

This instrument prepared by  
Sunset Bay Owners Association, Inc.  
135 Sunset View  
Sharps Chapel, TN 37866

**BYLAWS  
OF  
SUNSET BAY OWNERS ASSOCIATION, INC.**  
A Tennessee Nonprofit Corporation  
(the "Association")

BK/PG: MIS25/249-265

09000561

17 PGS : AL - MISCELLANEOUS	0.00
MB BATCH: 19288	0.00
01/04/2009 - 11:28:05 AM	0.00
VALUE	85.00
MORTGAGE TAX	2.00
TRANSFER TAX	0.00
RECORDING FEE	0.00
DP FEE	0.00
REGISTER'S FEE	0.00
TOTAL AMOUNT	87.00

STATE OF TENNESSEE, UNION COUNTY  
MARY BETH KITTIS  
REGISTER OF DEEDS

**ARTICLE I**

**1.1 Definitions.** Unless otherwise specifically provided herein, the capitalized terms in these Bylaws shall have the same meanings as are given to such terms in the Declaration of Covenants, Conditions, Restrictions and Easements for Sunset Bay (the "Covenants"), recorded in Book Z67, Page 790, in the Office of the Register of Deeds for Union County, Tennessee, and as may be amended. In addition, "Act" shall mean the Tennessee Nonprofit Corporation Act, Tennessee Code Annotated Sections 48-51-101 et seq.

**ARTICLE 2**

**2.1 Purpose.** The purpose for which the Association is formed is to administer the operation and management of facilities for the use and benefit of Owners in Sunset Bay Subdivision, a subdivision established upon Property located in Union County, Tennessee, which is more particularly described in the Covenants. The terms and provisions of the Covenants are incorporated herein by reference and shall be controlling whenever the same may be in conflict with these Bylaws. All present or future Owners, tenants or any other person that might use the Property are subject to the regulations set forth in the Covenants, these Bylaws and the Charter of the Association. The Association shall perform the care and upkeep of the Property, common grounds and Community Facilities, in the manner set out in the Covenants.

**ARTICLE 3**

**3.1 Registered Office and Registered Agent.** The Association shall designate and maintain a registered office in the State of Tennessee. The Association shall designate and maintain a registered agent in the State of Tennessee at its registered office.

**3.2 Principal Office.** The principal office of the Association shall be designated by the board of directors (herein the "Board of Directors" or "Board") of the Association. The initial principal office of the Association shall be 195 Sunset View, Sharps Chapel, Tennessee 37866.

**ARTICLE 4  
MEETING OF MEMBERS**

**4.1 Members.** The Members of the Association shall be any person or entity holding membership in the Association, as defined in the Covenants.

**4.2 Annual Meeting.** The annual meeting of Members of the Association shall be held at a time and place fixed by the officers of the Association. 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.

**4.3 Special Meetings.** 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. At such special meeting there shall only be considered such business as is specified in the notice of meeting.

**4.4 Notice and Waiver of Meetings.** Written notice of each meeting of Members, stating the place, day and hour of the meeting and the purposes for which the meeting is called, shall be mailed not less than ten (10) days nor more than fifty (50) days prior to such meeting to each Member of the Association at his or her address as the same appears on the list of Members of the Association. Except when ballots for open Director's positions are included with the notices, the notices may also be faxed or e-mailed if the intended recipient has previously given consent to receive notice in such manner. A written waiver of notice signed by the Member or Members entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice.

**4.5 Quorum.** Unless the Act provides otherwise, 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. If such quorum shall not be present in person or by Absentee Ballot at any such meeting, a majority of the Members entitled to vote at such meeting may adjourn the meeting to another time, but may not transact any other business. An adjournment shall be to a date not less than five (5) days and not more than thirty (30) days from the original meeting date, and without notice of the Members other than an announcement of the new date at the meeting. However, if a time and place for the adjourned meeting are not fixed or if for any reason a new date is fixed after adjournment, notice of the time and place of the adjourned meeting shall be given in the manner prescribed in Section 4.4 of these Bylaws.

