease and be converted to Class A membership of the happening of any of the following events, whichever occurs earlier: (i) when in its discretion Developer so determines (ii) when Developer's right to appoint a majority of the Board terminates as set forth hereinafter.

Section 3. Rights and obligations of the Legacy Bay Homeowners Association, Inc.

(a) The Association shall maintain, operate and keep in good repair, unless such obligations are assumed by any municipal or governmental agency having jurisdiction thereof, the Common Areas, including, without limitation, roads, streets, marinas, recreation areas, sewer system, water systems, open spaces, entrance ways, medians, and landscaping located therein. In addition, the Association shall have the right to construct and maintain ornamental structures, such as fountains, and landscaping in the areas designated as Common Areas on the Plat together with the right of ingress and egress for the purpose of carrying out that construction and maintenance. The Association shall also maintain the in-ground irrigation and sprinkler system, if any, contained on the Common Areas and shall be responsible for the payment of all water bills resulting from the use of such system.

(b) All rights reserved by the Developer in this Declaration shall automatically pass to the

Association when Class B membership ceases pursuant to Article II, Section 2, except that the Developer may assign any and all rights reserved herein to the Developer to said Association at any time prior to the sale by the Developer of 100% of the Lots shown on Exhibit A as specifically provided for in Article II, Section 2(b) hereinabove.

(c) In addition to the powers and duties otherwise set forth in this Declaration, the Association is authorized and directed to make provision for the improvement and maintenance of the Common Areas and to adopt rules and regulations and to take such action as is necessary to accomplish the purpose of this Declaration. The Board of Directors of the Association shall propose rules and regulations for adoption by the members. Written notice of any meeting to consider said rules and regulations or any amendments thereto shall be given in writing at least 30 days in advance and shall set forth the time, place and purpose of the meeting. The presence at the meeting of members in person or by proxy entitled to cast thirty (30%) percent of all the votes shall constitute a quorum for this purpose.

ARTICLE III

PROPERTY RIGHTS

Section 1. Owners' Easement of Enjoyment Exceptions**.** Every Lot Owner shall have a right and easement of enjoyment including without limitation, except for the restrictions on the usage of the marina as set forth in Article III Section 6, the right of vehicular and pedestrian ingress and egress in and to the Common Areas which shall be appurtenant to and shall pass with the title of every Lot. This right and easement shall also be granted to the Association and the Owner's families, guests, invitees, servants, employees, tenants and contract purchasers. Developer shall have access to any and all Common Areas so long as is necessary for Developer to develop,

construct or sell or otherwise dispose of any property subject to this Declaration.

Section 2. Title of Common Areas. The Developer may retain the legal title to the Common Areas (or, as to Common Areas within dedicated right-of-way, the obligation to maintain and regulate) until such time as in the opinion of the Developer the Association is able to maintain and regulate the use of same; provided, however, the Developer hereby covenants that it shall convey legal title to the Common Areas to the Association (or, as to Common Areas within dedicated right-of-way, shall transfer the obligation to maintain and regulate) no later than at such time as Class B membership is converted to Class A membership. Whenever the Developer conveys legal title or transfers the obligation to maintain and regulate all or part of the Common Areas to the Association, the Association shall accept such legal title and shall assume control and responsibility for the Common Areas so conveyed.

Section 3. Extent of Owners Easements. The rights and easements of use and enjoyment hereby created shall be subject to the following:

(a) The right of the Association to take such steps as are reasonably necessary to protect the Common Areas from foreclosure;

(b) The right of the Association to suspend the voting rights of an Owner for any period during with any assessment against his Lot remains unpaid and for a period of time for any infraction of its published rules and regulations; and

(c) The right of the Association to dedicate or transfer all or any part of the Common Areas to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by a majority of the Board of Directors provided the Owners' easements of ingress and egress and any public utility easements previously established shall not be affected. Developer may declare utility, service or drainage easements upon, through or under the Common Areas at its sole

discretion so long as there is in existence the Class B membership in accordance with Article II, Section 2. When Class B membership ceases, this right of Developer shall automatically pass to the Board of Directors of the Association.

