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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

ESPALIER BAY – SECTION I

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EXHIBIT "A"	Property Description
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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

ESPALIER BAY – SECTION I

THIS DECLARATION is made, published and declared this 2nd day of May, 2006, by and among TENNESSEE LAND AND LAKES, LLC. (The "Declarant"), and any and all persons, companies or other entities presently owning or hereinafter acquiring any of the hereinafter described real property.

WHEREAS, the Declarant is the fee simple owner of a certain tract of real property in Meigs County, Tennessee, which is more particularly described in Exhibit "A", attached hereto and made a part hereof by this reference; and

WHEREAS, the Declarant has caused to be prepared a plan for the subdivision of said real property shown on Exhibit "A" into residential lots, said subdivision to be known as Espalier Bay, and has caused a subdivision plat of the said real property to be filed as Plat 272-B in the Register's Office of Meigs County, Tennessee; and

WHEREAS, it is to the benefit, interest and advantage of the Declarant, and each and every person or other entity which may hereafter acquire any interest in any of the aforescribed real property described in Exhibit "A" that certain covenants, restrictions, easements, assessments and liens governing and regulating the use and occupancy of all of the same be established, fixed, set forth and declared as covenants running with the land;

NOW, THEREFORE, in consideration of the premises, the Declarant does hereby publish and declare (1) that all, and each and every part of, said real property shown in Exhibit "A" is held and shall be held, conveyed, hypothecated, encumbered, leased, rented, used, occupied, improved and otherwise held and used subject to (a) the following covenants, conditions, restrictions, uses, limitations and obligations and (b) all easements, conditions, restrictions, etc., as set out in the Subdivision Plat previously mentioned, all of which are hereby declared and agreed to be in furtherance of a plan for the development and improvement of said real property, (2) that said covenants, conditions, restrictions, uses, limitations and obligations shall run with the land and shall be a burden and a benefit to the land and to the Declarant, its successors and assigns, the Association and any person or legal entity acquiring or owning any interest in any portion of said real property or any improvements thereon, and their grantees, successors, heirs, executors, administrators, devisees and assigns.

ARTICLE I.

DEFINITIONS

The following words, when used in this Declaration, shall have the following meanings:

Section 1. "Association" shall mean and refer to Espalier Bay Property Owners Association, Inc., a non-profit, non-stock corporation incorporated under the laws of the State of Tennessee, its successors and assigns. The Association's Charter and Bylaws (which may change) are attached hereto marked Exhibits "B" and "C" respectively and are hereby made a part hereof.

Section 2. "Common Area" shall mean all land designated as Common Area on said Plat or any revisions thereof.

Section 3. "Declarant" shall mean Tennessee Land and Lakes, LLC., with offices in Roane, Meigs, and Knox County, Tennessee, its successors and assigns.

Section 4. "Declaration" shall mean this Declaration of Covenants, Conditions and Restrictions, and any

supplementary declaration filed hereafter, as this Declaration may, from time to time, be amended in accordance with its terms.

Section 5. "Improvements" shall mean the structures, walls, pavement, plantings and other additions built or placed on the Lots.

Section 6. "Lot" or "Lots" shall mean and refer to the plots of land designated on the Subdivision Plat. For all purposes hereunder, the Declarant shall be the Owner of all of said Lots, save and except only those particular Lots which the Declarant conveys in fee simple title by recordable deed from and after the date hereof.

Section 7. "Member" shall mean and refer to every Person who holds membership in the Association.

Section 8. "Owner" shall mean and refer to the record Owner, whether one or more persons or entities, of fee simple title to any Lot which is a part of the Property, but excluding those having such interest merely as security for the performance of an obligation. The purchaser at a foreclosure sale or trustee's sale shall be deemed an Owner.

Section 9. "Person" means an individual, firm, company, corporation, partnership, association, trust or other legal entity or any combination thereof.

Section 10. "Property" shall mean all of that certain real property hereinabove described, both in Exhibit "A", and such additions thereto as may hereafter be brought within the jurisdiction of the Association and this Declaration.

Section 11. "Subdivision Plat" shall mean the original recorded plat of said subdivision referred to in Exhibit "A", and any amendments or revisions thereto, and the recorded plats of any additional property which is later incorporated into and made subject to this Declaration.

ARTICLE II.

THE PROPERTY

Section 1. Property Subject to Declaration. The Property shall be held and used subject to this Declaration.

Section 2. Roads and Utilities. The roads within the Property are private property. Pipes, lines, cables, other means of utility service, etc., shall be public, with exception of the sewer which shall initially be private, but leased to the public utility.

Section 3. Additional Property Subject To This Declaration. Additional residential property and/or common areas which are not presently a part of the Property may be added to and become subject to this Declaration at any time as desired by the Declarant. The decision to include additional property to be subject to this Declaration shall be at the sole discretion of Declarant. Declarant and/or the venturers of the Declarant may subsequently acquire additional land adjacent or contiguous to the Property or in the vicinity of the Property and may incorporate some or all of such additional land into this Declaration and the Association, but Declarant and/or the venturers of the Declarant are under no obligation to incorporate any such additional land into this Declaration.

