

STATE OF TENNESSEE )  
)  
COUNTY OF UNION )

DECLARATION OF COVENANTS, CONDITIONS,  
RESTRICTIONS AND EASEMENTS FOR  
SUNSET BAY

This Declaration of Covenants, Conditions, Restrictions and Easements for Sunset Bay, Phase I is made this \_\_\_\_\_ day of \_\_\_\_\_, 2002, by Sunset Bay, LLC a Limited Liability Company (hereinafter referred to as the "Declarant").

**WITNESSETH:**

WHEREAS, the Declarant owns or will own certain real property located in the County of Union, State of Tennessee being delineated as SUNSET BAY, PHASE I, PHASE II and PHASE III (hereinafter referred to as the "Property"), which is more fully described in Exhibit "A" attached hereto and incorporated herein by this reference and Declarant intends to develop said property as a residential and recreational community; and

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

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

**ARTICLE I  
IMPOSITION OF COVENANTS AND  
STATEMENT OF PURPOSE**

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

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

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

## ARTICLE II DEFINITIONS

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

Section 2.01 "Absentee Ballot" shall mean and refer to the form approved by the Board and presented to every Member as set forth in accordance with these Covenants. An Absentee Ballot shall be the only form of proxy. Absentee Ballots shall only be accepted by the Secretary of the Association from the Member submitting the ballot. At no time may an Absentee Ballot give to one Member the right to vote for any other Member.

Section 2.02 "Architectural Guidelines" shall mean and refer to the guidelines and rules established and supplemented from time to time by the Architectural Review Committee and approved by the Board.

Section 2.03 "Architectural Review Committee" or "ARC" shall mean and refer to the committee formed pursuant to Article VI below to maintain the quality and architectural harmony of improvements in Sunset Bay.

2.03.1 Architectural Review Committee Liaison or ARC Liaison shall mean an elected Officer of the Association as provided in subsection (d) of Section 3.02, who is also a member of the ARC and communicates pertinent information between the Officers and the ARC to facilitate policy or actions.

2.03.2 Approved Builders shall mean and refer to a licensed general contractor in the State of Tennessee holding adequate Workman's Compensation and Liability Insurance as required by ARC. Furthermore, they shall not have been removed from the Sunset Bay Approved Builders list for ARC infractions. In no case, does Declarant, Sunset Bay Owners Association or their agents accept any liability for the workmanship of these builders.

Section 2.04 "Articles" shall mean and refer to the Articles of Incorporation of the Association, which have been filed with the Secretary of State of Tennessee to create the Association.

Section 2.05 "Assessments" shall mean and refer to annual, special, and default Assessments levied pursuant to Article IV below to meet the estimated cash requirements of the Association.

Section 2.06 "Association" shall mean and refer to the Sunset Bay Owners Association, Inc., a non-profit corporation, or any successor of the Association by whatever name, charged with the duties and obligations set forth in these Covenants.

Section 2.07 "Building" shall mean and refer to any one or more structures constructed on a Lot or Tract.

Section 2.08 "Building site" shall mean and refer to the area within a Lot where a Building or other improvements shall be located, always subject to the prior written approval of the ARC.

Section 2.09 "By-Laws" shall mean and refer to the By-Laws of the Association which establish the methods and procedures of its operation.

Section 2.10 Community Facilities shall mean and refer to amenities and equipment granted to Sunset Bay Owners' Association by the Developer and all future improvements added by the Association on common grounds including but not limited to, Community Meeting Center, Store, Pool, Tennis Court, etc...

Section 2.11 "Covenants" shall mean and refer to this Declaration of Covenants, Conditions, Restrictions, and Easements for Sunset Bay, as and if amended.

Section 2.12 "Declarant" shall mean and refer to Sunset Bay, LLC, a Delaware Limited Liability Company, and its successors and assigns.

Section 2.13 "Developer" shall mean and refer to Sunset Bay, LLC and /or its subsidiaries.

Section 2.14 "Interior Lot" shall mean and refer to any lot not touching or containing land at the 1044' elevation.

Section 2.15 "Lot" shall mean and refer to a parcel of land designated as a lot on any Plat of Sunset Bay.

Section 2.16 "Maintenance Fund" shall mean and refer to the fund created by Assessments and fees levied pursuant to Article IV below to provide the Association with the funds required to carry out its duties under these Covenants.

Section 2.17 "Member" shall mean and refer to any person or entity holding Membership in the Association.

Section 2.18 "Membership" shall mean and refer to the rights and responsibilities of every Owner of any Lot in Sunset Bay. Every Owner by virtue of being an owner and only as long as he or she is an Owner, shall retain their Membership in the Association. The Membership may not be separated from ownership of any Lot. Regardless of the number of individuals holding legal title to a Lot, no more than one Membership shall be allowed per Lot owned. However, all individuals owning such Lot shall be entitled to the rights of Membership and the use and enjoyment appurtenant to such ownership, but if the number of individual owners exceeds four (4), the Sunset Bay Owners Association, by its Directors, may limit these rights as they see fit.

Section 2.19 "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of fee simple title to any Lot, but shall not mean or refer to any person or entity who holds such interest merely as security for the performance of a debt or other obligation, including a Mortgage, unless and until such person or entity has acquired fee simple title pursuant to foreclosure or other proceeding.

Section 2.20 "Plat" shall mean and refer to any plat (or as built survey) depicting the Property filed in the RMC Office for Union County, Tennessee, as such plat may be amended from time to time.

Section 2.21 "Supplemental Covenants" shall mean and refer to additional or further restrictive covenants imposed on a portion or portions of the Property from time to time.

Section 2.22 "Sunset Bay" shall mean and refer to the planned community created by these Covenants, consisting of the Property and all of the Improvements located on the Property.

Section 2.23 "Sunset Bay Documents" shall mean and refer to the basic documents creating and governing Sunset Bay, including but not limited to these Covenants, the Articles of and By-Laws of the Association, the Architectural Guidelines and any procedures, rules, regulations or policies adopted under such documents by the Association or the Architectural Review Committee.

Section 2.24 "Sunset Bay Rules" shall mean and refer to the rules adopted by the Association as provided in Section 3.06 below.

Section 2.25 "Voting Unit" shall mean and refer to any one of the interests in the Property designated in Section 3.02 below to which a right to vote in Association matters is allocated.

Section 2.26 "Marina" shall mean and refer to the Sunset Bay Marina Facility as shown and designated as such on the master plan, which is owned by Developer and is not part of the Property.

Section 2.27 "Manager" shall mean and refer to an individual who may be employed or render services pursuant to Section 3.07.

Section 2.28 "Waterfront Lot" shall mean and refer to any individual single family residential lot within the Sunset Bay Subdivision that touches on or contained land at the 1044' elevation.

### ARTICLE III THE ASSOCIATION

Section 3.01 Developer as The Association. Until such time as ninety-five percent (95%) of the lots in Sunset Bay Subdivision, are deeded to individual lot purchasers, and the Association is operative, the Developer at its sole discretion, shall act and have the authority to act as the Owners Association and have such rights and such obligations as are created herein.

Section 3.02 Voting Rights. Every Owner by virtue of being an Owner and only as long as he or she is an owner, shall be a Member of the Association.

(a) Vote: Each member shall have one vote, in person or by proxy at a meeting of the Members; provided, however, that if two or more Members have or hold common or joint ownership to any Lot in the Sunset Bay Subdivision, only one vote shall be cast for each Lot with common or joint ownership, and further provided that or if an individual or organization owns more than one (1) Lot they shall have one (1) vote for each Lot owned. The designation of any absentee ballot shall be made in writing to the Secretary of the Association, and shall be revocable at any time by written notice to the Secretary, by the Member or Members so designated.

(b) Government: Board of Directors. Because the number of Lots in this subdivision restricts the maximum number of Members in the Association, it is hereby provided that the officers of the Association shall also serve as its Board of Directors.

Officers: The Officers of the Association shall consist of a President, Vice-President, Secretary, Treasurer, and an ARC Liaison and they shall be elected as provided in subsection (d) of this Section 3.02.

The officers of the Association must be Members of the Association and shall be elected at the annual meeting of the Members of the Association. The term of each officer shall be for two (2) years, except the initial term of the President and Vice-President will be for one (1) year terms to create an alternating Board.

(c) Meetings. Annual meeting of Members. The annual meeting of Members of the Association shall be held at a time and place fixed by the officers of the Association. Notice of the time and place of holding the annual meeting shall be mailed to each Member not less than ten (10) nor more than fifty (50) days before the date of the meeting. Regular annual meetings of the Association shall be held on either the Saturday or the Sunday of the second weekend of October at an hour and location set by the Board of Directors.