Section 4. No Partition. Except as is permitted in this Declaration or amendments thereto, there shall be no physical partition of the Common Areas or any part thereof, nor shall any person acquiring any interest in the Property have the right of judicial partition. This Section does not prohibit the Board of Directors from acquiring and disposing of tangible personal property nor from acquiring title to real property which may or may not be subject to this Declaration.

Section 5. Sale of Common Areas. No Common Areas shall be sold or otherwise disposed of without first offering to dedicate such area to the Hawkins County Government. This limitation neither applies to a transfer of the Common Areas to an organization conceived and established to own and maintain the Common Areas as a successor to the Association, nor to the dedication of streets or utility easements as provided in Section 3(c) of this Article. This restriction shall survive any amendment to or cancellation of this Declaration.

Section 6. Marina Usage. The Marina is provided primarily for the use of Interior Lot owners. Interior Lot owners may leave boats at available slips in the Marina. However, if demand for slips is greater than slips available, the user must remove their boat to another designated storage area after the same shall remain at any slip or combination of slips for seven (7) consecutive days. Owners of Lake Front Lots may only use the Marina slips when there is an available slip and all demand for slip usage by Interior Lot Owners has been satisfied.

ARTICLE IV

ASSESSMENTS

Section 1. Assessments, Creation of the Lien and Personal Obligation. Each Owner, except Developer, by acceptance of a deed for the Lot whether or not it shall be so expressed in such deed, covenants and agrees to pay to the Association (i) annual assessments or charges, and (ii) special assessments for capital improvements, such assessments to be established and collected as provided in this Article IV. The annual and special assessments, together with interest, costs and reasonable attorneys' fee, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made. Each such assessment, together with interest, costs, and reasonable attorneys' fees, shall also be the personal obligation of the party who was the Owner of such property at the time the assessment fee due. The personal obligation for delinquent assessments shall not pass to his successors in title unless expressly assumed by them.

Section 2. Purpose of Assessments.

(a) The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety, and welfare of the residents and, in particular, for the acquisition, improvement and maintenance of Property, services and facilities devoted to this purpose, or for the use and enjoyment of the Common Areas, including but not limited to, the cost of repairs, replacements and additions, the cost of labor, equipment, materials, management and supervision, payment of taxes assessed against the Common Areas, the procurement and maintenance of insurance in accordance with the By Laws, the cost of providing security for the Property, the employment of attorneys to represent the Association when necessary, and such other needs as may arise, and for the improvement and maintenance of the Common Areas and Lots.

(b) Until Class B membership ceases and is converted to Class A membership pursuant to Article II, Section 2, Developer or its nominee shall administer the assessments and receipts therefrom which may only be used for purposes generally benefiting the Property, as permitted in

this Declaration.

(c) Until such time as Developer conveys the Common Areas to the Association, or transfers the obligation to maintain and regulate the Common Areas to the Association, the Developer shall be obligated for the difference between the amount of assessments levied on all Lots subject to assessment and the amount of actual expenditures required to operate the Association during the calendar year. This obligation may be satisfied in the form of a cash subsidy or by "in kind" contributions of services or materials, or a combination of these. The Association is specifically authorized to enter into subsidy contracts or contracts for "in kind" contribution of services or materials or a combination of services and materials with Developer or other entities for the payment of some portion of the common expenses.

Section 3. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only for the cost of defraying in whole or in part the cost of any construction, reconstruction or repair or replacement of a capital improvement upon the Common Areas, including fixtures and personal property related thereto. Any such assessment shall require the assent of the members of the Association in accordance with the By Laws.

Section 4. Uniform Rate of Assessment. Both annual and special assessments shall be fixed at a uniform rate for all Lots.

Section 5. Date of Commencement of Annual Assessments; Due Dates. The annual assessment provided for herein shall begin as to any Lot subject to the assessments on the first day of the month next following the date of acquisition of record title to a Unit by the first purchaser from the Developer. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year when title to the Lot is transferred.

Section 6. Effect of Non-Payment of Assessments; Remedies of the Legacy Bay Homeowners Association, Inc. Any assessment not paid within fifteen (15) days of the due date shall be subject to a late charge as determined by the Board of Directors. The Association may bring an action at law against the Owner personally obligated to pay the assessment, or foreclose the lien against the Property, and interest, costs and reasonable attorneys' fees of such action or foreclosure shall be added to the amount of such assessments. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Areas or abandonment of his Lot.