ARTICLE III.

THE ASSOCIATION

Section 1. Members. Every Person or entity who is a record owner of a fee or an undivided fee interest of any Lot shall be a Member of the Association provided, however, that anyone who holds such interest merely as security for the performance of an obligation, shall not be a Member. Membership shall be appurtenant to and may not

be separated from ownership of any Lot. Ownership of such Lot shall be the sole qualification for membership.

Section 2. Control by Declarant. The Declarant shall be a Member for each Lot owned by it until the same is sold and title transferred. Notwithstanding any other provision of this Declaration or any related document, the Declarant shall retain total control of the Association including the right to cast the votes of all members, the Property, the development thereof, and the improvements thereon, including, without limitation, plan approval, until the development is complete and 75% all the building Lots in all Sections and in all property annexed into these Restrictive Covenants have been sold. However, Declarant may, at its option, transfer said control to the Members at such time as it deems appropriate.

Section 3. Voting Rights. The voting rights of the Membership shall be appurtenant to the ownership of a Lot, each Owner of a Lot being entitled to one (1) vote for each Lot owned. The Declarant's vote on any matter shall outweigh the aggregate vote of all other Members until the control granted to Declarant in this Article is transferred to the Members.

Section 4. Secured Parties. No individual or legal entity holding title to a Lot as security for any debt or obligation shall be considered an owner of such Lot, and such individual or entity shall not be entitled to membership in the Association or to cast a vote on any questions or matter affecting the administration of the Association.

Section 5. Voting. At every meeting of the Members, each of the Members shall have the right to cast his vote on each question. Subject to the Declarant's control as set forth in Article III, Section 2 above, and other rights set forth in this Declaration, the vote of the Members representing fifty-one (51%) percent majority of the total votes cast, with respect to any question, in person or by proxy, shall decide any question brought before such meeting, unless the question is one upon which, by express provisions of statute, the Association's Charter or By-Laws, or this Declaration, a different vote is required. In such case, such express provision shall govern and control. The vote of any membership which is owned by more than one person may be exercised by any of them present at any meeting unless an objection or protest by a co-owner of such membership is noted at such meeting. In the event all of the co-owners of any such membership who are present at any meeting of the Members are unable to agree on the manner in which the vote for such membership shall be cast on any particular question, then such vote shall not be counted for purposes of deciding that question. No Member shall be eligible to vote, either in person or by proxy, or to be elected to the Board of Directors, who is shown on the books or management accounts of the Association to be more than thirty (30) days delinquent in any payment due the Association.

Section 6. Proxies. A Member may appoint any other Member or the Declarant, or any other person permitted by law or by the By-Laws, as his proxy. In no case, may any Member, except the Declarant, cast more than one vote by proxy, in addition to his own vote. Any proxy must be in writing and must comply with all requirements imposed by law or by the By-Laws.

Section 7. Quorum. The presence, either in person or by proxy, of Members representing at least a fifty-one (51%) percent of the total votes entitled to be cast with respect to any question shall be requisite for, and shall constitute a quorum for, the transaction of business at all meetings of the Members. If the number of Members at a meeting drops below the quorum and the question of a lack of quorum is raised, no business may thereafter be transacted. If two or more successive meetings are adjourned for lack of a quorum, the quorum for each successive resumed meeting shall be equal to the greater of the number of votes represented at either of the two previous adjourned meetings.

Section 8. Rules and Regulations. The Developer initially, and the Association after control is turned over, may from time to time, promulgate rules and regulations for the use and enjoyment of the common areas and roads.

ARTICLE IV.

PROPERTY RIGHTS AND EASEMENTS

Section 1. Owner's Easements of Enjoyment Over the Common Area. Every Owner shall have a right and easement of enjoyment over and across the Common Area, and such easement shall be appurtenant to and shall pass with the title to every Lot, subject to this Declaration and the following specific provisions:

- (a) The right of the Association, as provided in its charter and/or By-Laws, to suspend any enjoyment rights of any member;
- (b) The right of the Association, in accordance with its Charter and/or By-Laws, to improve and maintain the Common Areas;
- (c) The right of the Declarant and the Association, but not the obligation, to protect, maintain and inspect the Common Areas.

Section 2. Easements for Utilities and Related Purposes. The Declarant and/or the Association are authorized and empowered to grant such licenses, easements and/or rights-of-way for water lines, electrical cables, telephone cables, television and other communication cables, internal and external wiring and antennae, gas lines, storm drains, underground conduits and/or such other purposes related to the provision of public utilities and other common services to the Property as may be considered necessary, appropriate or desirable for the orderly maintenance, preservation of the health, safety, convenience and/or welfare of the Owners and the Declarant.

Section 3. General Easement. The Declarant hereby reserves for itself and the Association the right and easement to the use of any Lot or any portion thereof, as may be needed for repair, maintenance or construction on such Lot, any other Lot, or the Common Area.

