

Mountain Shadows Resort Homeowners' Association

Policy Manual (Rules and Regulations)

The Mountain Shadows Resort Homeowners' Association (MSRHOA) policy manual is approved by the Board of Directors (BOD), however, the policies presented in the manual are from three sources: (1) Declaration of Covenants, Conditions, Restrictions and Easements for Mountain Shadows Resort, LLC dated May 10, 1996; (2) Bylaws of MSRHOA adopted by the Directors of MSRHOA and certified on September 20, 1996 and (3) Policy statements approved by vote of the BOD of MSRHOA and documented in BOD minutes.

Per the bylaws the BOD of MSRHOA shall manage the property and business of the association. The powers of the BOD are presented in Article 2 of the bylaws. As of the annual meeting of the MSRHOA on March 7, 2015, the number of directors of the BOD was set at a maximum of 12. The bylaws also cover annual meeting scheduling and notification, voting, roles of officers, records, budgeting issues and assessments as well as other operational issues of the MSRHOA.

The following rules, regulations and policy statements currently are in place for the MSRHOA:

1. The MSRHOA shall be responsible for management and control of the common properties. The BOD shall be authorized to hire a MSR general manager responsible for day-to-day operations.
2. The BOD shall prepare an annual budget estimating net cash flow requirements and the assessments to be charged each unit owner.
The BOD shall prepare an annual budget (Third Quarter BOD Meeting) estimating net cash flow requirements and the assessments to be charged each unit owner.
3. A Landscaping Committee is appointed by the BOD to maintain the appearance of the resort and grounds. The committee shall make annual inspections of properties and make recommendations to owners for improvements.
4. A Resort Standards Committee (RSC) appointed by the BOD shall address cabin unit maintenance and appearance. If after proper notification in writing a homeowner does not perform an obligation to address a cabin unit maintenance or appearance issue a default assessment may be imposed against the owner's home site by the BOD. A default assessment may also be imposed if the HOA has incurred an expense on behalf of the owner in addressing a maintenance or appearance issue.
5. The BOD has the authority to assess all homeowners for costs incurred for legal fees for litigation not covered by MSRHOA insurance.
6. MSRHOA shall maintain a comprehensive liability insurance policy insuring MSRHOA and its members for all liabilities associated with common properties. MSRHOA shall also maintain fidelity insurance to protect against dishonest acts of the BOD, managers, employees or all others handling funds of MSRHOA. The BOD shall review for adequate coverage all insurance policies for property and facilities as well as all liability insurance on an annual basis at its second quarter BOD meeting.
7. The BOD serves in a voluntary role and receives no compensation except for the President who receives credit for monthly dues on one unit per month for each month served as President.
8. All checks written on MSRHOA accounts require two signatures. The BOD approves a list of persons authorized to sign on the MSRHOA account.
9. MSRHOA requires BOD members, management or entities providing services to the MSRHOA to present receipts and times of service when requesting payment.