Section 7. Subordination of the Lien to Mortgages and Deeds of Trust. The lien of the assessments provided for herein shall be subordinate to the lien of any first mortgage or first deed of trust. Sale or transfer of any Lot shall not affect the assessment lien or liens provided for in the preceding sections. However, the sale or transfer of any Lot pursuant to a first mortgage foreclosure or any proceeding in lieu thereof shall extinguish the lien of such assessments as to payments which become due prior to such sale or transfer. No sale or transfer shall relieve such Lot Owner from liability for any assessments thereafter becoming due or relieve such Lot from the lien for any assessments thereafter becoming due.

Section 8. Capitalization of Association. Upon acquisition of record title to a Lot by the first purchaser thereof other than the Developer, a contribution shall be made by or on behalf of the Purchaser to the working capital of the Association in an amount equal to one-sixth (1/6) of the amount of the annual assessment per Lot for that year as determined by the Board. This amount shall be deposited into the purchase and sales escrow and disbursed therefrom to the Association for use in meeting unforeseen expenditures, purchasing equipment deemed necessary or desirable, or otherwise covering operating expenses properly incurred by the Association. Such contribution

shall not be considered an advance payment of regular assessments.

ARTICLE V

USE RESTRICTIONS

Section 1. Primary Use Restrictions. No Lot shall be used except for private single family residential purposes. No structure shall be erected, placed or altered or permitted to remain on any Lot except one single family dwelling designed for the occupancy of one family (including any domestic servants living on the premises), not to exceed two stories in height and containing an attached garage for the sole use of the Owner and occupants of the Unit.

Section 2. Minimum Square Footage Requirements. Any residence constructed upon any Lot shall contain a minimum living area measured from the outside of the exterior walls, exclusive of porches, basements, attics, patios and garages as follows:

(a) Phase I and Phase II and Phase III excluding the Grand Reserve, Legacy Bay Subdivision.

(i) One story residence: 1,800 square feet on the ground floor;

(ii) One and one-half story residence: 2,100 square feet;

(iii) Two story residence: 2,200 square feet with a minimum of 1,400 feet on the ground floor.

(b) Grand Reserve, Legacy Bay Subdivision.

(i) One story residence: 2,000 square feet on the ground floor;

(ii) One and one-half story residence: 2,200 square feet;

(iii) Two story residence: 2,500 square feet, with a minimum of 1,600 square feet on the ground floor.

Section 3. Garages. Each residence shall have an attached garage which shall as a minimum

contain sufficient space to accommodate two automobiles.

Section 4. Nuisances. No noxious or offensive trade or activity shall be conducted on any Lot, nor shall anything be done which may be or become an annoyance or nuisances to the neighborhood.

Section 5. Use of Other Structures and Vehicles.

(a) No structure, temporary or permanent, including without limitation an out building, trailer, basement, tent, shack, garage, barn or structure other than the main residence erected on a Lot shall be permitted on any Lot except temporary tool sheds or field offices used by a builder or Developer, which shall be removed when construction or development is completed and no such structure shall at any time be used as a residence temporarily or permanently.

(b) Except for vehicles reasonably necessary to be on or about the Lots in the subdivision during construction or alteration of any buildings or other improvements upon a Lot, no trailer, motor home, boat, camper, truck or commercial vehicle shall be parked or kept on any Lot at any time unless housed in a garage. A Lot owner may park boats, campers and other recreational vehicles on a Lot, outside of a garage, for no more than twenty-four (24) hours during any seven-day period. Said vehicles may be parked in the vehicle and vessel storage area located at the Marina, if spare is available. No automobile or motorcycle shall be parked or kept on any Lot at any time unless located in a driveway or housed in a garage. No automobile which in inoperable shall be habitually or repeatedly parked or kept on any Lot or street except within an approved enclosed garage. No person shall engage in major car repairs either for himself or others at any time.