**4.6 Voting.** Each Member shall have one (1) vote, in person or by Absentee Ballot 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 (1) 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, or if the Secretary position is open for election/re-election in a given year another officer whose position is not open for election/re-election that year. Said Absentee ballot shall not be revocable. Except as otherwise provided by law, by the Covenants, the Charter or by these Bylaws, all actions by the Members shall be determined by a majority of the votes of the Members present in

person or by Absentee Ballot. At no time may an Absentee Ballot give to one Member the right to vote for any other Member.

**a) Definition.** In these Bylaws, the term “voting in person or by absentee ballot” requires that a ballot on this issue must be mailed, faxed or e-mailed to every Member to vote on, and the vote total is the sum of the Members voting in person and those voting by absentee ballot.

**b) Suspension of Member Voting Rights.** Voting rights of a Member may be suspended for the following reasons.

(i) Each Owner of any Lot, by acceptance of a deed therefore, agrees to pay to the Association, as provided under Article IV of the Covenants, annual assessments or charges for the purpose of funding the Maintenance Fund. For all years of the Association beginning on or after January 1, 2010, all Lot Owners will be charged the same assessment amount. The voting rights and other rights of the Members hereunder or under the Covenants, may be suspended by the Board of Directors of the Association for any period of time during which any Assessments levied by the Association against such Member pursuant to Article IV of the Covenants remains past due and unpaid. Upon payment of such Assessments and any penalties and interest accrued thereon, the voting rights of such Member shall be restored, effective as of the date of payment.

(ii) If rules and regulations governing the use of the Property and the conduct of persons thereon have been adopted as provided hereunder or under the Covenants, the voting rights and other rights of Membership hereunder of any Member and any occupants of such Member’s Lot may be suspended by the Board of Directors for any period of time during which such Member or occupant is in violation of such rules and regulations.

**4.7 Action Without a Meeting.** Any action required or permitted to be taken at a meeting of Members, except the election or removal of members of the Board of Directors, may be taken without a meeting by written ballot as follows. A written ballot shall set forth each proposed action and provide an opportunity to vote for or against each proposed action. Approval by written ballot shall be valid when the number of votes cast by ballot equals or exceeds the quorum required to be present at the meeting authorizing the action, and the number of approvals equals or exceeds the number that would be required to approve the matter at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot. All solicitations for votes by written ballot shall (i) indicate the number of responses needed to meet the quorum requirements, (ii) state the percentage of approvals necessary to approve each matter, and (iii) specify the time by which a ballot must be received by the Association in order to be counted. A written ballot may not be revoked. The written ballots shall be filed with the minutes of the proceedings of the Members.

**ARTICLE 5  
BOARD OF DIRECTORS**

**5.1 General Powers.** The business and affairs of the Association shall be conducted under the direction of, and the control and disposal of the properties and funds of the Association shall be vested in its Board of Directors. Without limiting the foregoing, The Board of Directors shall specifically have the power to:

- a) Make, amend and publish rules and regulations governing, without limitation, the use of the common grounds, Community Facilities, and the personal conduct of the Members, occupants and guests thereon and establish penalties for the infraction of such rules and regulations, including, without limitation, the suspension of rights and privileges arising hereunder and under the Covenants, so long as such rules and regulations and limitations which may be placed upon the use of such property do not conflict with the terms of the Covenants and Charter;
- b) To establish, levy and assess, and collect Assessments or charges referred to in Article IV of the Covenants;
- c) Enforce the provisions of the Covenants concerning default in the payment of any Assessments levied by the Association, and infractions of published rules and regulations;
- d) Exercise for the Association all powers, duties and authority vested in or delegated to the Association and not reserved to the Members by other provisions of these Bylaws, the Charter, or the Covenants;
- e) Declare the office of a Director to be vacant in the event such Director shall be absent from three consecutive regular meetings of the Board of Directors;
- f) Employ a manager, an independent contractor, or such other employees as they deem necessary, and prescribe their duties;
- g) Acquire, operate, lease, manage, and otherwise trade and deal with property, real and personal, as may be necessary or convenient in the operation and management of the Property and in accomplishing the purposes set forth in the Covenants and Charter;
- h) Enforce by legal means the provisions of the Covenants, Charter and Bylaws, and the rules and regulations hereinafter promulgated governing use of the Property and facilities of the Association;
- i) Pay all taxes and assessments which may be or become liens against any part of the Property and to assess the same against the Members and their respective Lots;