Special meeting of the Association. The President may call special meetings of the association. In addition, the President shall call a special meeting of the association when directed by majority vote of the Board of Directors, or when requested by a petition signed by at least ten percent (10%) of the Members of the Association. Notice of a special meeting shall be mailed to each Member not less than ten nor more than fifty (50) days before the date of the meeting, and at such special meeting there shall only be considered such business as is specified in the notice of meeting.

Quorum for Members of meeting. At all meetings of the Association, either annual or special, a majority of all Members present or voting by absentee ballot shall constitute a quorum.

Order of Business. At all meetings of the Association, the agenda of business shall be as follows:

- a. Reading of minutes of immediately prior meeting for information and approval;
- b. Reports of Officers;
- c. Reports of Committees;
- d. Unfinished Business;
- e. New Business;
- f. Reading and approval of minutes of meeting just had, if requested.

Actions. Unless otherwise provided for herein or by special vote of the Association, a majority vote of those Members present when a vote is taken will be sufficient to transact the Association business.

Location. Meetings of the Association shall be held at a suitable place convenient to the Members and such place shall be specified in the notice of the meeting.

(d) Elections. The term of an officer of the of the Association shall be two years (2) and they shall be elected by plurality vote of the Members present and voting by absentee ballot at the annual meeting of the Association. No Member may serve as an officer in the same office more than two (2) consecutive terms.

Vacancies. If a vacancy occurs among the officers, the Board of Directors shall fill said vacancy for the remainder of said officer's term.

Removal. Any officer may be removed from office for cause, by the vote of Members of the Association constituting three-fourths (3/4) of the Members of the Association present or by absentee ballot at a regular or special meeting of the Association.

Section 3.03 Duties of Officers. President. The President shall preside at all meetings of the Association and shall appoint such committees, as he/she or the Association shall consider expedient or necessary.

Vice-President. In the absence of the President, the Vice-President shall perform his/her duties. The Vice-President shall also generally assist the President and exercise such other powers and perform such other duties as shall be prescribed by the Association.

Secretary. The Secretary shall keep the minutes of all meetings of the Association and shall, if requested, read such minutes at the close of each meeting for approval; and shall mail out all notices for meetings of the Association. He/she shall perform such other duties as may be required of him by the By-Law, and the President or the Association.

Treasurer. The Treasurer shall have charge of all receipts and monies of the Association, deposit them in the name of the Association in a bank approved by the Association, and disburse funds as ordered or authorized by the Association. He/she shall keep regular accounts of his/her receipts and disbursements, submit his record when requested and give an itemized statement at regular meetings of the Association. He/she, or the President or Vice-President, may sign checks and withdrawal slips on behalf of the Association upon any and all of its bank accounts. He/she shall be authorized to sign checks and withdraw funds from Association accounts on behalf of the Association in an amount approved by the Association at its first meeting.

ARC Liaison. The ARC Liaison shall have charge of all communication and dissemination of policy or actions required between the Officers of the Association and the ARC.

Execution of Instruments. The President and the Secretary or the Treasurer, shall, on being so directed by the Association, sign on behalf of the Association all leases, contracts, or other instruments in writing.

Section 3.04 Management of Association. The Officers of the Association acting in the form of a Board of Directors shall have general charge and management of the affairs, funds and property of the Association. Said Board of Directors shall have full power, and it shall be the duty to carry out the purposes of the Association according to its Articles of Incorporation and By-Laws. The Board of Directors shall have authority to approve expenditures on behalf of the Association in an amount to be approved by the Association at its first meeting.

The Board of Directors may make reasonable rules for the conduct of the Members and their guests for the use of Association's property and facilities not provided for herein or in the By-Laws or the individual deeds by Declarant for Lots in the Sunset Bay Subdivision.

The Board of Directors, at their discretion, shall set times and days for their meetings as agreed by a majority of the Board. There shall be no need for formal written notice of the meeting but rather, it will be left to the President of the Association, who shall serve as the Chairman of the Board of Directors, to schedule meetings of the Board when necessary.

Section 3.05 Compliance with Documents. Each owner shall abide by and benefit from these Covenants, the Associations By-Laws and the Sunset Bay Documents.

Section 3.05.01 Fines. A schedule of fines for infractions of these Restrictions, the By-Laws of Sunset Bay or any Sunset Bay Document, shall be available to each Member of the Association for the cost of copying such documents. A summary of any change in the Sunset Bay Rules shall be distributed to each Member within a reasonable time following the effective date of the change.

Section 3.06 Rules and Regulations. The Association, from time to time and subject to the Sunset Bay Documents, may adopt, amend and repeal rules and regulations, to be known as the "Sunset Bay Rules".

Section 3.07 Manager. The Association may employ or contract for the services of a Manager, provided that no such employment shall be by a contract having a term of more than three (3) years, and each such contract shall be subject to cancellation by the Association upon ninety (90) days or less prior notice without cause and without payment of a termination fee. The Manager shall not have the authority to make expenditures for additions or improvements chargeable against the Maintenance Fund except upon specific prior approval and direction by the Board. The Board shall not be liable for any omission or improper exercise by a Manager of any such duty, power or function so delegated by written instrument executed by or on behalf of the Board.

Section 3.08 Ownership of Personal and Real Property for Common Use. The Association, through action of its Board, may acquire, hold and dispose of tangible and intangible personal property and real property. The Board, acting on behalf of the Association, may accept any real or personal property, leasehold or other property interest within Sunset Bay conveyed to the Association.

Section 3.09 Roads and Streets. The Association shall own and be responsible for the maintenance of the private roads within Sunset Bay common areas. Such maintenance will include periodic maintenance of the surface and shoulders of the roads and regular mowing, snow, ice and trash removal. Private driveways located on the Property shall be maintained by the Owners of the Lots on which they are located and serve. The Association shall cooperate with the applicable traffic and fire control officials to post public and private drives, roads and streets with traffic control, fire lanes and parking regulation signs. All roads not dedicated to the general public and accepted by the County of Union shall be designated as "privately maintained roads" on a plat of survey recorded in the RMC Office for Union County. All roads so designated and dedicated as "privately maintained roads" in common areas shall be maintained by the Association. All roads so designated and dedicated as privately maintained roads acting as driveways for individual lot owner shall be maintained by those Lot owners served by said road.

Section 3.10 Association Records. Upon written request to the Association by any Owner of a lot or any, Mortgagee, or guarantor of a first mortgage on any Lot, or the insurer of improvements on any Lot the Association shall make available for inspection current copies of the Association's documents, books, records and financial statements. The Association shall also make available to prospective purchasers current copies of the Association's documents, including rules governing the use of lots and the most recent annual financial statement, if such is prepared. "Available" as used herein shall mean available for inspection, upon written request, during normal business hours.

Section 3.11 Successor to Declarant. The Association shall succeed to all of the rights, duties and responsibilities of the Developer under these Covenants. The Association may delegate any of such rights, duties or responsibilities to the ARC or to any other committee or entity, which it may choose to form.

Section 3.12 Access to houses for Maintenance, Repair and Emergencies. Declarant, its successors and assigns, should the Board of Directors fail to act, shall have the irrevocable right to have access to each Lot and the house or dwelling on each Lot, from time to time during reasonable hours as may be necessary, for the maintenance of any Lot or the Maintenance, repair or replacement of any structure on the Lot. Such right of access shall be immediate for the making of emergency repairs thereon or therein in order to prevent property damage or personal injury. All damaged Lots shall be timely restored to substantially the same condition in which they existed prior to the damage. All maintenance, repairs or replacements pertaining to any Lot or any structure thereon shall be the expense of the owner thereof. These Covenants establish no duty upon the Association, the Board or Declarant to maintain, repair or replace any Lot or any structure thereon, and this Section 3.12 vests no rights in Owners or any other person as against the Board, the Association or Declarant.

#### ARTICLE IV COVENANT FOR MAINTENANCE ASSESSMENTS

Section 4.01 Creation of the Lien and Personal Obligation for Assessments. Each Owner of any Lot, by acceptance of a deed therefor, whether or not it shall be so expressed in any such deed, is deemed to covenant and agree to pay to the Association: (1) Annual Assessments or charges as provided in these Covenants for the purpose of funding the Maintenance Fund; (2) special Assessments for capital improvements and other purposes as stated in these Covenants, such annual and special Assessments to be fixed, established and collected from time to time as provided below; and (3) default Assessments which may be assessed against an Owner's Lot pursuant to the Sunset Bay Documents for failure to perform an obligation under the Sunset Bay Documents or because the Association or Declarant has incurred an expense on behalf of the Owner under the Sunset Bay

Documents. The annual, special and default Assessments, together with interest, costs and reasonable attorneys' fees, shall be a charge on the land and shall be a continuing lien upon the Lot against which each such Assessment is made until paid. Each such Assessment, together with interest, costs and reasonable attorneys, fees, shall also be the personal obligation of the Owner of such Lot at the time when the Assessment fell due.