ARTICLE V.

MAINTENANCE AND REPAIR

Section 1. Association Responsibilities. Except as otherwise stated in this Declaration, the Association shall pay for all maintenance and expenses for the Common Area, any improvements on the Common Area, Common Fences and gates, the entrances, the Entry Areas, drainage structures, Retention Basins, street lights, sidewalks and road medians, if any.

Section 2. Individual Lot Owners. Each Owner shall be responsible for the maintenance, painting, and proper upkeep of the Owner's Lot and boat dock, if applicable, and all improvements thereon, including, without limitation, all areas within easements. Grass, weeds, and vegetation shall be kept neatly mowed to the curb and all debris and animal waste shall be cleared at regular intervals from each Lot so as to maintain same in a neat and attractive manner.

Further, each Owner shall keep his residence and other improvements in a condition comparable to its condition when initially constructed. In the event all or any portion of a residence is damaged or destroyed by fire or other casualty, then the Owner shall promptly rebuild, repair or reconstruct said residence in a manner which will substantially restore same to its original condition or demolish the residence, at his discretion within nine (9) months of the occurrence of the casualty.

In the event the Owner of the Lot shall fail to comply with the terms and conditions of this Article in a manner reasonably satisfactory to the Board of Directors and in keeping with other Lots, the Declarant, in its sole discretion, or the Association, after approval of two-thirds (2/3) vote of the Board of Directors, shall have the right, through agents and/or employees, to enter upon said Lot and to repair, maintain and restore the Lot and to repair, maintain, restore or demolish the improvements thereon. The costs thereof, together with interest thereon and costs of collection thereof, shall be a binding personal obligation of such Owner, as well as a continuing lien upon the subject Lot upon the recording of a notice of lien with the Office of the Register of Meigs County, Tennessee. The rights and remedies given to the Association by the Article of this Declaration dealing with assessments and non-payment thereof shall apply fully to the debt obligations, including interest and costs of collection, and the lien rights created in this Section. Likewise, the terms and conditions of said Article dealing with subordination and mortgage protection shall be fully applicable.

ARTICLE VI.

COMMON FENCES

Common Fence. The Declarant may construct a fence along certain roads within the subdivision (the "Frontal Fence"). The Frontal Fence shall be of a design to be selected by the Declarant and shall be maintained by the Association, and may not be changed in any manner by any Owner.

ARTICLE VII.

ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. Each Owner of any Lot, by acceptance of a deed therefore, whether or not it shall be so expressed in any such deed or other conveyance, shall be deemed to covenant and agree to pay to the Association the assessments provided in this Article. Said assessments shall be fixed, established and collected from time to time as herein provided. All such assessments, together with such interest thereon and costs of collection thereof as are hereinafter provided, shall be a charge on the land and shall be a continuing lien upon the Lot against which each such assessment is made. Each such assessment, together with interest thereon and cost of collection thereof, shall also be the personal obligation of the Owner of such Lot at the time when the assessment becomes due.

Section 2. Annual Assessments.

(a) Each Member other than Declarant shall pay to the Association in advance an annual sum equal to the Member's proportionate share of the sum required by the Association, as estimated by its Board of Directors, to meet its annual expenses, including, but in no way limited to, the following:

- (1) The cost of all operating expenses of the Association and services furnished, including charges by the Association for its facilities, if any, any repayment of any debt expenses including any loans incurred by the Association and interest thereon from Declarant for operating and capital improvement; and
- (2) The amount of all taxes and assessments levied against the Association or upon any property which it may own or which it is otherwise required to pay, if any; and
- (3) The cost of extended liability insurance and the cost of such other insurance as the Association may effect; and

(4) The cost of funding all reserves established by the Association, including, when appropriate, a general operating reserve and/or reserve for replacements; and the estimated cost of repairs, maintenance and replacements of the entrance, the Frontal Fence, drainage systems, Retention Basins, the Common Area and other items; and

(5) Electricity and water for irrigation of the Common Area improvements; and

(6) Common Area improvements.

(b) For each Lot, the annual assessment shall first become due on the date of the closing of the sale of said Lot from the Declarant to the Owner, unless the Owner is a builder constructing a residence for someone other than himself, in which case, said assessment shall first become due on the date of the closing of the transfer of said Lot by the builder to the first resident, or eighteen (18) months from the date of the closing of the sale of the Lot from the Declarant to the builder, whichever is earlier. The assessment shall be prorated for any partial assessment year.

(c) At each annual meeting of the Board of Directors, the Directors shall determine the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period, but may do so at more frequent intervals should circumstances so require as provided in the By-Laws. The general annual assessment for each Lot shall be computed by dividing the total assessment attributable to the Property by the total number of Lots. Written notice of the annual assessment shall be sent to every Owner subject thereto but failure to receive such notice shall not excuse payment. The due dates shall be established by the Board of Directors. The Association shall, upon demand and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessment on a specified Lot has been paid.