j) Pay all costs of power, water, sewer and other utility services, if any, rendered to the common grounds and Common Facilities; and

k) Borrow funds, enter into loan agreements, arrange for financing, and otherwise execute instruments of indebtedness on behalf of and in the name of the Association for any legitimate purpose which may be necessary for the improvement, maintenance and well-being of the Property.

l) Set policy for the ARC to insure the overall welfare of the community.

**5.2 Duties.** Without limitation, it shall be the duty of the Board of Directors to:

a) Cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members or at any special meeting when such statement is requested in writing by one-third (1/3) of the Members who are entitled to vote;

b) Supervise all officers, agents and employees of the Association, and to see that their duties are properly performed; and

c) As more fully provided in the Covenants:

(i) Fix the amount of Assessments against each Lot;

(ii) Send written notice of all Assessments to every Owner subject thereto;

(iii) Proceed to foreclose the lien against any Lot for which Assessments are not paid within thirty (30) days after the due date or to bring an action at law against the Owner personally obligated to pay the same;

(iv) Issue or cause an appropriate officer to issue upon demand by any person a certificate setting forth whether or not any Assessments have been paid. A reasonable charge may be made by the Board of Directors for the issuance of these certificates. If a certificate states Assessments have been paid, such certificate shall be conclusive evidence of such payment;

(v) Procure and maintain adequate insurance coverage as required by the Covenants;

(vi) Require all Directors or employees having fiscal responsibilities to be bonded, as it may deem appropriate; and

(vii) Cause the common grounds, Common Facilities, and roads, to be maintained pursuant to the Covenants, including, without limitation, Section 3.09 of the Covenants.

(viii) Any Board of Directors member who refuses to follow a decision or directive of the Board, has performed in an unethical or fraudulent manner, or for whatever reason is disruptive to the well-being and functioning of the Board of Directors may be considered for disciplinary action; such action would be determined by the majority of those Board Members remaining in good standing and based on the seriousness of the issue.

**5.3 Number.** Commencing as of the date of the first annual meeting and continuing thereafter, the Board shall consist of five (5) Directors, each of whom must be a Member of the Association. Board members also serve as the officers of the Association.

**5.4 Nomination.** Nomination for election to the Board shall be made by a Nominating Committee consisting of at least three (3) persons who shall be Members of the Association. Each member of the Nominating Committee shall be appointed by the Board and shall serve for a period of one (1) year, and vacancies thereon shall be filled by appointment by the Board. The Nominating Committee may make as many nominations as it desires but not less than the number of positions to be filled. The Nominating Committee also serves as the Election Committee.

Notwithstanding the foregoing, any Member present in person or by Absentee Ballot at a meeting in which a Director or Directors are to be elected may place a name in nomination at the meeting prior to the vote.

The Board shall adopt procedures that provide for a reasonable opportunity for nominees to communicate their qualifications and reasons for candidacy to the Members and to solicit votes, and for a reasonable opportunity for all Members to choose among the nominees. No Association funds may be expended to support a nominee for Director.

**5.5 Election of Directors.** Newly elected or re-elected Directors terms shall begin immediately following the Board meeting when the election results are announced. The Members shall initially elect two (2) Directors for a term of one (1) year and three (3) Directors for a term of two (2) years. At the expiration of the initial term of office of each respective director, his/her successor shall be elected to serve for a term of two (2) years. Election procedures shall be contained in a procedural manual to be periodically reviewed and updated by the Directors.