Section 6. Animals. No animals, including reptiles, livestock or poultry of any kind shall be

raised, bred or kept on any Lot except that dogs, cats or other household pets (meaning the domestic pets traditionally recognized as household pets in this geographic area) may be kept (not to exceed two animals per Owner) provided they are not kept, bred or maintained for any commercial or breeding purposes.

Section 7. Clotheslines, Garbage Cans, Tanks, etc. All garbage cans, above ground tanks, and other similar items shall be located or screened so as to be concealed from view of neighboring Lots, streets, and Property located adjacent to the Lot. All rubbish, trash and garbage shall be regularly removed from the Unit and shall not be allowed to accumulate thereon. No clotheslines shall be permitted on any Lot.

Section 8. Unsightly or Unkept Conditions. It shall be the responsibility of each Owner to prevent the development of any unclean, unhealthy, unsightly or unkept condition on his Lot. The pursuit of hobbies or other activities including specifically, without limiting the generality of the foregoing, the assembly and disassembly of motor vehicles and other mechanical devices which might tend to cause disorderly , unsightly or unkept conditions, shall not be pursued or undertaken on any part of the properties.

Section 9. Antennas. No exterior antennas, aerials, satellite dishes or other apparatus for the transmission of television, radio and/or reception of television, radio or other signals of any kind shall be placed, allowed or maintained upon any portion of the Property including any Lot, without the prior written consent of the Board or its designee. However, the 18 inch “mini dish” satellites are approved. The Developer and /or the Association shall have the right, without obligation, to erect an aerial, satellite dish, or other apparatus for a master antenna or cable system for the benefit of all or a portion of the Property should any such master system or systems be utilized by the Association and require any such exterior apparatus.

Section 10. Subdivision of Lot. No Lot shall be subdivided or its boundary lines changed except with the prior written approval of the Board of Directors. Developer, however, hereby expressly reserves the right to re-plat any Lot or Lots which it owns prior to conveyance by Developer. Any such division, boundary line change, or re-platting shall not be in violation of the applicable subdivision and/or zoning regulations.

Section 11. Pools. No above ground pool shall be erected, constructed or installed on any Lot.

Section 12. Tree Removal. No trees shall be removed from any portion of the Property by any person other that the Developer except with the prior written approval of the Developer.

Section 13. Sight Distance at Intersections. All Property located at street intersections shall be landscaped so as to permit safe sight across the street corners. No fence, wall, hedge, or shrub planting shall be placed or permitted to remain where it would create a traffic or sight problem.

Section 14. Energy Conservation Equipment. No solar energy collector panels or attendant hardware or other energy conservation equipment should be constructed or installed unless it is an integral and harmonious part of the architectural design of the structure as determined in the sole discretion of the Developer pursuant to Article VI hereof.

Section 15. Mailboxes. All mailboxes shall satisfy applicable postal regulations and shall conform to specifications established by the Developer. All mailboxes shall be of a type and design that is identical to that selected by the Developer.

Section 16. Lakes. All lakes, ponds and streams within the Property shall be aesthetic amenities only and no other use thereof including without limitation, swimming, boating, playing or use of personal flotation devises shall be permitted without written authorization of the Developer. Neither the Developer nor the Association shall be responsible for any loss, damage or injury to any

Person or property arising out of the authorized or unauthorized use of lakes, ponds or streams within the properties.

Section 17. Fences. No fences of any kind shall be permitted on any Lot except as approved in accordance with Article VI of this Declaration.

Section 18. Signs. House numbers and name plates of standard sizes determined by the Developer, and signs of the Developer located on the Common Areas or Lots of the Developer advertising the sale of Lots by the Developer shall be the only sign displayed on any lot.

Section 19. Construction Damages. Lot Owners shall repair at their own cost any damages caused to common areas, streets, utilities or other fixtures and improvements as a result of any construction activities upon or appurtenant to Lot Owner's lot.

ARTICLE VI

ARCHITECTURAL AND LANDSCAPE CONTROL

Section 1. Approval of Construction and Landscape Plans.