10. All homeowners who are renting unit(s) are required to inform the MSHROA of the rental company used. Homeowners must ensure that rental companies and cleaning companies are in compliance with MSRHOA rules and covenants.
11. Homeowners are also responsible for the repair and maintenance of their parking areas.
12. Monthly dues and assessments charged to current owners of unimproved properties shall be at a rate of 20% of the rate charged on improved properties. When current owners of unimproved properties sell to new owners the rate will increase to 33 1/3% of the rate charged on improved properties as long as the property remains unimproved.
13. Homeowners must advise MSRHOA when a cabin or lot is for sale. All water bills and MSHRA dues must be paid in full before owners can assume water service.
14. Payment for water and MSRHOA dues must be postmarked if sent by mail or received by the statement due date. If payment is not postmarked or received by the statement due date, a late fee and service charge will be added to the next bill and water is subject to disconnection. There will be a \$150 reconnection fee added to the balance that must be paid before water is restored. Failure to receive a bill does not relieve homeowner of the obligation to pay.
15. Residential units shall be used only for residential purposes.
16. Owners or guests shall not use their premises in any manner which is disturbing or being a nuisance to other owners or guests.
17. Use of units shall be consistent with MSRHOA bylaws, City of Gatlinburg ordinances and the laws of the State of Tennessee.
18. Units may not be used for business or commercial purposes except for business operations required to maintain operations of the resort.
19. Common properties and elements shall not be obstructed, defaced or misused.
20. A Design Review Committee (DRC) appointed by the BOD shall review and approve all structural changes or alterations made to any unit.
21. No animals, livestock or poultry of any kind shall be kept, raised or bred on the property.
22. No household pets shall be raised or bred on the property. Any pet permitted on the property shall be under leash at all times and dog walkers are required to carry clean-up bags.
23. There shall be no burning of refuse out of doors. Any open burning anywhere within the boundaries of MSR is prohibited and a fine of no less than \$500 will be assessed to any owner who does, hires someone or knowingly allows a guest to open burn. The only exceptions permitted are stipulated in section 8.20 of the Declarations of Covenants.
24. Gas grills on decks must comply with the Gatlinburg Fire Code as inspected each year. No charcoal burners or other open-flame cooking devices are allowed in the resort except for the permanent charcoal grills installed at the pavilion. A fine of no less than \$500 will be assessed for each violation.
25. No trash, garbage or other refuse shall be left on decks, on side of cabins or anywhere in the resort that is not in an animal proof container. Nor shall any trash, garbage or other refuse be dumped on any land or area within the resort. Any outdoor receptacles shall be screened from public view, be animal proof, and be preapproved by BOD. A fine of no less than \$50 per day will be assessed for violations. Additional charges for clean-up may apply.
26. Removing any rock, plant material, top soil or similar items from common property is prohibited.
27. Clear cutting, cutting of individual trees and topping of trees from any home or common area is prohibited. For such actions, the BOD will assess a fine of no less than \$2500 per tree. The BOD must approve limited exceptions in advance such exceptions shall be presented to the MSR general manager for appropriate handling. The cutting or removal of any plants or seedlings on MSRHOA common areas is prohibited. Violators

will be assessed a fine considered appropriate by the BOD and generally equivalent to the cost of plant replacement.

28. Landscaping plans for new construction and major changes in landscaping of existing properties must be submitted to the Landscaping committee for approval. Follow up inspections will also be done. The cost incurred from landscaping changes on existing properties approved by the landscaping committee shall be reviewed by the BOD. A determination will be made on who covers such cost (the homeowner, HOA or both). Any plant life removal for any new construction must be submitted to the DRC. The lot owner is responsible for any damage to or removal of any plants by any contractor or persons they have contracted to work on their cabin or lot. Maintenance of landscaping on existing cabins may be approved and overseen by the MSR general manager. When there is a conflict of interest for a DRC member, the President will replace that DRC member with a member of the HOA for review of that decision.
29. Each unit will have a common sign in design and post color, purchased by the HOA with name of the cabin and address installed. At the owner's option the sign can also include a phone number or a website address. No other signs of any kind, including but not limited to, FOR SALE or FOR RENT signs shall be displayed in the public view on any portion of the property except those signs approved by the standards committee (such as "no smoking" or "camera security") or signs required by law. Such signage exceptions cannot be larger than 12 x 12 inches.
30. Each contractor or homeowner purchases the type of water meter the HOA requires and installs at the turn-off connection in the water meter box in front of the property. The homeowner is permitted to run water/sewer lines underneath HOA property to the homeowner's cabin. If a water meter must be replaced the HOA will do it at no cost to the homeowner. Water leaks that occur after the water goes through the water meter are the responsibility of the homeowner. If there is a substantial loss of water/sewer that has been charged to the homeowner, the HOA will adjust the bill to the actual amount that it has to pay the City of Gatlinburg for the water/sewer. If the amount to be paid is significant and it can be shown that the water did not go through the sewer system the HOA will take the bill to the City and ask for an adjustment. Any credit by the City to the HOA will be given to the homeowner as a credit on the next monthly statement.
31. MSR's overflow parking area is designated for guests to help prevent overcrowded parking in high-density areas. This area is reserved for rental guests and owners and requires a temporary parking permit issued by the General Manager. Any non-permitted parking will be assessed a fine of no less than \$50 per day.
32. The following policy will be followed for new construction:

Once the owner of a lot in Mountain Shadows Resort has the deed registered in his or her name at the Sevier County Courthouse and decides to build:

1. The owner is required to obtain a blue print of a house that will fit inside the footprint on the resort map and allow for the parking required by the City Building Code. The maximum number of bedrooms is determined by the number of parking spaces that can be reasonably placed off the road at the building site. All colors of exterior stains and trims on the cabin must be submitted with the building plans. These building plans will be submitted to the Design & Review Committee for their approval. In the event that parts of the cabin were not finished, the building plans for the completed cabin go with the property even if the property is sold. Any deviation from the original plans must be approved by the DRC.