(d) Homeowners association dues and assessments will be waived for lots that meet all the following criteria:

1. The lot is owned by the same party that owns another lot that is subject to assessments;
2. The lot is adjacent to a lot owned by the same party; and
3. There are no improvements upon the lot except landscaping.

It is intended where two of the said lots are adjacent, owned by the same party, and only one has improvements constructed thereon, only one lot will be assessed Homeowners dues.

Section 3. Special Assessments. In addition to the regular assessments authorized by this Article, the Association may levy a special assessment or assessments in any assessment year, applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, unexpected repair or replacement of a described capital improvement for which the Association is responsible or for such other purposes as the Board of Directors may consider necessary, provided that such assessment shall have the assent of the Members representing two-thirds (2/3) of the total number of votes eligible to be cast. A meeting of the Members shall be duly called for this purpose, written notice of which shall be sent to all Members at least ten (10) days, but not more than thirty (30) days, in advance of such meeting, which notice shall set forth the purpose of the meeting. Such assessment shall be prorated among the Members on the same basis as annual assessments.

Section 4. Emergency Assessments. In the event of any emergency situation, condition, or occurrence affecting the life, health, safety or welfare of the Members or the property of the Members, the Board of Directors may declare an emergency assessment in such amount and payable at such time as the Board, in its sole discretion, shall deem necessary. Such emergency assessment, except for the amount and time of payment, shall be governed by all other provisions of this Declaration. Such assessment shall be prorated among the Members on the same basis as annual assessments. The Board of Directors shall be fully protected and not liable for any mistake in judgment hereunder if the

emergency assessment was made in good faith.

Section 5. Non-Payment of Assessments. Any assessment levied pursuant to this Declaration, or any installment thereof, which is not paid on the date when due, shall be delinquent and shall, together with interest thereon and the cost of collection thereof, as hereinafter provided, thereupon become a continuing lien upon the Lot or Lots belonging to the Member against whom such assessment is levied and shall bind such Lot or Lots in the hands of the then Owner, his heirs, devisees, personal representatives and assigns and shall run with the land. In order to evidence said lien, a notice of lien setting forth the amount of the indebtedness, the Owner's name, and a description of the Lot shall be recorded with the Office of the Register of Deeds of Meigs County, Tennessee. The personal obligation of the Member to pay such assessment shall, however, remain his personal obligation for the statutory period and a suit to recover a money judgment for non-payment of any assessment levied pursuant to this Declaration, or any installment thereof, may be maintained without foreclosing or waiving the lien herein.

Any assessment levied pursuant to this Declaration or any installment thereof, which is not paid within ten (10) days after it is due, may, upon resolution of the Board of Directors, bear interest at a rate not to exceed the highest rate allowed under the laws of the State of Tennessee, and may, by resolution of the Board of Directors, subject the Member obligated to pay the same to the payment of such penalty or "late charge" as the said Board may fix. The Association may bring an action at law against the Member personally obligated to pay the same, or foreclose the lien against the Lot or Lots subject to prior mortgages or deeds of trust upon the Lot or Lots; in either event, the Association may collect from the Member interest, costs and reasonable attorneys' fees. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Property or abandonment of his Lot.

For the purpose of enforcing the lien of any unpaid and delinquent assessment, each Owner irrevocably grants the Board of Directors of the Association the power to sell his Lot at public outcry to the highest and best bidder for cash. The Board of Directors is authorized to make such a public sale if and only if such sale conforms with Sections 7 and 8 of this Article. The Association is hereby authorized to take any and all courses of action available to it for collection of the assessment which the laws of the State of Tennessee allow. Any such sale shall be made after first advertising the sale of said property for not less than twenty-one (21) days by three (3) weekly publications in some newspaper circulated in the County of Meigs, State of Tennessee, giving notice of the time and place of such sale. Any sale of a Lot to enforce a lien for delinquent and unpaid assessments shall be free from equity of redemption, statutory right of redemption, marital rights, homestead, and dower and all other exemptions, all of which are expressly waived by the Owners; and any such sale and the lien enforced thereby shall take precedence over and have priority over any and all other liens of every nature against the Lot except real estate and ad valorem taxes assessed against the Lot and prior recorded mortgages or deeds of trust described in Section 7 of this Article.

The proceeds of any such sale, whether under the power of sale or by foreclosure suit, shall be applied first to the payment of the expenses of protecting the Property and the expenses of litigation, attorney's fees, and sale commission; and second, to the payment of real estate and ad valorem taxes assessed against the Lot and any prior recorded mortgages or deeds of trust as described above; and third, to the payment of all amounts due the Association under the terms of the Declaration and the By-Laws; and the balance, if any, to the Owner whose Lot is sold, and his assigns.

Upon any default in the payment of the assessment, the Board of Directors shall have the right to all rents, issues, and profits from the Lot in default and shall have the right to secure the payment through notice to those in possession of the Lot or by entry into possession in the same manner as the mortgagee entering into possession following default.