(a) No building, fence, wall or other structure including a detached garage shall be commenced, erected or maintained upon the Property, nor shall any addition to or change or alteration therein be made to the existing improvements or the existing landscaping on that portion of the Lot continued in the area between the building line and the street until the plans and specifications showing the nature, kind, shape, color, height, materials and location of same shall have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures, landscaping and topography by the Developer. After the Class B membership terminates and is converted to Class A membership as proved for in Article II, Section 2, hereof, the architectural control shall be vested in the Board of Directors or in an architectural committee composed of three

or more representatives appointed by the Board of Directors. In the event said Developer, Board of Directors or its designated committee, as the case may be, fails to approve or disapprove such design and location within sixty (60) days after said plans and specifications have been submitted to it, approval will not be required and this Article will be deemed to have been fully complied with. Prior to delivery of architectural control to the Board of Directors, Developer may vary the established building lines in its sole discretion where not in conflict with applicable zoning regulations.

(b) References to "structure" in this paragraph shall include any building (including a garage) fence, wall, antenna and microwave and other receivers and transmitters including those currently called satellite dishes.

(c) Developer contemplates that the residences to be constructed shall be of a traditional architectural character provide, however, in the sole discretion of the Developer other types of architectural designs may be approved if desirable, in the sole opinion of the Developer, in order to take advantage of unusual characteristics of a particular Lot brought about by slopes, location of trees or other unique characteristics. The Developer retains the sole right and authority in its discretion to approve or disapprove of the materials utilized in the construction of the improvements (references to improvements in this paragraph are intended to include without limitation the items specified hereinabove in subparagraph (b) and if there is any question as to the all inclusive nature of this covenant, the judgment of Developer in its sole discretion shall control). The roof pitch shall not be less than 8 on 12 unless specifically waived and approved by the Developer in writing. One complete set of the plans and specifications shall be retained by the Developer and the duplicate copy initialed by the Developer when approved shall be returned to the Owner.

(d) In addition to and without limitation on the covenants contained in the preceding subparagraphs, a plot plan shall be submitted in duplicate showing the location of each and every improvement proposed, showing the boundary of the Lot, all easements and building lines, floor level elevations, the location and dimensions of all buildings, accessory buildings or structures and any and every improvement and/or alteration to be made. If any trees are proposed to be removed, such removal shall be approved by the Developer as required by Article V, Section 12 hereinabove, and, if desirable in the opinion of the Developer, trees to be removed shall be relocated if reasonably feasible on other portions of the Lot.

(e) Prior to the installation of landscaping on any Lot, a Lot Owner must present a detailed plan and plat of the proposed landscaping to the Developer or his successor for approval. The Developer or his successor will take care to protect the scenic view of all Lot owners when reviewing and approving such plans and plats. All trees, shrubs and other vegetation shall not be allowed to exceed twenty (20) feet in height.

(f) Any proposed alterations to any of the improvements or additions thereto whether proposed to be made during the period of construction of after construction of the improvements shall be submitted to the Developer for approval on the same terms and conditions as herein imposed; provided, however, when the Class B membership terminates as set out in Article II, Section 2, the Board of Directors its designated committee shall have the authority to control future improvements or alterations on any of the Lots within the subdivision.

(g) If construction is not begun within one (1) year after approval of the plans by the Developer or its successor in authority, the approval shall automatically terminate.

(h) The Lot shall be finished, graded and seeded or otherwise planted or landscaped within

thirty (30) days after the completion of the main residence provided, however, this period may be extended if the sodding, seeding or planting cannot be accomplished because of inclement weather.

(i) The plans and specifications shall include all details of construction and materials including without limitation the color of the brick and/or paint to be used on the exterior, and the style of the roof shingles. Roof shingles for residences constructed on Grand Reserve Lots shall be a minimum of 300 pounds per square.

(j) All exterior building materials shall be predominantly brick, stone, cedar logs or a combination of the same, which materials shall extend to the ground level on all sides of the building; provided, however, that windows and doors shall be of standard material; and provided further that the Developer may approve other materials than those listed herein, if such approval is given in writing. Harmony among the residences in the Legacy Bay Subdivision is acknowledged as a goal of all parties.

(k) Construction of all dwellings and appurtenances must be complete within one (1) year of the commencement of construction.