Section 4.02 Default Assessments. All monetary fines assessed against an owner pursuant to the Sunset Bay Documents, or any expense of the Association which is the obligation of an Owner or which is incurred by the Association or Declarant on behalf of the owner pursuant to the Sunset Bay Documents, shall be a default Assessment and shall become a lien against such owner's Lot which may be foreclosed or otherwise collected as provided in these Covenants. Notice of the amount and due date of such default Assessment shall be sent to the owner subject to such Assessment at least thirty (30) days prior to the due date, provided that failure to give such thirty (30) days prior notice shall not constitute a waiver thereof, but shall only postpone the due date for payment thereof until the expiration of said thirty (30) day period.

Section 4.03 Effect of Nonpayment of Assessment; Lien; Remedies of Association. Any Assessment, whether pertaining to annual, special or default Assessments, which is not paid within thirty (30) days of its due date shall be delinquent. In the event that an Assessment becomes delinquent, the Association, in its sole discretion, may take any or all of the following actions:

- 4.03.1 Assess a late charge of at least fifteen (15%) percent per delinquency;
- 4.03.2 Assess an interest charge from the date of delinquency at the rate per annum of two points above the prime rate charged by the Association's bank, or such other rate as shall have been established by the Board;
- 4.03.3 Suspend the voting rights of the Owner during any period of delinquency;
- 4.03.4 Accelerate any unpaid annual Assessments for the fiscal year such that they shall be due and payable at once;
- 4.03.5 Bring an action at law against any Owner personally obligated to pay the delinquent installments; or
- 4.03.6 File a statement of lien with respect of the Lot, and foreclose as set forth in more detail below.

The Association may file a statement of lien by recording with the RMC Office for Union County, Tennessee a written statement with respect to the Lot, setting forth the name of the Owner, the legal description of the Lot, the name of the Association and the amount of delinquent Assessments then owing, which statement shall be duly signed and acknowledged by the President or Vice-President of the Board of the Association or by the Manager, and which shall be served upon the Owner of the Lot by registered mail to the address of the Lot or at such other address as the Association may have in its records for the Owner. Thirty (30) days following the mailing of such notice, the Association may proceed to foreclose the said lien in the same manner as provided for foreclosure of mortgages under the statutes of the State of Tennessee. Such lien shall be in favor of the Association and shall be for the benefit of all other Owners. In either a personal or foreclosure action, the Association shall be entitled to recover as a part of the action the interest, costs and reasonable attorneys' fees with respect to the action. No Owner may waive or otherwise escape liability for the Assessments provided for herein by non-use of the Common Area or abandonment of his Lot. The remedies herein provided shall not be exclusive, and the Association may enforce any other remedies to collect delinquent Assessments as may be provided by law.

Section 4.04 Successor's Liability for Assessments. Each owner shall be personally obligated to pay all Assessments assessed against all lots owned by them during the time of his/her ownership, together with all interest, fees, and costs properly added thereto, pursuant to these Covenants. The payment by a subsequent owner of any and all unpaid Assessments, interest, late charges, costs, expenses and attorneys' fees against such Lot for a time period prior to his acquisition of his ownership shall vest in subsequent owner such right to recover from any prior owner any amounts paid by such successor. In addition, such successor shall be entitled to rely on the statement of the status of Assessments issued by or on behalf of the Association.

Section 4.05 Subordination of the Lien. The lien of the Assessments on a Lot provided for in these Covenants shall be subordinate to the lien of any First Mortgage on that Lot regardless of the time of filing of such first mortgage. The lien of the Assessments shall be superior to and prior to any homestead exemption provided now or in the future by the laws of the State of Tennessee. No judicial sale or transfer shall relieve the purchaser or transferee of a Lot from liability for, nor the Lot from the lien of, any Assessments made after the sale or transfer.

Section 4.06 Maximum Annual Assessments. Until January 1 of the year immediately following the formation of the Owners Association, the maximum annual Assessment per Lot shall be as follows:

The maximum annual Assessment for each residential Lot shall be \$400.00 per year. The Developer, and/or its assigns will not be required to pay any Association fees or annual assessments on the unsold lots. The purpose of the assessments by the Declarant, and/or its assigns is to maintain common areas, entrances, signs, field lots and any other obligation the Declarant, and/or its assigns sees fit or is provided for in Sunset Bay Documents. This fee will be assessed January 1 of each year and shall begin January 1 of the immediate year following closing on each parcel. The Declarant shall have the right to use said funds at its sole discretion for maintenance purposes until such time as the HOA has been turned over to the property owners.

(a) From and after January 1 of the year immediately following the conveyance of the first Lot to an owner, the maximum annual assessment may be increased each year by the Board of Directors, or the Association, or the Developer if the Association is not operative by not more than five (5%) percent above the maximum assessment for the previous year without a vote of the Owners Association.

(b) From and after January 1 of the year immediately following the formation of the Owners Association, the maximum annual Assessment to be levied against all Members may be increased above five (5%) percent by a vote of two-thirds (2/3) of Members who are voting in person or by absentee ballot at a meeting duly called for this purpose.

(c) The Board may fix the annual assessment at an amount not in excess of the maximum.

Section 4.07 Notice and Quorum for Any meeting to increase annual Assessment under Section 4.05. Written notice of any meeting called for the purpose of taking any action authorized under Sections 4.06 shall be sent to all Members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At such meeting, the presence of Members or of Absentee Ballots constituting a majority of all votes of Members shall constitute a quorum.

## ARTICLE V PROPERTY RIGHTS OF OWNERS

Section 5.01 Utility Easements. There is hereby created and reserved a general twenty (20) foot wide easement along all Lot Front boundary lines and a general ten (10) foot wide easement along all other boundary lines as delineated on subdivision survey recorded in the RMC office for Union County upon, across, over, in, and under the Property for ingress and egress and for installation, replacement, repair and maintenance of all utilities, including but not limited to water, sewer, gas, telephone, electricity, and any future utility such as gas, cable, fiber-optics, etc... By virtue of this easement it shall be expressly permissible and proper for the companies providing electricity, telephone, and other communication services to install and maintain necessary equipment on the Property and to affix and maintain electricity, communications, and telephone wires, conduits and circuits under the Property. No water, sewer, telephone, electricity, or other lines, systems, or facilities may be installed or relocated on the surface of the Property unless approved by the Architectural Review Committee. Such utilities temporarily may be installed above ground during construction, if approved by the Architectural Review Committee. Should any utility company furnishing a service covered by this general easement request a specific easement by separate recordable documents, the Association shall have the right and authority to grant such easement upon, across, over or under any part or all of the Property over which said easement has been created and reserved without conflicting with the terms of these Covenants. This general easement shall in no way affect, avoid, extinguish or modify any other recorded easement on the Property.



Section 5.02 Emergency Easement. A general easement is hereby granted to all police, sheriff, fire protection, ambulance and other similar emergency agencies or person to enter upon all streets and upon the Property in the proper performance of their duties.

Section 5.03 Maintenance Easement. An easement is hereby reserved to the Association and any member of the Board or the Manager, and their respective officers, agents, employees and assigns, upon, across, over, in and under the Lots, and a right to make such use of the Lots, as may be necessary or appropriate to make emergency repairs or to perform the duties and functions which the Association is obligated or permitted to perform pursuant to the Sunset Bay Documents, including the right to enter upon any Lot or Building site for the purpose of performing maintenance to the landscaping or the exterior of improvements on such Lot or Building Site as required by the Sunset Bay Documents.

Section 5.04 Drainage Easement. An easement is hereby reserved to the Association, its officers, agents, employees, successors and assigns to enter upon, across, over, in and under any portion of the Property for the purpose of changing, correcting or otherwise modifying the grade or drainage channels on the Property so as to improve the drainage of water. Best efforts shall be made to use this easement so as not to disturb the uses of the Owners and the Association, as applicable, to the extent possible, to prosecute such drainage work promptly and expeditiously, and to restore any areas affected by such work to a slightly and usable conditions as soon as reasonably possible following such work. Any changes must have the prior approval of the Board prior to undertaking such drainage work, which approval shall not be unreasonably withheld.