All rights, remedies and privileges granted to the Board of Directors or an Owner, pursuant to any terms, provisions and covenants and conditions of the Declaration and the By-Laws, shall be deemed to be cumulative, and the exercise of any one or more shall not be deemed to constitute an election of remedies nor shall it preclude the party thus exercising the same from exercising such other and additional rights, remedies or privileges as may be granted to

such party by the Declaration and the By-Laws, at law or in equity.

Section 6. Acceleration of Installments. Upon default in the payment of any one or more installments of any assessment levied pursuant to this Declaration, the entire balance of said assessment may be accelerated at the option of the Board of Directors and be declared due and payable in full.

Section 7. Priority of Lien. The lien established by this Article shall have preference over any other assessments, liens, judgments or charges of whatever nature, except the following:

- (a) General and special assessments for real estate taxes on a Lot; and
- (b) The liens of any deeds of trust or mortgage instruments duly recorded on the Lot prior to the assessment of the lien thereon or duly recorded on said Lot after receipt of a written statement from the Association reflecting that payments on said lien were current as of the date of recording of said deed of trust or mortgage instrument.

Section 8. Subordination and Deed of Trust/Mortgage Protection. Notwithstanding any other provisions hereof to the contrary, the lien of any assessment levied pursuant to this Declaration upon any Lot shall be subordinate to, and shall in no way affect the rights of the holder of any indebtedness secured by any recorded first deed of trust or mortgage (meaning a lien with priority over all other liens) if such deed of trust or mortgage is made in good faith and for value received; provided, however, that such subordination shall apply only to assessments which have become due and payable prior to a sale or transfer of such Lot pursuant to a decree of foreclosure or any other proceeding in lieu of foreclosure, and shall not in such instance apply to claims for a share of such assessments or charges resulting from a reallocation of such assessments or charges to all Owners, including the mortgaged Lots. Such sale or transfer shall not relieve the purchaser at such sale of the Lot from liability for any assessments thereafter becoming due, nor from the lien of any such subsequent assessment. Said lien, if any, shall have the same effect and be enforced in the same manner as provided herein.

No amendment to this Section shall affect the rights of the holder of any such deed of trust or mortgage (or the indebtedness secured thereby) recorded prior to recordation of such amendment unless the holder thereof (or the indebtedness secured thereby) shall join in the execution of such amendment.

Section 9. Additional Default. Any recorded first deed of trust or mortgage secured by a Lot shall provide that any default by the mortgagor in the payment of any assessment levied pursuant to this Declaration, or any installment thereof, shall likewise be a default in such deed of trust or mortgage (or the indebtedness secured thereby), but failure to include such a provision in any such instrument shall not affect the validity of priority thereof, and the protection extended to the holder of such instrument (or the indebtedness secured thereby) elsewhere in this Article shall not be altered, modified or diminished by reason of such failure.

ARTICLE VIII.

ARCHITECTURAL CONTROL

Section 1. Architectural Control Committee. An Architectural Committee is hereby established and shall consist of three (3) entities or persons (the "Committee"). The initial Committee shall consist of the Declarant and two (2) other entities or persons to be selected by the Declarant. These Committee members shall serve for a period of two (2) years (and until such time as replacement members are appointed,) unless they are replaced by the Declarant, resign or otherwise fail to serve. Upon the expiration of two (2) years from the date hereof, or the earlier termination of any Committee member, the Declarant shall then appoint substitute Committee members until control of the Association is transferred to the Members, at which time, the Board of Directors of the Association shall have the authority to make said appointments; provided, however, that the Declarant shall have the absolute right to be one of the three (3) Committee members until the development is complete and all of the Lots have been sold and all land currently owned

or hereafter acquired by the Declarant, by any venturer of the Declarant, or by any entity related to any venturer, in the surrounding vicinity is developed and sold. The affirmative vote of a majority of the membership of the Committee shall be required to adopt or promulgate any rule or regulation, or to make any findings, determinations, ruling or order, or to issue any permanent authorization or approval pursuant to directives or authorizations contained herein.

Section 2. Approvals Necessary, Rules of Committee and Remedies for Violation. With the exception of improvements desired by the Declarant, no residence, structure or improvement of any kind or nature, or any fence or barrier shall be commenced, erected, placed, moved onto, or permitted to remain on any of the Lots, nor shall any existing structure, improvement, fence or barrier upon any Lot be altered in any way which materially changes the exterior appearance thereof, without the written consent of the Committee; nor shall any new use be commenced on any Lot without the written consent of the Committee. Plans and specifications of all such improvements and uses shall be submitted to and may be retained by the Committee. They shall be in such form and shall contain such information as may be required by the Committee, but in any event shall include, without limitation, (1) a building plan and site plan showing the floor plans, exterior elevations, color scheme, kind, shape, height, materials and location with respect to said Lot (including proposed front, rear and side setbacks) of all structures, fences or barriers, and location of all parking spaces and driveways on the Lot and the proposed surface thereof, and (2) grading and landscape plans. Declarant recommends that all plans and specifications be prepared by a registered and licensed professional Architect or Engineer, or professional residential housing designer. The Builder selected to construct any residence shall be approved by the Committee in its sole and absolute discretion. No residence may be constructed upon any Lot except by a Licensed General Contractor.