Section 2. Exterior Maintenance. It shall be the duty of each Owner of Property to maintain his Unit and to keep the grass on the Lot properly cut, to keep the Lot free from weeds and trash, and to keep it otherwise neat and attractive in appearance. Should any Owner fail to do so, then in addition to maintenance upon Common area, the Association, upon approval by a majority of the Board of Directors, shall be authorized , but not obligated, to perform exterior maintenance upon each Lot and/or Unit which is subject to assessment hereunder as follows: Paint, repair, replace and care for roofs, gutter, down spouts, exterior building surfaces, trees, shrubs, grass, walks and other exterior improvements. In addition, upon the failure of any Lot Owner to comply with any condition

or requirement of Article V or this Article, for actions or failure to act arising prior to vesting of architectural control in the Board of Directors, the Developer may take such action as is necessary to comply therewith and the Owner on demand shall reimburse Developer for the expense incurred in so doing. For actions or failure to act arising after architectural control is turned over to the Board of Directors by the Developer as set forth in Article II all such enforcement provisions shall be vested in the Board of Directors who may, by a majority vote, authorize work to remedy the noncomplying conditions and add the cost of such work to the assessment to which the subject Lot is subject.

(a) Sewage Disposal System. The Sewage Disposal System of each lot, construction and maintenance, shall be the sole responsibility of the Lot Owner, and the same shall conform to all rules and regulations of the Tennessee Department of Health and Environment. However, if and when Developer or its designee, shall install a sewage collection and disposal system each Lot connected to said system and must install a watertight tank and pump approved by the utility operating the disposal system. The Developer reserves the right to require any and all lots to be connected to the sewer system, if installed.

Section 3. Setbacks, Building Lines, etc. The Lots shall be subject to all building lines, setbacks including side yard requirements, easements and all restrictions of record pertaining to the Property including those reflected on the Plat. No building line or setback including side yard requirements as reflected on the Plat shall be varied or modified without the prior written approval of the Developer.

ARTICLE VII

LAKE FRONT LOTS

Section 1. Acknowledgment. The Owners of Lake Front Lots hereby acknowledge, consent and agree to the design of the Legacy Bay Subdivision insofar as said Lots abut directly onto and

adjoin the Cherokee Lake and furthermore, acknowledge, consent and agree to the design and layout of Lake Front Lots. Said Owners of Lake Front Lots hereby indemnify and hold harmless Developer from any injury or damage which may be incurred by said Owner, Owner's family, guests, invitees, tenants, employees and servants as a result of the location of said Lake Front Lot adjacent to the Cherokee Lake. This indemnification shall include without limitation indemnification against all costs and expenses (including attorney fees, amounts of judgment paid and amounts paid in settlement) incurred in connection with any claim, action, suit, or proceeding whether civil, criminal, administrative or other. This acknowledgment and agreement however shall not authorize any negligent, willful or other unlawful act nor shall it permit any trespass on the Lake Front Lots.

ARTICLE VIII

CONDEMNATION

Whenever all or any part of the Common Area not located within the dedicated right-of-way shall be taken (or conveyed in lieu of and under threat of condemnation by the Board of Directors acting on the written direction of voting members representing at least two-thirds (2/3) of the total Association vote and the Developer, as long as the Developer owns any property described on Exhibit "A") by any authority having the power of condemnation or eminent domain, each Owner shall be entitled to notice thereof. The award made for such taking shall be payable to the Association as trustee for all Owners to be disbursed as follows:

If the taking involves a portion of the Common Area on which improvements have been constructed, then, unless within sixty (60) days after each taking the Developer, so long as the Developer owns any property described in Exhibit "A" of this Declaration, and voting members representing at least seventy-five (75%) percent of the total vote of the Association shall otherwise agree, the Association shall restore or replace such improvements so taken on the regaining land

included in the Common Area to the extent lands are available therefor, in accordance with plans approved by the Board of Directors of the Association. If such improvements are to be repaired or restored, the proceeds of the award shall be used to defray the cost of restoration or replacement. If the taking does not involve any improvements on the Common Area, or if there is a decision made not to repair or restore, or if there are net funds remaining after such restoration or replacement is completed, then such award or net funds shall be disbursed to the Association and used for such purposes as the Board of Directors shall determine.