Section 5.05 Partition or Combination of Lots. No part of a Lot may be partitioned or separated from any other part thereof, and no Lots may be combined, except as provided in this Section. A Lot may not be subdivided to create an additional lot in the subdivision. A Lot may be subdivided if each portion is subsequently combined with other adjacent lots, with the written consent of the Association and full compliance with all applicable state and county zoning and subdivision regulations and all applicable Project Documents. However two (2) or more Lots may be combined into one, with the written consent of the Association and full compliance with all applicable state and county zoning and subdivision regulations and all applicable Project Documents. Association's consent shall be conditioned upon payment by the Owner or Owners concerned of all expenses incident to giving the consent, including legal and accounting fees. Every agreement and recorded instrument for combination of Lots shall make adequate provisions for the adjustment of voting rights and liability for payment of Assessments appurtenant to or imposed on such Lots. Whether combined or unchanged, each Lot shall be conveyed, transferred, gifted, devised, bequeathed, encumbered or otherwise disposed of, as the case may be, with all appurtenant rights and interests created by law or these Covenants, including the Owner's Membership in the Association, and with the appropriate adjustments in the voting rights, as provided in Section 3.02 above, and liability for Assessments as established for such type of Lot by the Board of Directors being made as applicable.

Section 5.06 Easement Declarant expressly reserves for its benefit a nonexclusive easement for ingress, egress, access over, under, and across the Property, or any portion thereof, to complete any improvement, or to complete any Lot(s), which Declarant deems desirable to implement Declarant's development plan.

## ARTICLE VI ARCHITECTURAL REVIEW COMMITTEE

Section 6.01 Membership. There is hereby established an ARC which shall be responsible for the establishment and administration of the Architectural Guidelines to carry out the purposes and intent of these Covenants. The ARC shall be composed of three (3) persons of which a minimum of two (2) must be Members, who are in good standing with the Association. All of the Members of the ARC shall be appointed, removed and replaced by the Board. The ARC is the only standing committee of the Board that has perpetual existence. A member of the ARC shall serve as a liaison to the Board. Until such time as the ARC is functional, the Developer and/or its successors and assigns shall act as the ARC, having such duties, rights and obligations as created herein.

Section 6.02 Purpose. The ARC shall review, study and either approve, with conditions or reject proposed improvements on the Property, all in compliance with these Covenants and as further set forth in the Architectural Guidelines adopted and established from time to time by the ARC and approved by the Board.

6.02.1 The ARC shall exercise its best judgment to see that all improvements conform and harmonize with any existing structures as to external design, quality and type of construction, materials, color, location of the Building Site, height, grade and finished ground elevation, and aesthetic considerations set forth in these Covenants or in the Architectural Guidelines.

6.02.2 No improvements on the Property shall be erected, placed or altered on any Lot, Building Site, or dock, nor shall any construction be commenced until plans for such improvements shall have been approved by the ARC; provided, however, that improvements and alterations which are completely within a building may be undertaken without such approval. Subdividing or combining lots will not change the voting rights or association fees of the resulting changed lots to be one (1) vote and one (1) fee per revised lot.

6.02.3 The actions of the ARC in the exercise of its discretion by its approval with conditions or disapproval of plans or other information submitted to it, or with respect to any other matter before it, shall be conclusive and binding on all interested parties subject to appeal as provided in the By-Laws.

Section 6.03 Organization and operation of the ARC.

6.03.1 Term. The term of office of each Member of the ARC, subject to section 6.1, shall be two (2) years, except the initial term of two (2) ARC Members which will be for one (1) year each to create an alternating board, commencing on January 1 of each year and continuing until his or her successor shall have been appointed. Should an ARC Member die, retire or become incapacitated, or in the event of a temporary absence of an ARC Member, a successor may be appointed as provided in Section 6.01.

6.03.2 ARC Officers. The ARC shall elect a Chairperson, a Vice-Chairperson, and a Secretary. The Vice-Chairperson shall act as the ARC Liaison.

6.03.3 Operations. The Chairman shall preside over and conduct all meetings and shall provide for reasonable notice to each Member of the ARC prior to any meeting. The notice shall set forth the time and place of the meeting and notice may be waived by any ARC Member. In the absence of a chairman, the party responsible for appointing or electing the chairman may appoint or elect a successor, or if the absence is temporary the Vice-Chairperson shall serve as a temporary successor.

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

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

Section 6.04 Expenses. Except as provided below, all expenses of the ARC shall be paid by the Association. The ARC shall have the right to charge a fee for each application submitted to it for review in an amount, which may be established by the ARC from time to time, and such fees shall be collected by the ARC and remitted to the Association to help defray the expenses of the ARC's operation. Until December 31, 2004, the filing fee shall not exceed THREE HUNDRED (\$300.00) DOLLARS per dwelling unit but may be subject to reasonable increase after that date, as determined by the Board on recommendation from the ARC.

Section 6.05 Architectural Guidelines. The ARC shall, subject to Board approval: adopt, establish and publish from time to time Architectural Guidelines, which shall be a Sunset Bay Document. Prior to approving material changes to the Architectural Guidelines, the ARC shall distribute pending changes to the Membership for comment. If within 30 days after the mailing of said pending changes, 10% or more of the membership of the association request a hearing (meeting) in writing, a hearing will be called by the ARC for open discussion; otherwise the changes will become effective at the end of the 30-day interval. If a hearing has been held, the ARC and the Board will reconsider the changes and take another vote as appropriate. The Architectural Guidelines are subject to the approval of the Board and shall not be inconsistent with these Covenants, but shall more specifically define and describe the design standards for Sunset Bay and the various uses within Sunset

Bay. Further, the ARC, in its sole discretion, may excuse compliance with such requirements as are not necessary or appropriate in specific situations and may permit compliance with different or alternative requirements, provided however, all such exceptions or excused compliance must be approved by the Board. Compliance with Sunset Bay design review process is not a substitute and each owner is responsible for obtaining all approvals, licenses and permits as may be required prior to commencing construction, and subsequent compliance with any government agency requirements for sediment control and ground water protection.

Section 6.06 Procedures. As part of the Architectural Guidelines, the ARC shall make and publish such rules and regulations, as it may deem appropriate to govern its proceedings. Appeals shall be conducted as provided in the By-Laws.

Section 6.07 Limitation of Liability. The ARC shall use reasonable judgment in accepting or disapproving all plans and specifications submitted to it. Neither the ARC nor any individual ARC Member shall be liable to any person for any official act of the ARC in connection with submitted plans and specifications except to the extent the ARC or any individual ARC Member acted with malice or wrongful intent. Approval by the ARC does not necessarily assure approval by the appropriate governmental board or commission for Union County, Tennessee. Notwithstanding that the ARC has approved plans and specifications, neither the ARC nor any of its Members shall be responsible or liable to any owner, developer, or contractor with respect to any loss, liability, claim or expense which may arise by reason of such approval of the construction of the improvements. Neither the Board of Directors, the ARC nor any agent thereof shall be responsible in any way for any defects in any plans or specifications submitted, revised or approved in accordance with the provisions of the Sunset Bay Documents, nor for any structural or other defects in any work done according to such plans and specifications. In all events, the ARC shall be defended and indemnified by the Association in any such suit or proceeding, which may arise by reason of the ARC's decision. The Association, however, shall not be obligated to indemnify each Member of the ARC to the extent any such Member of the ARC shall be adjudged to be liable for negligence or misconduct in the performance of his duty as a Member of the ARC, unless and then only to the extent that the court in such action or suit may be brought shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnification for such expenses as such court shall deem proper.

Section 6.08 Penalties for Violations or Non-compliance. The ARC may seek any and all legal or equitable remedies available to it in the event of a violation of the Architectural Guidelines or non-compliance with such guidelines by an Owner. The ARC may assess fines against an Owner for each event of non-compliance or violation, and collection of such shall be subject to enforcement under all provisions contained herein, including those that provide for such sums owed to become a lien on the Lot in question. Fines are defined in the Architectural Guidelines.

Section 6.09 Certificate of Compliance. Upon payment of a reasonable fee established from time to time by the Board, and upon written request of any owner or his agent, an existing or prospective Mortgagee or a prospective grantee, the ARC shall issue an acknowledged certificate, in recordable form, setting forth generally whether, to the best of the ARC's knowledge, the Owner is in violation of any of the terms and conditions of the Sunset Bay Documents. Unless such request shall be complied with within thirty (30) days after receipt of the request, it shall be conclusively presumed that the Owner and the owner's improvements are in conformance with all the terms and conditions subject to the control of the ARC.