**5.6 Vacancies.** Any director may resign at any time by giving written notice to the President, the Secretary or the Board of the Association. Such resignation shall take effect at the time specified therein, and if not specified therein, it shall take effect upon the receipt. Acceptance of such resignation shall not be necessary to make it effective. Any vacancy occurring on the Board of Directors, except as the result of removal by a vote of the Members as specified in the Covenants, may be filled by the affirmative vote of a majority of the remaining Directors then in office, even if less than a quorum. The time served by the new Director filling such vacancy does not count toward term limits defined in the Covenants.

**5.7 Regular Meetings.** Regular meetings of the Board of Directors shall be held at a time and at a meeting place fixed by the Board of Directors from time to time. The meeting place shall ordinarily be at the Sunset Bay clubhouse unless, in the judgment of the Board, a larger meeting room is required in which case the meeting room selected shall be as close as possible to Sunset Bay.

**5.8 Special Meetings.** Special meetings of the Board of Directors shall be held when called by the President of the Association, or by any two (2) Directors other than the President, after not less than seventy-two (72) hours notice to each Director, which notice shall specify the time and place of such meeting and the nature of any business to be considered. A copy of such notice shall be posted in a prominent place.

**5.9 Board Meetings Open to Members.** Regular and special meetings of the Board shall be open to all Members of the Association and their guests; provided, however, that Association Members and guests who are not on the Board may not participate in any deliberation or discussion unless expressly so authorized by the Chairman of the Board. Any Member may attend such meetings, except when the Board adjourns to executive session to consider litigation, matters relating to the formation of contracts with third parties, Member discipline (if requested by the Member), personnel matters, or order of business of a similar nature.

**5.10 Executive Sessions.** The Board may, with the approval of a majority of the Directors present, adjourn a meeting and reconvene in executive session to discuss and vote upon personal matters, litigation in which the Association is or may become involved, matters that relate to the formation of contracts with third parties, and orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session. Any matter discussed in executive session shall be generally noted in the minutes of the Board of Directors. In any matter relating to the discipline of a Member, the Board of Directors shall meet in executive session if requested by that Member, and the Member shall be entitled to attend the executive session.

**5.11 Notice of Meetings.** Notice of the time and place of regular meetings shall be posted in a prominent place, but a formal written notice of the meeting is not required.

**5.12 Quorum and Voting.** Unless otherwise required by the Act, a quorum for the transaction of business at any meeting of the Board of Directors shall consist of a majority of the Directors. Each Director shall be entitled to one vote and the vote of a majority of the Directors present in person at the meeting at which a quorum is present shall be the act of the Board of Directors unless a greater number is specifically required by these Bylaws, by the Covenant, by the Charter of the Association or by the Act. If less than a quorum is present at a meeting. A majority of the Directors present may adjourn the meeting from time to time without further notice other than an announcement at the meeting, until a quorum shall be present. A Director may not vote or act by Absentee Ballot at any meeting of the Directors.

**5.13 Meetings by Telephone or Teleconference.** Members of the Board of Directors or any committee thereof may participate in a meeting of the Board of Directors or committee by means of conference telephone or similar communications equipment by which all persons participating in the meeting can hear each other at the same time. Such participation shall constitute presence in person at the meeting.

**5.14 Board Actions without Meetings.** In the event that an urgent matter needs to be addressed by the Board and it is not physically possible for the Board to hold a meeting to discuss the matter in a timely fashion, the Board may take action on any issue without calling a formal meeting. The result of that action must be included in the minutes of the immediately following Board of Directors meeting. Routine decisions on budgeted items do not require Board approval.

**5.15 Minutes of Board Meetings.** The minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes of any meeting of the Board of Directors, other than an executive session, shall be available to Members within thirty (30) days after the meeting. Copies of such minutes shall be distributed to any Member of the Association upon request and upon reimbursement of the Association's cost in making the distribution.

**5.16 Chairman.** The President of the Association shall serve as Chairman of the Board of Directors and shall, when present, preside at all regular and special meetings of the Board of Directors, shall preside at the annual meeting of Members, and shall generally perform all other duties incident to the office, required by these Bylaws or from time to time assigned to him/her by the Board of Directors.