ARTICLE IX

GENERAL PROVISIONS

Section 1. Enforcement. Enforcement of these restrictions shall be by proceeding of law or in equity brought by any Owner, by the Association or by Developer against any party violating or attempting to violate any covenant or restriction either to restrain violations, to direct restoration and/or to recover damages. Failure of any Owner, the Association, or Developer to demand or insist upon observance of any of these restrictions or to proceed for restraint of violation, shall not be deemed a waiver of any violation of the covenants, conditions and restrictions nor the right to seek enforcement of the same.

Section 2. Severability. Invalidation of any one of these covenants by judgment or court order shall in no way affect any of the other provisions which shall remain in full force and effect.

Section 3. Annexation of Additional Property. As the owner thereof, or if not the owner, with the consent of the owner thereof, Developer shall have the unilateral right, privilege, and option, from time to time at any time until all property described on Exhibit "B" has been subjected to this Declaration or January 1, 2010, whichever is earlier, to subject to the provisions of this Declaration and the jurisdiction of the Association all or any portion of the real property described in

Exhibit "B", attached hereto and by reference made a part hereof, whether in fee simple or leasehold, by filing in the public records of Hawkins County, Tennessee, an amendment annexing such Properties. Such subsequent amendment to this Declaration shall not require the consent of members or voting members. Any such annexation shall be effective upon the filing for record of such subsequent amendment unless otherwise provided therein. Developer shall have the unilateral right to transfer to any other Person the said right, privilege, and option to annex additional property which is herein reserved to Developer, provided that such transferee or assignee shall be the developer of at least a portion of the real property described in Exhibits "A" or "B" attached hereto and that such transfer is memorialized in a written, recorded instrument executed by the Developer.

Section 4. Restrictions Run with Land. These covenants and restrictions are to run with the land and shall be binding on all parties claiming under them for a period of thirty (30) years from the date this document is recorded after which time they shall be extended automatically for successive periods of ten (10) years. These restrictions may be canceled at any time by a written instruments signed by the Owners of seventy-five (75%) percent of the Lots in the Association and recorded in the Hawkins County Register of Deeds Office.

Section 5. Amendment. Prior to the conveyance of the first Lot, Developer may unilaterally amend this Declaration. After such conveyance, the Developer may amend this Declaration so long as it still owns property described in Exhibit "A" for development as part of the Property and so long as the amendment has no material adverse effect upon any right of any Owner; thereafter or otherwise, this Declaration may be amended only by the affirmative vote or written consent, or any combination thereof, of voting members representing sixty (60%) percent of the total votes of the Association. However, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

Any amendment must be recorded in the public records of Hawkins County.

If an Owner consents to any amendment to this Declaration or the By-Laws, it will be conclusively presumed that such Owner has the authority to so consent and no contrary provision in any mortgage or contract between the Owner and a third party will affect the validity of such amendment.

No amendment may remove, revoke, or modify any right or privilege of Developer without the written consent of Developer or the assignee of such right or privilege.

Section 6. Easements of Encroachment. There shall be reciprocal appurtenant easements of encroachment as between each Lot and such portion or portions of the Common Area adjacent thereto or as between adjacent Lots due to the unintentional placement or settling or shifting of the improvements constructed, reconstructed, or altered thereon (in accordance with the terms of these restrictions) to a distance of not more than one (1) foot, as measured from any point on the common boundary between each Lot and the adjacent portion of the Common Area or as between each Lot and the adjacent portion of the Common Area or as between said adjacent Lots, as the case may be, along a line perpendicular to such boundary at such point; provided, however, in no event shall an easement for encroachment exist if such encroachment occurred due to willful and knowing conduct on the part of an Owner, tenant, or the Association.

Section 7. Easements for Utilities, Etc. There is hereby reserved unto Developer and its designees, so long as any of the foregoing own any property described on Exhibit "A", and to the Association and its designees, (which include, without limitation, Hawkins County, Tennessee, and any utility) blanket easements upon, across, over, and under all of the Common Area and, to the extent shown on any plat, over the Lots for ingress, egress, installation, replacing, repairing, and maintaining cable television systems, master television antenna systems, security, and similar

systems, walkways, and all utilities, including, but not limited to, water, sewers, meter boxes, telephones, gas and electricity.