The Committee may promulgate rules governing the forms and content of plans to be submitted for approval or requiring specific improvements on the Lots, including, without limitation, the exterior lighting and planting, and may issue statements of policy with respect to approval or disapproval of the architectural styles or details or other matters which may be presented for approval. Such rules and such statements of policy may be amended or revoked by the Committee at any time, and no inclusion in, or omission from or amendment of any such rule or statement shall be deemed to bind the Committee to approve or disapprove any feature or matter subject to approval or to waive the exercise of the Committee's discretion as to any such matter; however, no change of policy shall affect the finality of any approval granted prior to such change.

Approval for use on any Lot of any plans or specifications shall not be deemed a waiver by the Committee in its discretion to disapprove such plans, specifications, features or elements as are subsequently submitted for use on any other Lot. Approval of any such plans and specifications relating to any Lot shall be final as to that Lot, and such approval may not be revoked or rescinded thereafter provided that the plans and specifications as approved and any condition attached to any such approval have been adhered to and complied with in regard to all structures, improvements, fences or barriers on and uses of the Lot in question.

In the event the Committee fails to approve or disapprove any plans and specifications as herein provided within thirty (30) days after submission thereof, the same shall be deemed to have been approved as submitted and no further action shall be required.

Upon submission of the plans and specifications, the Owner may be required to pay to the Committee a review fee of \$600.00 as adjusted from time-to-time, and shall further pay an additional fee of \$200.00 for each additional review needed to comply herewith, plus any expenses or cost incurred by the Committee in connection with such reviews.

If any structure, improvement, fence or barrier shall be altered, erected, placed or maintained upon any Lot or any new use commenced on any Lot, otherwise than in accordance with plans and specifications approved by the Committee as required herein, such alteration, erection, maintenance or use shall be deemed to have been undertaken in violation of the restrictions herein and without the approval required herein; and upon written notice from the committee, any such structure, improvement, fence or barrier so altered, erected, placed or maintained upon any Lot, in

violation hereof, shall be removed or altered, and such use shall be terminated so as to extinguish such violation.

If fifteen (15) days after the notice of such violation, the Owner of the Lot in question shall not have taken reasonable steps toward the removal, alteration or termination of the same, the Association, by its officers or directors, shall have the right, through its agents and employees, to enter upon such Lot and to take such steps as may be necessary to extinguish such violation, and the costs thereof shall be a binding personal obligation of such Owner, as well as, a continuing lien upon the Lot in question upon the recording of a notice of lien with the Office of the Register of Deeds of Meigs County, Tennessee. The provisions of the Article of this Declaration dealing with assessments and non-payment thereof, including, without limitation, the right and remedies given to the Association therein, shall apply fully to the debt obligations, including interest and costs of collection, and the lien rights created in this section. Likewise, the terms and conditions of said Article dealing with subordination and mortgage protection shall be fully applicable.

Upon completion of the construction or alteration of any structure in accordance with the plans and specifications approved by the Committee, the Committee shall, upon written request of the Owner thereof, issue a letter of compliance identifying such structure and the Lot on which such structure is placed and stating that the plans and specifications, location of such structure and the use or uses to be conducted thereon have been approved and that such structure complies therewith. Preparation of such letter shall be at the expense of the Owner of such Lot. Any compliance letter issued in accordance with the provisions of this paragraph shall be prima facie evidence of the facts therein stated, and as to any purchaser or encumbrancer in good faith and for value, or as to any title insurer, such compliance letter shall be conclusive evidence that all structures and improvements described therein and the use or uses described therein comply with all the requirements of these restrictions.

Any agent of the Declarant or the Committee, may, at reasonable times, enter upon and inspect any Lot and any improvements thereon for the purposes of ascertaining whether the maintenance of such Lot and the maintenance, construction, or alteration of structures and improvements thereon are in compliance with the provisions of this Declaration, and no such persons shall be deemed to have committed a trespass or other wrongful act by reason of such entry or inspection.

ARTICLE IX.

CONSTRUCTION OF RESIDENCE

Section 1. Completion of Construction. Once construction of a residence is commenced, the particular Owner shall proceed diligently therewith and complete construction within eighteen (18) months after said commencement.

If said construction is not completed within said eighteen (18) months, then the Owner shall owe to the Declarant a penalty equal to twenty percent (20%) of the original price of the Lot. Said amount shall be payable within thirty (30) days after the end of said eighteenth month and shall increase by an additional penalty of one percent (1%) of said price for each additional thirty (30) days it remains unpaid. Said penalties, together with costs of collection thereof, shall be a binding personal obligation of such Owner, as well as, a continuing lien upon the subject Lot upon the recording of a notice of lien with the Office of the Register of Deeds of Meigs County, Tennessee. The rights and remedies given to the Association by the Articles of this Declaration dealing with assessments and non-payment thereof shall apply fully to the debt obligations, including costs of collection, and the lien rights created in this Section for the benefit of the Declarant.