**5.17 Compensation.** The Directors shall receive no compensation for their services as Directors, however, Directors may be reimbursed for actual out-of-pocket expenses incurred in the performance of their duties.

**5.18 Removal of Directors.** Any Director (officer), or the entire Board of Directors, may be removed with cause by vote of the Members pursuant to Section 3.02(d) of the Covenants.

## **ARTICLE 6 OFFICES**

**6.1 Definition.** Offices of the Association shall consist of a President, a Vice President, a Secretary, a Treasurer, and an Architectural Review Committee Liaison.

**6.2 Election and Term.** Because the number of Lots in Sunset Bay 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, and vice versa. Each officer of the Association (Director) shall hold office for the same term as outlined by their

appointment to the Board of Directors, unless such officer shall sooner resign, or shall be removed, or otherwise disqualified to serve.

**6.3 Multiple Offices.** Any number of offices may be held by the same person, except that the offices of President and Secretary shall not be held by the same person.

**6.4 Authority and Duties.** The officers of the Association shall have the authority and shall exercise the powers and perform the duties specified by the Board of Directors, the Bylaws and the Covenants, except that in any event such officer shall exercise such powers and perform such duties as may be required by law.

(a) **President.** The President shall carry on the general affairs of the Association under the supervision and direction of the Board of Directors. It shall be his or her duty to approve the expenditure of the monies appropriated by the Board of Directors in accordance with the budget approved by the Board of Directors. The President shall preside at all meetings of the Board of Directors, shall sign all written instruments and promissory notes, and will be an authorized co-signer on all checking accounts. He or she shall perform such other duties as may be determined from time to time by the Board of Directors.

(b) **Vice President.** The Vice President shall act in the place and stead of the President in the event of his/her absence, inability or refusal to act. He/she shall be an authorized co-signer on all checking accounts of the Association; and shall exercise and discharge such other duties as may be required of him/her by the Board.

(c) **Secretary.** The Secretary shall attend the meetings of the Directors and shall record the proceedings of the Association and the Board of Directors at the meetings. He or she shall provide for notification of the Directors of the Association of their meetings in accordance with these Bylaws, shall be the custodian of the Association's records, shall furnish certifications of Board of Directors actions, Bylaws, and organizational documents, and shall perform such other duties as may be required by these Bylaws or as may be assigned by the Board of Directors. In the absence of the Secretary, the President shall appoint a person to act as Secretary of a particular meeting. The Secretary may be authorized by the Board of Directors to co-sign checks in the event other officers with check signing authority will be unavailable for a period of time.

(d) **Treasurer.** The Treasurer shall be the financial officer of the Association and shall receive and deposit in a bank or banks to be approved by the Board of Directors all the monies of the Association and keep an accurate account thereof. He or she shall be an authorized co-signer on all checking accounts and shall sign all promissory notes of the Association; and keep proper books of account. He or she shall perform such other duties as may be required by these Bylaws or as may be assigned by the Board of Directors. At the end of his or her term of office, the Treasurer shall deliver to his or her successor all books, monies, and other property of the Association then in his or her possession.

(e) A.R.C. Liaison. The A.R.C. Liaison shall have charge of all communication and dissemination of policy or actions required between the officers of the Association and the A.R.C. He or she shall also perform such other duties as may be required by the Board.

(f) The above duties may be changed by action of the Board of Directors.

(g) Every member of the Board of Directors shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and the physical properties owned by the Association. The right of inspection by Board Members includes the right to make extracts and copies.

## **ARTICLE 7 COMMITTEES**

**7.1 Definition.** Standing committees shall include, but not be limited to the following: The Architectural Review Committee, the Nominating Committee, and the Audit Committee. In addition, the Board may appoint other standing or special committees as deemed appropriate in carrying out its functions and duties. Such other committees shall be appointed by Board resolution adopted by a majority vote. At least one (1) Board Member must be appointed to each committee. Board Members who have check writing authority may not be members of the Audit Committee and the Treasurer may attend meetings, but cannot be a member. Non-Members may be appointed to committees but may not comprise a majority of any committee. Committee chairs shall be appointed by majority vote of the Committee.