## ARTICLE VII CONSTRUCTION AND ALTERATION OF IMPROVEMENTS

Section 7.01 General. The Architectural Guidelines and the general instructions set forth in these Covenants shall govern the right of an Owner, developer, or other entity to construct, reconstruct, refinish, alter or maintain any improvement upon, under or above any of the Property (except as provided in Section 6.02.2 above), and to make or create any excavation or fill on the Property, or make any change in the natural or existing surface contour or drainage, or install any utility line or conduit on or over the Property.

Section 7.02 Approval Required. Except to the extent permitted in Section 6.02.2 above, any construction, reconstruction, refinishing or alteration or any part of the exterior of any Building or other improvement on the Property is absolutely prohibited until and unless the Owner first obtains approval from the ARC and otherwise complies with the provisions of these Covenants. All improvements shall be constructed only in accordance with approved plans.

Section 7.03 Deemed Nuisances. Every violation of these Covenants is hereby declared to be and to constitute a nuisance, and every public or private remedy allowed for such violation by law or equity against a Member shall be applicable. These Covenants may also be enforced as provided below.

Section 7.04 Removal of Nonconforming Improvements. The Association, upon recommendation of the ARC and after reasonable notice to the offender and to the Lot Owner, may remove any improvement constructed, reconstructed, refinished, altered or maintained in violation of these Covenants, and the owner of the improvement shall immediately reimburse the Association for all expenses incurred in connection with such removal.

Section 7.05 Construction Methods. Specific rules regarding construction methods, including but not limited to excavation, drainage, utility lines, loading areas, waste storage, trash removal, materials storage and transformers and meters shall be set forth in the Architectural Guidelines, and all owners shall comply with those rules.

## **ARTICLE VIII GENERAL COVENANTS AND RESTRICTIONS**

The Association, acting through its Board of Directors, shall have authority to make and to enforce standards and restrictions governing the use of Lots. Such regulations and use restrictions shall be binding upon all owners and occupants until and unless overruled, cancelled or modified in accordance with the amendment provisions of these Covenants.

Land use standards constituting the initial restrictions and standards were established by the developer. Unless otherwise indicated, all such restrictions and standards apply to all Lots.

Section 8.01 Residential use Only. The Lots shall be used for single family residential purposes only, and no commercial use shall be permitted except on specific lots identified as commercial lots on plats or deeds. This restriction shall not be construed to prevent rental of any Dwelling for private residential purposes or to prevent an individual Lot owner from conducting home occupations in the Dwelling, which occupation is subordinate to the primary residential use and occupies not greater than twenty (20%) percent of the Dwellings floor area or employs no more than 2 persons.

Sections 8.02 Parking and Garages. All vehicles will park only in their garages or in the driveways serving their lots or appropriate spaces or designated areas in which parking may or may not be allowed and then subject to such reasonable rules and regulations as the Board may adopt. All commercial vehicles (i.e., those having lettering or logos), tractors, mobile homes, trailers (either with or without wheels), campers, camper trailers, boats and other watercraft, and boat trailers and any unregistered vehicle must be parked entirely within a garage unless otherwise permitted by the Board. No garage may be altered in such a manner that the number of automobiles, which may reasonably be parked therein after the alteration, is less than the number of automobiles that could have reasonably been parked in the garage as originally constructed. Any such vehicle or recreational equipment parked in violation of these or other regulations contained herein or in the rules and regulations now or hereafter adopted by the Association may be towed by the Association at the sole expense of the owner of such vehicle or recreational equipment for trespass, conversion or otherwise, nor guilty of any criminal act by reason of such towing and neither its removal or failure of the owner to receive any notice of said violation shall be grounds for relief of any kind.

Section 8.03 Vehicle Maintenance and Repair. No maintenance or repairs shall be performed on any vehicles upon any portion of the Property, unless performed in a garage, except in an emergency situation. Notwithstanding the foregoing, all repairs to disabled vehicles within the Property must be completed within twenty-four (24) hours from its immobilization or the vehicle must be removed.

Section 8.04 Signs. No sign or other advertising device of any nature shall be placed upon any part of the Property except as provided herein. The ARC may, in its discretion, adopt and promulgate rules and regulations relating to signs, which may be employed. Signs and other advertising devices may be erected and maintained upon any portion of the Property if approved by the ARC as to color, location, nature, size and other characteristics of such signs or devices. Regardless of ARC determination there will be no "For Sale" signs located on property. This shall include any property conveyed to county within the perimeter of the Development. Notwithstanding the foregoing,

Declarant specifically reserves the right to itself, its successors, nominees, assigns, to place and maintain signs in connection with identification, sale, or information anywhere on the Property.

Developer or any member of the ARC committee shall have the right to remove any sign, advertisement, billboard or structure which is placed on any lot in violation of these Deed restrictions, and in so doing, shall be not be liable, and are hereby expressly released from any liability for trespass or other tort in connection therewith, or arising from such removal.

Section 8.05 Maintenance of Hedges and Plants. Each Owner shall be responsible for and shall maintain all landscaping grass, driveways, parking areas, structures and grounds located on each Lot in good condition and repair and in a neat and attractive manner. The Association shall have the right to enter upon any part of a Lot in order to cut, trim, prune or replace, at the expense of the owner, any grassed area, hedge or other planting which in the opinion of the Association or the ARC, by reason of its location upon the Lot or the height to which it is permitted to grow, is unreasonably detrimental to the adjoining property or obscures the view of street traffic or is unattractive in appearance, provided, however, that the owner shall be given fifteen (15) days' prior written notice of such action.

Prior to the submission and implementation of a landscape plan by the Owner, the Association shall be responsible to maintain all open field properties, as best managed, utilizing a tractor and bush mower. The Association shall hold any individual lot owner harmless from any liability for damage or injury to machinery or laborers in the execution of said maintenance in so far as the terrain has not been altered by the Owner in a manner as to create a hazard. Likewise, the Association shall not be responsible for damage to any structures, plantings, or other features not properly identified to and approved by the ARC. The Lot Owner shall become responsible for the overall maintenance of the lot upon receipt of their certificate of occupancy or portions of their lot, as modified and approved by ARC, upon receipt of a written notice of approval by the ARC.

Section 8.06 Approved Builders List. All residential construction on any Lot located within the Property of Sunset Bay shall be made by an approved builder from a list approved by the ARC.

Section 8.07 Occupants Bound. All provisions of these Covenants and of any rules and regulations or use restrictions promulgated pursuant hereto which govern the conduct of Owners and which provide for sanctions against Owners shall also apply to all occupants of any Lot.

Section 8.08 Minimum Square Footage. No dwelling shall be erected on any Lot having less than the following:

- 8.08.a Waterfront lots, 2,000 square feet heated floor-space, with a minimum footprint of 1,400 square feet heated floor-space
- 8.08.b Interior lots on waterfront side of Russell Brothers Road, 1,800 square feet heated floor-space, with a minimum footprint of 1,200 square feet heated floor-space
- 8.08.c Interior lots above Russell Brothers Road, 1,600 square feet heated floor-space, with a minimum footprint of 1,000 square feet heated floor-space

Section 8.09 Log Homes – Log Homes shall be allowed in specific areas of the community which have been designated by the Declarant and as approved by the ARC. These areas will be primarily in the wooded elevations, and shall only be considered in the lower elevations, if adequate demand dictates and overall conformity is deemed acceptable to the ARC. Parcels designated as acceptable for log home construction shall be listed, by parcel number, in the Vital Information Statement.

Section 8.10 Animals and Pets. No animals, livestock or poultry of any kind may be raised, bred, kept or permitted on an owner's Lot, with the exception of dogs, cats or other usual and common household pets, which may number four (4), but not more than a total of two (2) dogs; provided, however, those pets which are permitted to roam free, or, in the sole discretion of the Association, endanger the health, make objectionable noise or constitute a nuisance or inconvenience to the owners of other Lots or the owner of any property located adjacent to the Property may be removed by the Board. No pets shall be kept, bred or maintained for any commercial purpose in residential Lots. Dogs which are household pets shall, at all times whenever they are outside an owner's Lot, be confined on a leash held by a responsible person. Dogs shall be walked only in those areas designated by the Association.

Section 8.11 Nuisance. It shall be the responsibility of each Owner to prevent the development of any unclean, unhealthy, unsightly or unkempt condition on his or her Lot. No Lot shall be used, in whole or in part, for the storage of any property or item that will cause such Lot to appear to be in an unclean or untidy condition or that will be obnoxious to the eye; nor shall any substance, thing or material be kept upon any Lot that will emit foul or obnoxious odors or might disturb the peace, quiet, safety, comfort or serenity of the occupants of surrounding property. No obnoxious or offensive

activity shall be carried out, which causes discomfort, annoyance or nuisance to any person using any property adjacent to the Lot. There shall not be maintained any plants or animals or device or thing of any sort whose activities or existence in any way is noxious, dangerous, unsightly, unpleasant or of a nature as may diminish or destroy the enjoyment of the Property.