The terms and conditions of this Section, including, without limitation, the time periods set forth for completion of construction, shall apply fully to any subsequent purchasers or any Lot.

Section 2. Subordination and Mortgage Protection. The subordination and mortgage protection provisions of the Article of this Declaration dealing with assessments and non-payment thereof shall be fully applicable to all the

rights and remedies of the Declarant created by this Article.

ARTICLE X.

RESTRICTIVE COVENANTS

Section 1. Residential Use. Except for those lots designated as "Common Area" and as otherwise provided for herein, no Lot shall be used except for single-family private residential dwelling purposes permitted by the Single Family Zoning Regulations of Meigs County, Tennessee, as same exist and are in effect as of the date of this Declaration except for those uses permitted to the Declarant as shown herein.

Section 2. Uses, Prohibited Uses, and Nuisances. In order to provide for a congenial occupation of the residences to be built on the Lots and for the protection of the values of the entire development, the Lots and the residences to be constructed thereon shall be governed by the following provisions:

(a) The Property is hereby restricted to single-family private residential dwellings for residential use only, and no trade or business of any kind shall be conducted on a Lot except for such uses permitted to Declarant as shown herein. Each lot shall have only one dwelling. All buildings or structures placed upon the Property shall be site-built and of new construction, and no buildings or structures shall be moved from other locations onto the Property. However, nothing in this paragraph is intended to limit or restrict, and same shall not limit or restrict, Declarant from constructing any structure upon, or moving any mobile home or trailer onto, the Property whether any of same be new or used, for use as an office or any other purpose related to the development, marketing and management of the Property. Nor shall same limit or restrict Declarant from placing such signs or billboards or engaging in any such trades, businesses or activities on the Property which Declarant, in its discretion, shall deem appropriate and proper related to the development, marketing and management of the Property.

(b) Each Lot shall be conveyed as a separately designated and legally described freehold estate subject to the terms, conditions and provisions hereof and all easements, restrictions and covenants set out in the Subdivision Plat.

(c) No structures of a temporary character, trailers, tents, shacks, garages, barns or other out-buildings shall be used on any portion of said Property at any time as a residence, either temporarily or permanently, unless approved by the Committee.

(d) All buildings erected on any Lot shall have wood frame, or vinyl clad windows on sides facing a street, or other type windows as approved by the committee.

(e) Each residence shall be guttered.

(f) Unless approved by the Committee, each residence must have a fully enclosed garage for not less than two (2) nor more than four (4) cars. Basement garages may be approved if the Lot and dwelling are of suitable size and character. No garage door may be left open to a street for an extended period of time.

(g) Unless cluster mail facilities are provided, each residence must have a uniform traditional mailbox structure and may have outdoor post lights located at sidewalk from driveway, all of which must be approved by the Committee. The treatment and construction of all driveway entrances must be approved by the Committee.

(h) All private fences must be constructed of (1) brick, stucco, Dryvit (or other EIFS system) and/or wrought iron, (2) wood planks shadow box style no more than 8" in width, or (3) Kentucky fences consisting of wood or vinyl posts and three (3) wood or vinyl rails. In accordance with Article VIII hereof, all fences must be approved by the Committee. No fence, hedge or other separating device shall be constructed beyond the front house line, nor on corner

lots beyond the side house line. All fences, regardless of location, shall be no more than eight (8') feet tall. Notwithstanding all of the foregoing provisions of this paragraph (h), the Committee shall have the right to grant approval for such variations, waivers or exceptions to any or all of the above restrictions related to fences as it, in its sole discretion, shall deem proper.

(i) No obnoxious or offensive trade or activity shall be carried on upon any Lot nor shall anything be done thereon which may be or become an annoyance or nuisance. All rubbish, trash, or garbage shall be regularly removed from the premises and shall not be allowed to accumulate thereon

(j) Unless approved by the Committee, no animals of any kind shall be raised, bred or kept on any of the Lots, except dogs, cats or caged birds provided that such dogs, cats and birds are not kept, bred, or maintained for any commercial purpose and are confined within homes, fenced yards, or restrained by leash at all times. Any dogs kept outside shall not be allowed to be noisy, bothersome or a nuisance. No pens or runs are allowed.

(k) Prior to occupancy of a new residence, the initial Owner shall sprig or seed the disturbed areas of the Lot and shall plant at least two (2) trees with a minimum trunk diameter of two (2) inches (measured at a height of one foot (1.0') above the base of the trunk) in the front yard. Thereafter, grass shall be maintained on the Lot at all times.

(l) No three-wheelers, four-wheelers or other vehicles not approved for use on public streets (except bicycles) shall be permitted on the streets of the Property. This provision may also be enforced by the proper Meigs County authorities.