**7.2 Limitation of Powers.** No committee shall have the authority of the Board of Directors to amend, alter, or repeal these Bylaws; to elect, appoint, or remove any member of any such committee or any officer or director of the Association; to amend the Charter of the Association; to restate the Charter of the Association; to adopt a plan of merger or adopt a plan of consolidation with another Association; to authorize the sale, lease, exchange, or mortgage of all or substantially all of the property and assets of the Association; to authorize the voluntary dissolution of the Association or to revoke proceedings thereof; to adopt a plan for the distribution of the assets of the Association; to amend, alter, or repeal any resolution of the Board of Directors; or as otherwise may be prohibited by law. Rules governing procedures for meetings of any committee shall be as established by the Board of Directors or, in the absence thereof, by the committee itself. If no rules are established, then the rules that govern the Directors shall govern each committee. All committees shall report promptly to the Board of Directors and only take such actions as are specifically designated in these Bylaws or in resolution establishing the committee or set forth its duties and responsibilities. All committee decisions/actions are subject to the approval of the Board of Directors.

**7.3 Meetings.** Meeting of committees may be called by the respective chairs thereof or by any two (2) members of the committee. At all meetings of any committee, a majority of the members of the committee shall constitute a quorum for the transaction of

business, and the act of a majority of the members present at any meeting thereof at which there is a quorum shall be the action of the committee, except as may be otherwise specifically provided for by these Bylaws.

## **ARTICLE 8 ASSESSMENTS**

**8.1 Definition.** As more fully provided in the Covenants, each Member is obligated to pay to the Association Annual, Special, and Default Assessments that are secured by a continuing lien upon the Lot against which the Assessment is made. The Association shall have the power and remedies for the establishment and collection of Assessments set forth in the Covenants. No Owner may waive or otherwise escape liability for the Assessments provided herein by non-use of the common grounds and/or Community Facilities or abandonment of his or her Lot.

## **ARTICLE 9 FISCAL MANAGEMENT**

**9.1 Assessment Roll.** An assessment roll shall be maintained in a set of accounting books in which there shall be an account for each Lot. Such accounts shall designate the name and address of the Owner or Owners, the amount of any Assessments against the Owners, the dates and amounts in which Assessments come due, the amounts paid upon the account and the balance of Assessments due.

**9.2 Budget.** The Board of Directors shall adopt a budget for each fiscal year of the Association which will contain the anticipated revenues of the Association and estimates of the costs of performing the functions of the Association, including but not limited to the following:

**(a)** Common expenses, which shall include, without limitation, the estimated amounts necessary for maintenance and operation of common grounds, Community Facilities, landscaping, walkways, office expenses, utility services, casualty insurance, liability insurance, administration and reasonable operating and replacement reserves, and construction, reconstruction, repair and replacement of common grounds and Community Facilities; and

**(b)** Proposed Assessments against each Owner and the Due date of any payments.

**9.3 Depository.** The depository of the Association shall be such bank or banks and/or federal savings and loan associations as shall be designated from time to time by the Board of Directors and in which the monies of the Association shall be deposited. Withdrawal of monies from such accounts shall be by such persons as are authorized by the Board of Directors. All checks issued by the Association require two (2) signatures.

**9.4 Annual Financial Statements.** The Association shall prepare annual financial statements that include a balance sheet as of the end of the fiscal year, an income statement for the year, and such other information as may be necessary to comply with the requirements of the Act. The annual financial statements shall be made available to Members within four (4) months after the close of the fiscal year.

**9.5 Audit.** An audit of the accounts of the Association may be made annually by a Certified Public Accountant in the direction of the Board, and, if performed, a copy of the report shall be furnished to each Member within four (4) months of receipt of the report by the Board.

(a) The Board will review on at least a quarterly basis a current reconciliation of the Association's operating and reserve accounts, and an Audit Committee shall be established to review the Association's books and financial statements on at least an annual basis. Such review will be conducted in accordance with directives received from the Board of Directors.