Section 8.12 Unsightly or Unkempt Conditions. 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 unkempt conditions, shall not be pursued or undertaken on any part of the Property.

Section 8.13 Antennas. No exterior television or radio antennas or satellite dishes 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 ARC or its designee.

Section 8.14 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 Lot and shall not be allowed to accumulate thereon. Clothlines are not allowed on any Lot.

Section 8.15 Subdivision of Lots. No Lot shall be subdivided, boundary lines may not be changed without the prior written approval of the Board. Any such approved division, boundary line change or re-plotting shall not be in violation of the applicable subdivision and zoning regulations. (See also Section 5.05)

Section 8.16 Guns. The use of firearms within the Property is prohibited. The term "firearms" includes "B-B" guns, pellet guns and other firearms of all types, regardless of size.

Section 8.17 Pools. No aboveground pools shall be erected, constructed or installed on any Lot.

Section 8.18 Irrigation. No sprinkler or irrigation systems of any type which draw upon water from creeks, streams, rivers, lakes, ponds, canals or other waterways within the Property shall be installed, constructed or operated within the Property, unless approved by the ARC and, if applicable, Tennessee Valley Authority.

Section 8.19 Tents, Trailers and Temporary Structures. Owners or occupants shall not place upon a Lot or any part of the Property any tent or trailer or any structure of a temporary nature, such as a tent, shack or utility shed.

Section 8.20 Drainage. No Owner shall do or permit any work, construct any improvements, place any landscaping or suffer the existence of any condition whatsoever which shall alter or interfere with the drainage pattern of the Property, except to the extent such alternation and drainage pattern is approved in writing by the ARC or Board and except for rights reserved to Declarant to alter or change the drainage patterns.

Section 8.21 Construction Regulations of the Architectural Guidelines. All Owners and contractors shall comply with the construction regulations portion of the Architectural Guidelines. Such regulations may effect, without limitations, the following: trash and debris removal; sanitary facilities; parking areas; outside storage; restoration of damaged property; conduct and behavior of builders, subcontractors and Owners' representatives on the Property at any time; the conservation of landscape materials; fire protection and adherence to TDEC, Best Management Practice regarding ground water pollution protection and sediment control.

Section 8.22 House Numbers and Mail Boxes. Each dwelling shall have a house number, mailbox and paper box with a design and location established by the ARC.

Section 8.23 Continuity of Construction. All improvements commenced on the Property shall be prosecuted diligently to completion and shall be completed within twelve (12) months of commencement, unless an exception is granted in writing by the ARC. If an improvement is commenced and construction is then abandoned for more than ninety (90) days, or if construction is not completed within the required 12-month period, then fines may be imposed per the Architectural Guidelines. Such charges shall be a default Assessment and lien as provided in Section 4.02 above. Landscaping shall be completed within 150 days of completion of construction (final landscape plans within ninety (90) days of Certificate of Occupancy, landscaping completed within sixty (60) days of final submission) or fines may be imposed as defined in the Architectural Guidelines.

Section 8.24 Leasing. The Owner of a Lot shall have the right to lease such residential structure, subject to the following conditions:

8.24.1 All leases shall be in writing and for a minimum term of ninety (90) days.

8.24.2 The lease shall be specifically subject to the Sunset Bay Documents, and any failure of tenant to comply with the Sunset Bay Documents shall be a default under the lease.

8.24.3 The Owner shall be liable for any violation of the Sunset Bay Documents committed by the Owner's tenant, without prejudice to the Owner's right to collect any sums paid by the owner on behalf of the tenant.

8.24.4 This section does not apply to areas specifically designated for short term rentals of condo units, town homes, or other applicable units.

Section 8.25 Setback Lines. No building shall be located nearer than twenty (20) feet to any road right-of-way; nor located any nearer than ten (10) feet to any interior lot line; nor located nearer than ten (10) feet from the back property lines or as required by TVA. ARC must approve the exact location of all residences before the foundation is poured. (See Section 5.01 – Utility easement). Zero lot line setback may be allowed on driveways by approval of the ARC.

Section 8.26 Well limitation: Water Supply. No individual water system or well of any type shall be maintained, drilled or permitted on any Lot. The central water supply system owned and operated by the Hallsdale-Powell Utility District, its successors or assigns (the "Utility District") shall be used as the sole source of water for all purposes on each Lot (including but not limited to water for all water spigots and outlets located within and without all buildings, air conditioning and heating, irrigation purposes (except as allowed under Section 8.18), swimming pools or other exterior uses), and each Owner, at his expense, shall connect his water lines to the water distribution main provided to serve the Owner's Lot and shall pay the applicable connection and water meter charges and fees established by the Utility District. After such connection, each Owner shall pay when due the periodic charges and fees for the furnishing of water as set by the Utility District from time to time and shall abide by the rules, regulations and requirements of the Utility District.

Section 8.27 Sewage Disposal. No private sewage disposal unit shall be installed or maintained on the land covered by this Covenants, and no individual septic tanks or drain fields shall be permitted on any Lot unless expressly authorized by the Developer and the Utility District. Each Owner of a Lot, at his expense, shall connect his sewage disposal line to the sewage collection line provided to serve that Owner's Lot so as to comply with the requirements of the Utility District and shall pay the applicable connection and sewer usage charges and fees established by the Utility District. After such connection, each Owner shall pay when due the periodic charges and fees for the furnishing of such sewage collection and disposal service as set by the Utility District from time to time and shall abide by the rules, regulations and requirements of the Utility District. Any and all lots not connected to the Utility District's sewer system will be assessed a monthly sewer availability fee, at such amount as set by the Utility District, which will commence at such time as the Utility District's system is available to the Owner's Lot.

Section 8.28 Easement Rights and Responsibility for Charges. The Utility District, its agents, successors and assigns, shall have the right of access to all portions of the Utility District's sewer and water systems located within the Subdivision in accordance with easements as reserved by the Developer herein, and as shown on all recorded plats, including without limitation, the maintenance easement and related rights to effect emergency repairs as provided in Section 5.03, which shall also apply specifically to the Utility District. The Owners of each Lot shall not place, construct, plant or allow to remain within any such easement any structure, planting or other material that may damage or interfere with the installation, repair or maintenance of the Utility District's water or sewer system.

The Owner of each Lot is subject to and shall be responsible for all water and sewer charges and fees pertaining to the Owner's Lot that are assessed by the Utility District or imposed by contract between the Developer and the Utility District, including sewer availability fees assessed or imposed upon each unimproved platted lot at such time as the Utility District's sewer system is available to the Lot, and water and sewer user charges and fees assessed or imposed for the furnishing of water or sewage collection and disposal service commencing with the installation of a water meter for the Lot. Such charges and fees shall constitute a lien upon the property assessed, and such lien shall be superior to all other liens except liens for unpaid property taxes, as authorized by statute.

Section 8.29 No Overhead Wires. All telephone, electric and other utility lines and connections between the main utility lines and the residence or other building located on each Lot shall be concealed and located under ground, unless necessary to maintain existing electrical service by Powell Valley Electric. Each Lot Owner requiring an original or additional electrical service shall be responsible to complete at his expense the secondary electric service, conduits, wires, conductors and other electric facilities from the point of the applicable transformer to the Owner's Lot improvements, and all of the same shall be underground and remain the property of the Lot Owner of each such Lot.

## ARTICLE IX WATERFRONT AREAS AND WATERWAYS

Such 9.01 Restrictions on Lakes and Lakefront Areas. Any Lot which shall abut upon a lake, stream, pond, wetland or other waterway shall be subject to the following additional restrictions.

- (a) No pier, dock, or other structure or obstruction or any wall, revetment, rip-rap or any other material shall be built, placed or maintained upon any waterfront Lot or into or upon any waterway on the Property or adjacent thereto except with the specific written approval of the ARC. As to any such structure, approval by the ARC shall be required prior to submission for approvals or permits from TVA (its successors or assigns), or any other such private or governmental agency as may be now or hereafter required.
- (b) Except with the prior written approval of the Association or the ARC, no device or material may be constructed, placed or installed upon any Lot which shall in any way alter the course of natural boundaries of any water way or which shall involve or result in the removal of water from any waterway.
- (c) The Owner of each Lot abutting the water's edge shall release and discharge the Association and the County of Union from any and all claims for debt or damages sustained by the owner or existing in the Owner's favor, to the Owner, the Owner's property and property rights heretofore or hereafter sustained or to accrue by reason or account of the operation and maintenance of said lakes, ponds, wetlands or other waterways.