2. Once the plans are approved by the DRC, the owner will give the HOA \$3,000 for the required road deposit. Two thousand of this money will be refunded to the owner (at the end of construction) provided that the requirements listed below are met. If it is necessary for the HOA

to spend monies to finish the paving, landscaping, or cleaning up around the construction site, these expenses will be deducted from the refundable deposit. The Owner/Builder can then take the plans with the approval letter from the DRC to the City of Gatlinburg Building Inspector 's office for their approval.

3. If a lot owner fails to pay the \$3,000 construction fee and road damage deposit prior to the beginning of construction the DRC may file a lien against the owner for the amount owed plus penalties, withdraw any prior approval given or any other remedies at law or in equity. If the fee has not been paid within 15 days of construction commencement the non-refundable amount shall be decreased to \$2,000. The non-refundable amount will decrease at \$500 increments every thirty days until the fee has been paid in full.

4. After the City Building Inspector has issued a building permit, the Owner/Builder will then have the lot surveyed and corner pins put in place in order to show where the cabin will be built. Once the corner pins are in place, the Owner /Builder will schedule a time to meet the DRC members at the property. The DRC will approve the trees inside the footprint to be cut down and removed. The DRC will evaluate any other trees that might need to be removed on an individual basis. Any other trees that are cut down without approval of the DRC will be subject to the \$2,500 per tree penalty. With the DRC approval the Owner/Builder may move and relocate the footprint of the cabin to accommodate the topography of the land or to avoid disturbance of trees, rocks and other things having esthetic value. This can be done by filing an amended plat designated by an "R" on the map.

5. During Construction it is the responsibility of the Owner/Builder to make sure the premises around the building site are kept clean and to remove any excess dirt or rocks that might get on the roads. The area around the building site must be taped off to allow for a reasonable construction site. If any damage is done outside this boundary, the owner will be appropriately fined and charged for the cost of repairs. Any trees that must be cut down that will fall on property outside the boundary, must be chunked down from the top. Concrete trucks are to be limited to 5½ yards. The builder must verify with the General Manager the delivery times, so the weight limit can be verified by the invoice. All retaining walls must be masonry (no railroad ties allowed), and approved by the DRC.

6. The DRC (at their sole discretion) shall have the full and complete authority to deny building plans, if the plans do not represent community wide standards. The DRC reserves the right to restrict or ban contractors and sub-contractors from the property, if they are in violation of the rules and regulations.

7. The Owner/Builder is responsible for purchasing and installing the first water meter and cradle and hooking it up to the HOA water line. The HOA is responsible for future water meter replacements and repairing any leaks on the street side of the meter. The owner is responsible for repair of any leaks on the house side of the meter.

8. The Owner/Builder is responsible for paving the parking areas and doing the initial landscaping that meets the approval of the DRC and the Landscaping Committee. Landscaping includes sewing grass seeds and spreading straw, planting an adequate number of bushes and flowers. This landscaping also includes doing those things necessary to prevent erosion of the soil on the property. If river rock is used in the landscaping, the Owner/Builder will put it in the places needed and approved by the Landscaping Committee. At such time as the DRC and Landscaping Committee approve the landscaping, the HOA will assume the responsibility of taking care of the property outside the foot print of the cabin. It needs to be understood (by all parties) that our resort was designed to be as close to nature as possible. Natural and existing drainage structures can not be changed without the approval of the DRC. If a roadside ditch

exists where the parking area is planned, the Owner/Builder is responsible for installing a culvert or making a depression so that storm waters do not flow into the roadway.

9. The HOA is responsible for purchasing a sign and installing it on a 4 x 4 post in front of the cabin. This sign will contain the name of the cabin (selected by the owner) and its street number. It is a MSR rule that these signs be uniform in front of all cabins to assist the guests of our resort in finding their cabins.

10. Once the Owner/Builder notifies the DRC that the construction of the cabin is complete, the parking areas paved, landscaping properly installed, and preventive measures done to eliminate future erosion, members of the DRC and Landscaping Committee will inspect the property. If no road damage has been done and the other requirements are met, the balance of the \$2,000 refundable deposit will be returned to the Owner. If the DRC has had to spend monies to complete the requirements of the Owner/Builder above, that amount will be deducted from the \$2,000 and any additional amounts collected from the Owner.

Acronyms

MSRHOA	Mountain Shadows Resort Homeowners' Association
BOD	Board of Directors
RSC	Resort Standards Committee
DRC	Design Review Committee

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