## ARTICLE 10

**10.1 Limitation of Liability.** To the fullest extent permitted by the laws of Tennessee, as now in effect and as hereafter adopted or amended, each present and future Director or member of any committee appointed by the Board of Directors shall be immune from suit arising from conducting the affairs of the Association.

**10.2 Indemnification.** The Association shall, to the full extent permitted by the Act, indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a member of the Board of Directors, a committee member, an officer, an employee or a volunteer of the Association, or is or was serving at the request of the Association as a member, trustee, director, committee member, officer, employee or volunteer of another domestic or foreign nonprofit corporation or corporation for profit, or a partnership, joint venture, trust or other enterprise, and the Association may, but shall not be required to, indemnify any other person whom it may indemnify under the provisions of the Act.

## ARTICLE 11 APPEALING DECISIONS OF THE A.R.C.

**11.1 Right to Appeal.** An applicant receiving an unfavorable decision from the A.R.C. is advised to revise the plans in accordance with recommendations from the A.R.C. and resubmit them for approval.

**11.2 Process.** If the applicant believes that the decision of the ARC is contrary to the Sunset Bay Documents or otherwise in error for any reason, or if the applicant is unable to comply with the requirements of the ARC, he/she may request a hearing before an Appeals Board. The request must be in writing and must be directed to the Chairman of

the ARC and be post marked or hand delivered within thirty (30) days of the date that the applicant was notified of the ARC decision. Untimely appeals will only be considered upon the unanimous vote of all members of the ARC.

**a)** The ARC Chairman shall schedule a meeting of the Appeals Board within fifteen (15) days of receipt of the request or as soon thereafter as is reasonably possible, ie., schedules of the applicant, consultants, and the Appeals Board Members.

**(i)** The Appeals Board shall consist of three (3) members who shall be selected by the applicant. Two (2) of the members shall be selected from the "Appeals Pool" and one member shall be selected from the Board of Directors. The Appeals Pool shall consist of not less than five (5) Members of the Association who are in good standing and who stipulate that they have read and have a general understanding of the Covenants and the Architectural Guidelines.

**(ii)** Members of the ARC Pool will serve a two year term. The name of any Association Member that is not currently serving on the Board of Directors or the ARC may volunteer or have their name presented to the ARC for nomination to the Appeals Pool. The ARC will recommend nominations for the Appeals Pool to the Board of Directors for its approval.

**b)** Selection of the Appeals Board is accomplished as follows:

**(i)** The applicant shall select one member of the Pool by name to serve on the Appeals Board.

**(ii)** In the presence of the ARC Chairman, the applicant will randomly (blindly) select a second member of the Pool to serve on the Appeals Board.

**(iii)** In the presence of the ARC Chairman, the applicant will randomly (blindly) select one member of the Board of Directors to serve as the third (3rd) member and Chairman of the Appeals Board.

**(iv)** Since the ARC Liaison member of the Board of Directors is also a voting member of the ARC, the applicant may choose to exclude him/her from the Directors available for drawing under (iii) above.

**(v)** In the event any Director is also a member of the ARC, the applicant may choose to exclude him or her from the Directors available for drawing under (iii) above

**c)** The Appeals Board will conduct a review of the items/issues that are being appealed by the applicant.

d) The applicant will be given an opportunity to address the issue(s) before the Appeals Board using whatever documents, visual aids, or consultants he/she feels appropriate.

e) A majority of the Appeals Board will determine an appeals decision. The applicant shall be notified in writing by the Chairman of the Appeals Board of the outcome of the appeal within seven (7) days of the Appeals Board vote. All Appeals Board members must be present for a quorum.

f) All decisions of the Appeals Board will be final.

(i) The Appeals Board shall have no authority to issue a decision that is contrary to the Sunset Bay Documents.

(ii) Decisions of the Appeals Board contrary to the decision of the ARC require ratification by the Board of Directors prior to notification of the applicant.

**11.3 Failure to Comply with Decision.** In the event a Property Owner refuses to comply with the decisions of the ARC or the Appeals Board, the Board of Directors may choose to initiate litigation or enter into a settlement based on the hazards of litigation. The Property Owner, however, has no appeal rights to the Board of Directors.