## ARTICLE X MAINTENANCE

Section 10.01 Association's Responsibility. The Association shall maintain and keep in good repair those areas designated as common areas, common area private roads, all signs, road side maintenance and entrance area into Sunset Bay, such maintenance to be funded assessments as provided previously in Article IV. This maintenance shall include, but not be limited to, maintenance, repair and replacement, subject to any insurance then in effect, of all landscaping and other flora, structures and improvements situated in roadway and entrance area. The Association shall further maintain and keep manicured all common areas and facilities i.e. pools, tennis courts, routine maintenance of utilities, etc... and all stone walls and signs used for informational purposes throughout the community.

Section 10.02 Association's Security Responsibility. The Association shall maintain and fund at least a minimal security regimen within the community. This shall include but is not limited to, oversight of a "community watch" program in cooperation with the Union County Sheriff's Department, nighttime security and surveillance whether individuals or equipment and the maintenance thereof.

Section 10.03 Association's Lot Care Responsibility. The Association shall maintain and fund particular lots in open areas of the community per Section 8.05, prior to those lot owners acquiring final occupancy permits.

Section 10.04 Owner's Responsibility. Except as provided otherwise in the Sunset Bay Documents, applicable Project Documents or by written agreement with the Association, all maintenance of the Lots and all structures, landscaping, parking areas and other improvements thereon shall be the sole responsibility of the Owner thereof, who shall maintain said Lot in accordance with the community-wide standards of Sunset Bay. The Association shall, at the direction of the Board, assume the maintenance responsibilities of such Owner if, in the opinion of the Board, the level and quality of maintenance being provided by such Owner does not satisfy such standard. Before



assuming the maintenance responsibilities, the Board shall notify the Owner in writing of its intention to do so, and if such Owner has not commenced and diligently pursued remedial action within thirty (30) days after mailing of such written notice, then the Association shall proceed. The expense of such maintenance by the Association shall be reimbursed to the Association by the Owner, together with interest at five (5%) percent per annum above the prime rate charged by the Association's bank, or such other rate set by the Board, from the date of expenditure. Such charges shall be a default Assessment and lien on the Lot or the Owner as provided in Section 4.02 above.

## **ARTICLE XI DAMAGE OR DESTRUCTION**

Section 11.01 Damage or Destruction Affecting Lots. In the event of damage or destruction to the improvements located on any Lot, the Owner thereof shall promptly repair and restore the damaged improvements to their condition prior to such damage or destruction. If such repair or restoration is not commenced within one hundred eighty (180) days from the date of such damage or destruction, or if repair and reconstruction is commenced but then abandoned for a period of more than ninety (90) days, then the Association may impose fines per the Architectural Guidelines. Such fine shall be a default Assessment and a lien against the Lot as provided in Section 4.02 above.

## **ARTICLE XII ENFORCEMENT OF COVENANTS**

Section 12.01 Violations Deemed a Nuisance. Every violation of these Covenants or any other of the Sunset Bay Documents is deemed to be a nuisance and is subject to all the remedies provided for the abatement of the violation. In addition, all public and private remedies allowed by law or in equity against anyone in violation of these Covenants shall be available.

Section 12.02 Compliance. Each Owner or other occupant of any part of the Property shall comply with the provisions of the Sunset Bay Documents as the same may be amended from time to time.

Section 12.03 Failure to Comply. Failure to comply with the Sunset Bay Documents shall be grounds for an action to recover damages or for injunctive relief to cause any such violation to be remedied, or both. Reasonable notice and an opportunity for a hearing as provided in the By-Laws shall be given to the delinquent party prior to commencing any legal proceedings.

Section 12.04 Who May Enforce. Any action to enforce the Sunset Bay Documents may be brought by the Board in the name of the Association on behalf of the Owners. After a written request from an aggrieved Owner, the aggrieved Owner may bring such action before the Board. If, after meeting with Board of Directors, no action is taken to enforce the Sunset Bay Documents then the aggrieved Owner may appeal to the Board. If, after meeting with the Board, no action is taken to enforce the Sunset Bay Documents, then the aggrieved Owner may bring such action.

Section 12.05 Remedies. In addition to the remedies set forth above, any violation of the Sunset Bay Documents shall give the Board, the Manager or a designated representative of the Declarant, on behalf of the Owners, the right to enter upon the offending premises or take appropriate peaceful action to abate, remove, modify or replace, at the expense of the offending Owner, any structure, thing or condition that may exist thereon contrary to the interest and meaning of the Sunset Bay Documents. If the offense occurs on any easement, walkway, Common Area or the like, the cure shall be at the expense of the Owner or other person responsible for the offending condition.

Section 12.06 Non-Exclusive Remedies. All the remedies set forth herein are cumulative and not exclusive.

Section 12.07 No Waiver. The failure of the Board of Directors, Declarant, the Manager, the ARC or any aggrieved Owner to enforce the Sunset Bay Documents shall not be deemed a waiver of the right to do so for any subsequent violations or of the right to enforce any other part of the Sunset Bay Documents at any future time.

Section 12.08 No Liability. No member of the Board of Directors, Declarant, the Manager, the ARC, or any Owner shall be liable to any other Owner for the failure to enforce any other Sunset Bay Documents.

Section 12.09 Recovery of Costs. If legal assistance is obtained to enforce any of the provisions of the Sunset Bay Documents, or in any legal proceeding (whether or not suit is brought) for the damages or for the enforcement of the Sunset Bay Documents or the restraint of violations of the Sunset Bay Documents, the prevailing party shall be entitled to recover all costs incurred by it in such action, including reasonable attorney's fees as may be incurred, or if suit is brought, as may be determined by the court.

### **ARTICLE XIII RESOLUTION OF DISPUTES**

Section 13.01 If any dispute or question arises between Members or between Members and the Association or the ARC relating to the interpretation, performance or non-performance, violation or enforcement of the Sunset Bay Documents, such dispute or violation may be subject to a hearing and determination by the Board in accordance with the procedures set forth in the By-Laws.

### **ARTICLE XIV DURATION OF THESE COVENANTS AND AMENDMENT**

Section 14.01 Term. The covenants and restrictions of these Covenants shall run with and bind the Property, and shall inure to the benefit of and shall be enforceable by the Association or the Owner of any property subject to this Covenants, their respective legal representatives, heirs, successors and assigns for a term of twenty (20) years from the date these Covenants are recorded, after which time they shall be automatically extended for successive periods of ten (10) years, unless an instrument in writing, signed by a majority of the then owners, has been recorded within the year preceding the beginning of each successive period of ten (10) years, agreeing to change covenants and restrictions, in whole or in part, or to terminate the same.

Section 14.02 Amendment. Amendments to these Covenants, Articles, and the Bylaws may be made only as follows:

- (a) Material Amendments. The Board of Directors, whenever a majority shall deem it necessary, shall propose Amendments (changes), or, on the written application of twenty percent (20%) of the Members, shall call a Special Meeting of the members for proposing Amendments, which, in either case shall be valid for all intents and purposes, as part of the documents, when approved by absentee ballot of two thirds (66%) of all Members of the Association, or unilaterally by Declarant until such time as the Sunset Bay Owners' Association is formed.
- (b) Other Amendments. All other (minor or unimportant) amendments may be made by a majority vote of all the Board of Directors, or unilaterally by Declarant until such time as the Sunset Bay Owners' Association is formed.
- (c) Recording Amendments. Any amendment must be recorded in the RMC Office of Union County, Tennessee.

Section 14.03 Effective on Recording. Any modification or amendment shall be immediately effective upon recording in the RMC Office for Union County, Tennessee, a copy of such amendment of modification, executed and acknowledged by the necessary number of Owners (and by Declarant, as required), together with a duly authenticated Certificate of the Secretary of the Association stating that the required number of consents of Owners were obtained and are on file in the office of the Association.

### **ARTICLE XV PRINCIPLES OF INTERPRETATION**

Section 15.01 Severability. These Covenants, to the extent possible, shall be construed or reformed so as to give validity to all of its provisions. Any provision of these Covenants found to be prohibited by law or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating any other part hereof.

Section 15.02 Construction. In interpreting words in these Covenants, unless the context shall otherwise provide or require, the singular shall include the plural, the plural shall include the singular, and the use of any gender shall include all genders. In these covenants, the phrase "voting in person or by absentee ballot" (or similar wording) requires that a ballot on this issue must be mailed, faxed or e-

mailed to each member to vote on and the vote total is the sum of the members voting in person and those voting by absentee ballot.