Notwithstanding anything to the contrary contained in this section, no sewers, electrical lines, water lines, or other utilities may be installed or relocated on said Property, except as may be approved by the Association's Board of Directors or as provided by Developer. Should any entity furnishing a service covered by the general easement therein provided request a specific easement by separate recordable document, the Board of Directors shall have the right to grant such easement on said Property without conflicting with the terms hereof. The easements provided for in this Article shall in no way adversely affect any other recorded easement on the Property.

Section 8. Right of Entry. The Association shall have the right, but not the obligation, to enter into any Lot for emergency, security, and safety, which right may be exercised by the Board of Directors, officers, agents, employees, managers, and all policemen, firemen, ambulance personnel and similar emergency personnel in the performance of their respective duties. Except in an emergency situation, entry shall only be during reasonable hours and after notice to the Owner. This right of entry shall include the right of the Association to enter a Lot to cure any condition which may increase the possibility of a fire or other hazard in the event an Owner fails or refuses to cure the condition upon request by the Board of Directors and shall also include the right to enter upon the land comprising any Lot for the purpose of inspecting for compliance with the requirements of Article VI.

Section 9. Perpetuities. If any of the covenants, conditions, restrictions, or other provisions of this Declaration shall be unlawful, void or voidable for violation of the rule against perpetuities, then such provisions shall continue only until twenty-one (21) years after the death of the last survivor of the now living descendants of Elizabeth II, Queen of England.

Section 10. Amendments to Articles and By-Laws. Nothing in this Declaration shall limit the right of the Association to amend from time to time its Articles and By-Laws.

Section 11. Non-liability of the Directors and Officers. Neither Developer nor the directors or officers of the Association shall be personally liable to the Owners for any mistake or judgment or for any other acts or omissions of any nature whatsoever while acting in their official capacity except for any acts or omissions found by a court to constitute gross negligent or actual fraud. The Owners shall indemnify and hold harmless each of the directors and officers and their respective heirs, executors, administrators, successors and assignees in accordance with the By-Laws. The indemnification shall include without limitation indemnification against all costs and expenses (including attorney fees, amounts of judgment paid and amounts paid in settlement) incurred in connection with any claim, action, suit or proceeding whether civil, criminal, administrative or other.

Section 12. Board's Determination Binding. In the event of any dispute or disagreement between any Owners relating to the Property or any questions of interpretation or application of the provisions of this Declaration or the By-Laws, the determination thereof by the Board of Directors shall be final and binding on each and all of such Owners.

ARTICLE X

DEVELOPER'S RIGHTS

Any or all of the special rights and obligations of the Developer may be transferred to other Persons, provided that the transfer shall not reduce an obligation nor enlarge a right beyond that contained herein, and provided further, no such transfer shall be effective unless it is in a written instrument signed by the Developer and duly recorded in the public records of Hawkins County, Tennessee.

Notwithstanding any provisions contained in this Declaration, the By-Laws, Articles of

Incorporation, use restrictions, rules and regulations, design guidelines, and any amendments thereto, so long as construction and initial sale of Lots shall continue, it shall be expressly permissible for Developer and any builder or developer approved by Developer to maintain and carry on upon such portion of the Property as Developer may deem necessary, such facilities and activities as, in the sole opinion of Developer, may be reasonable required, convenient, or incidental to Developer's, and such builder's or developer's development, construction and sales activities related to the Property and any builder or developer approved by Developer.

LAKE DEVELOPERS PARTNERSHIP, a
Tennessee General Partnership

Lake Developers, LLC

By: _____
Terry Coleman, Member
Title: General Partner

STATE OF _____
COUNTY OF _____

Before me, _____, a Notary Public of the state and county aforesaid, personally appeared, _____, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and whom, upon oath, acknowledged himself to be a Partner, of _____, the within named bargainor, a corporation, and that he, as such Partner, being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as Partner.

WITNESS my hand and official seal at office, this _____ day of _____, _____.

_____
NOTARY PUBLIC

My Commission Expires: _____