## **ARTICLE 12 MISCELLANEOUS PROVISIONS**

**12.1 Records.** The Association shall keep correct and complete books and records of account and financial statements. The Association shall keep minutes of all meetings of the Board of Directors and all committees and a record of all actions taken by the Board of Directors and its committees by written consent without a meeting. The Association shall keep and maintain copies of the current Covenants, Charter, Bylaws, and any rules and regulations adopted pursuant to Section 3.06 of the Covenants, as well as the Association's own books, records, and audited financial statements, at the Association's principal office. Said items shall be available during normal business hours for inspection by Owners, and, upon written request, by holders, insurers, and guarantors of any first mortgagee secured by Lots in the Property.

**12.2 Severability.** These Bylaws, to the extent possible, shall be construed or reformed as to give validity to all of its provisions. Any provision of these Bylaws 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.

**12.3 Amendment of Bylaws.** These Bylaws may only be amended under the procedures provided in Section 14.02 (a), (b) and (c) of Article XIV of the Covenants.

**12.4 Conflicts Between Documents.** In case of conflict between these Bylaws or the Charter and the Covenants, the Covenants shall control.

**12.5 Fiscal Year.** The fiscal year of the Association shall be fixed by resolution of the Board of Directors. The initial fiscal year shall be the calendar year.

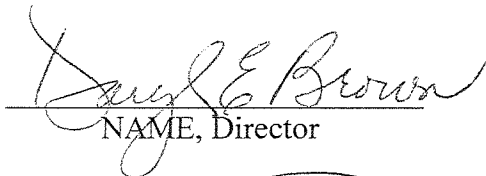
**12.6 Loans to Directors or Officers.** No loans or advances shall be made by the Association to any of its Directors or officers.

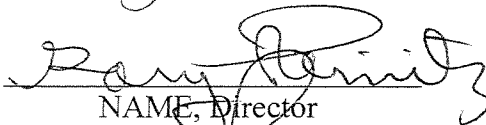
**12.7 Manager.** The Association may, in the discretion of the Board of Directors, enter into management contracts or other agreements for management and other services to the Association pursuant to the provisions of Section 3.07 of the Covenants.

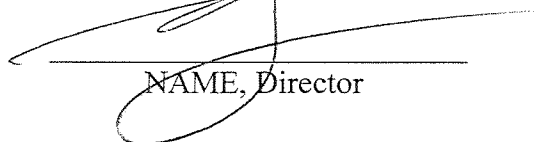
IN WITNESS WHEREOF, we, being all of the directors of SUNSET BAY OWNERS ASSOCIATION, INC. hereto set our hands this 21<sup>st</sup> day of FEBRUARY, 2009.

  
NAME, Director

  
NAME, Director

  
NAME, Director

  
NAME, Director

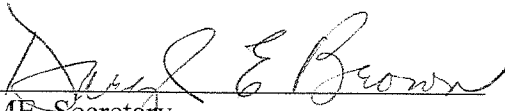
  
NAME, Director

**CERTIFICATION**

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of SUNSET BAY OWNERS ASSOCIATION, INC., a Tennessee Non-Profit Corporation, and

That the foregoing Bylaws constitute the original Bylaws of said Association, as duly adopted at a meeting of the Board of Directors thereof held on the 21<sup>st</sup> day of February 2009.

  
\_\_\_\_\_  
NAME, Secretary

STATE OF TENNESSEE  
COUNTY OF UNION

Before me, the undersigned, a Notary Public in and for the State and County aforesaid, personally appeared, Theodore P. Dreiser, Daryl E. Brown, Gary Reinitz, Michael R. Bollinger and David E. McIntosh, with whom I am personally acquainted, and who, upon oath, acknowledged himself/herself to be Directors of Sunset Bay Owners Association, Inc., the within named bargainer, a nonprofit corporation.

Witness my hand and seal on this 21st day of February, 2009.

Notary Public *Beverly W. Fretwell*

My Commission Expires: 12/12/2012