Section 15.03 Headings. The headings are included for purposes of convenient reference, and they shall not affect the meaning or interpretation of these Covenants.

Section 15.04 Registration of Mailing Address. Each Member shall register his mailing address with the Secretary of the Association from time to time, and notices or demands intended to be served upon or given to a Member shall be personally delivered or sent by mail, postage prepaid, addressed in the name of the Member at such registered mailing address.

Section 15.05 Notice. All notices or requests required shall be in writing. Notice to any Member shall be considered delivered and effective upon personal delivery or three (3) days after posting, when sent by certified mail, return receipt requested, to the address of such Member on file in the records of the Association at the time of such mailing. Notice to the Board, the Association, the ARC or the Manager shall be considered delivered and effective upon personal delivery or three (3) days after posting, when sent by certified mail, return receipt requested, to the Association, the Board, the ARC or the Manager at such address as shall be established by the Association from time to time by notice to the Members. General notices to all Members or any classification thereof need not be certified, but may be sent by regular first class mail.

Section 15.06 Waiver. No failure on the part of the Association, the Board, or the ARC to give notice of default or to exercise or to delay in exercising any right or remedy shall operate as a waiver, except as specifically provided above in the event the Board fails to respond to certain requests. No waiver shall be effective unless it is in writing, signed by the Chairman or Vice Chairman of the Board on behalf of the Association, or by the Chairman of the ARC on behalf of the ARC.

Section 15.07 Limitation of Liability and Indemnification. The Association shall indemnify every Board Member or Committee Member against any and all expenses, including trial and appellate attorney's fees and costs reasonably incurred by or imposed upon any officer or director in connection with any action, suit or other proceeding (including settlement of any suit or proceeding, if approved by the then Board) to which he or she may be party by reason of being or having been a Board Member or Committee Member. The Board Members and Committee Members shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful malfeasance, misconduct or bad faith. The Board Members and Committee Members shall have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Association (except to the extent that such Board Member and Committee Member may also be a Member of the Association), and the Association shall indemnify and forever hold each such Board Member or Committee Member free and harmless against any and all liability to others on account of any such contract or commitment. Any right to indemnification provided for herein shall not be exclusive of any other rights to which any Board Member or Committee Member may be entitled.

Section 15.08 Conflicts Between Documents. In case of conflict between these Covenants and the Articles or the By-Laws, these Covenants shall control. In case of conflict between these Covenants and the Architectural Guidelines, these Covenants shall control.

Section 15.09 Litigation. No judicial or administrative proceeding shall be commenced or prosecuted by the Association unless approved by a majority vote of the Board. This Section 15.09 shall not apply, however, to: (a) actions brought by the Association to enforce the provisions of these Covenants (including, without limitation, the foreclosure of lien); (b) the imposition and collection of Assessments as provided in Article IV hereof; (c) proceedings involving challenges to ad valorem taxation; or (d) counterclaims or cross-claims brought by the Association in proceedings instituted against it. The Section 15.09 shall not be amended unless such amendment is approved by the percentage votes and, pursuant to the same procedures, necessary to institute proceedings as provided herein.

Section 15.10 Indemnity for Damages. Each and every Owner and future Owner, in accepting a deed or contract for any Lot subject to these restrictions agrees to indemnify Declarant for any damage caused by such Owner, or the contractor, agent or employees of such Owner, to roads, streets, gutters, walkways or other aspects of public ways, including all surfacing thereon, or to water, drainage or storm sewer lines, or sanitary sewer lines, or other utilities such as telephone, cable television, electricity or gas lines.

Section 15.11 Assignment. Declarant may assign all or any part of its rights and reservations hereunder to any successor who takes title to all or part of the Property in a bulk purchase for the purpose of development and sale. Such successor shall be identified, the particular rights being assigned shall be specified, and, to the extent required, concomitant obligations shall be expressly assumed by such successor, all in written instrument duly recorded in the RMC office for Union County, Tennessee.

Section 15.12 Termination of any responsibility of Declarant If Declarant conveys fee title to all of the remaining portion of the Property then owned by Declarant, to any entity or individual(s), then:

- 15.12.1 Declarant will be relieved of the performance of any further duty or obligation in this Declaration; and
- 15.12.2 Such entity or individual(s) will be obligated to perform all duties and obligations of Declarant under the Governing Documents.

## ARTICLE XVI INSURANCE

Section 16.01 The Association shall obtain and maintain the following insurance coverages:

16.01.a Fire insurance for one hundred percent (100%) of the full replacement value of all Common Area Improvements, without deduction for depreciation or coinsurance. To the extent advisable (in the Board's sole discretion), such policy shall contain the following endorsements and/or provisions:

- (i) An extended coverage endorsement;
- (ii) Vandalism and malicious mischief coverage;
- (iii) A determinable cash adjustment clause or similar clause which permits a cash settlement covering the full value of the damaged or destroyed Improvements in the event of a decision not to rebuild.

Such policy shall name as insured the Association, the Owners, Declarant (so long as Declarant is an Owner), and all Mortgagees as their respective interests may appear and may contain a loss payable endorsement in favor of the trustee described in Section 16.04.

16.01.b Comprehensive general liability insurance that covers the Association, the Board, Declarant, any Manager, Owners, Occupants and their respective family members, guests, invitees and the agents and employees of each against any liability incident to the ownership or use of the Common Area(s). The limits of such insurance shall not be less than \$1,000,000 per occurrence. If obtainable, such insurance shall contain:

- (i) A 'severability of interest' endorsement to preclude the insurer from denying an Owner's claim due to a negligent act by other Owners of the Association; and
- (ii) A cross liability to each insured.

16.01.c Workers' compensation insurance in compliance with all applicable laws.

16.01.d A fidelity bond or insurance covering any Person who handles funds of the Association including, but not limited to, officers, members of the Board of Directors and employees of the Association, and employees of the Manager, whether or not such Persons are compensated for their services, in an amount not less than the estimated maximum funds, including reserve funds in the custody of the Association or the Manager, as the case may be, at any given time during the term of each bond.

16.01.e Officers and directors liability insurance.

16.01.f Any other insurance which the Association deems appropriate.

Section 16.02 Blanket insurance policy premiums are a Common Expense to be included in the regular assessments.

Section 16.03 Unless specified herein, the amount, term, coverage, deductible, named insureds and loss payees, shall be determined by the Board and shall satisfy the minimum requirements imposed for this type of Project by FNMA and FHLMC. If the FNMA and FHLMC requirements conflict, the more stringent requirements shall be met. If FNMA and FHLMC do not impose requirements on any policy required hereunder, the term, amount, coverage and other provisions of such policy shall be determined by the Board in light of what is customary for similar policies on similar projects in the area.

Section 16.04 All fire and casualty insurance proceeds, payable under Section 16.01, subject to the rights of Mortgagees, may be paid to a trustee, to be held and expended for the benefit of the Owners, Mortgagees, and others, as their respective interests shall appear. The trustee shall be a commercial bank or other financial institution with trust powers in the County in which the Project is located that agrees in writing to accept such trust. If repairs or reconstruction is authorized, the Association shall have the duty to contract for such work as provided for in this Declaration.

Section 16.05 It shall be the responsibility of the Owners and not the Association to obtain insurance coverage at their own expense on the improvements, if any, constructed on each lot, and on their personal property and fixtures, and in addition to obtain comprehensive personal liability insurance which shall include coverage of liability for damage to person or property of others located on the Owner's lot, or on another lot, or upon the Common Elements resulting from the negligence of the insured owner.

Section 16.06 Each hazard insurance policy must be written by a carrier who meets FNMA requirements for a "Best Rating".

Section 16.07 The Association must immediately give a copy of any insurance policy to the Declarant.

Section 16.08 All insurance policies must require a written thirty (30) day notice of modification or termination of coverage from the insurer to the Association, Declarant, Owners and their Mortgagees, and any interested party who requests such a notice.

Section 16.09 At least annually, the Board must review the Association's insurance policies to determine the amount of the casualty and fire insurance and the fidelity bond.

Section 16.10 If economically feasible, prior to each annual review the Board shall obtain a current appraisal of the full replacement value of Common Area Improvements (except for foundations and footings) without deduction for depreciation.

Section 16.11 Association insurance policies shall contain the following provisions, if reasonably possible, as appropriate:

16.11.a Statements that the policies are primary and non-contributing.

16.11.b Statements that an Owner's conduct will not constitute grounds for avoiding liability;

16.11.c A waiver of the carrier's right of subrogation against any Owner or family member, the Association, the Board, the Manager, the Architectural Committee, the Declarant, and any of their agents or employees;

**Sunset Bay Declaration  
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