(m) No signs whatsoever (except normal mailbox signage and one (1) "for sale" sign per Lot (approved and furnished by the Committee for a nominal fee, and which may contain only the words "For Sale" and a telephone Number), unsightly objects, or nuisances shall be erected, placed or permitted to remain on the Property, nor shall the Property be used in any way or for any purpose which may endanger the health or unreasonably disturb the Owner of any Lot or any residents thereof. No business activity of any kind whatsoever shall be conducted in any building or on any portion of the Property (except for home offices which do not generate any traffic to or from the property, such as from visitors, clients, customers or delivery vehicles) provided, however, the foregoing covenants shall not apply to the business activities, signs, and billboards or the construction and maintenance of buildings, if any, of the Declarant, its agents, and assigns during the development of the Property and the time period needed to sell the Lots.

(n) No exterior television or radio antennas, nor any satellite dishes with a diameter in excess of 20 inches (the location and color of which shall be approved by the Committee) shall be placed, allowed or maintained upon the Property or any improvements to be located upon the Property.

(o) No clothesline may be used or maintained on any Lot.

(p) No building material of any kind or character shall be placed or stored upon any Lot until the Owner is ready to commence improvements. Building materials shall be stored only within the property lines of the particular Lot involved.

(q) Excluding mail boxes, approved post lights, natural or approved vegetation and the needs of the Declarant, no obstruction shall be allowed within ten (10') feet of any right-of-way, except on property or easements owned by the Association or unless approved by the Committee.

(r) All equipment, air conditioning units, electrical transformers, garbage cans, service yards, and woodpiles shall be kept screened by adequate planting or fencing so as to completely conceal them from view of all streets and neighboring Lots. Further, any and all of the foregoing items, along with any basketball goals or other playground or sports equipment shall be located and placed no closer to any street than the front of the house. Basketball goals shall not be attached to the front of any house. "Front of the house" as used in this Declaration shall mean that

part of the structure of the house farthest away from the street but facing such street. Corner lots must comply with this restriction as to both streets.

(s) The construction of all swimming pools shall be approved by the Committee. All swimming pools shall be fenced in a manner to comply with applicable law and regulations and to prohibit easy access by small children. All such fences must be in full compliance with the fence restrictions hereinbefore set forth. No above-ground pools shall be allowed.

(t) No tennis court fence shall be erected on any Lot unless the construction, size and materials are approved by the Committee. In the event wire fencing is approved, it must, at a minimum, be coated with green or black vinyl or a similar material of like color.

(u) No wagons, trailers or recreation or commercial vehicles, including, without limitation, boats, boat trailers, horse trailers, motorcycles, trucks, motor homes, camping trailers, or similar type items shall be kept other than in a garage. No automobile or other vehicle shall be continuously, habitually or regularly parked on any street or right-of-way or in any yard.

(v) No tree with a diameter of six (6) or more inches, as measured two (2') feet from the ground, shall be removed without the approval of the Association, except for the emergency removal of a tree that constitutes a hazard to person or property.

(w) Setback lines and height restrictions shall be no less than those required by applicable governmental regulations and no less than those shown on the Subdivision Plat. The Committee shall have the absolute right to control the precise site and location of any house or other structure upon all Lots. Such location shall be determined only after reasonable opportunity has been afforded to the Owner to recommend a specific site.

(x) No Lot may be further subdivided, except by Declarant. No portion of any Lot may be conveyed except with the prior written approval of the Committee.

(y) All above-ground exterior foundation and exposed basement walls must be veneered with stucco, Dryvit (EIFS) type material, split-faced block approved by the Committee, brick or stone unless otherwise approved by the Committee.

(z) During construction of improvements and at all times thereafter, lots must be regularly cleaned and kept free of debris. Governmental erosion and sediment control guidelines shall be observed at all times.

(aa) All driveways, walks and patios must be complete prior to occupancy of any dwelling and must be constructed of concrete unless otherwise approved by the Committee (Brick, interlocking pavers, exposed aggregate or stone finishes are encouraged).

(bb) Unless approved by the Committee and the governing regulatory agencies, each lot may be improved with only one single-family dwelling. No out-buildings, sheds or any other structures shall be allowed, except one boat dock (covered or uncovered) on each lakefront lot, and one detached storage building stick-built on site, constructed of the same material as the residence on said lot so as to have a similar appearance. Said storage building must be located in the rear yard and completely screened by a privacy fence.

Prior to construction, plans and specifications for any storage building, dock or boathouse must be approved by the Committee.

(cc) The finished grading for all Lots shall be completed in conformity with the recorded plat for the Subdivision and in such manner as to retain all surface water drainage on said lot or lots in "property line swales"

designed to direct the flow of all surface waters into the drainage easements as created by the overall drainage plan for the Subdivision as approved by the appropriate county authority.

- (dd) All roofs must have an 8/12 pitch or steeper.
- (ee) No vegetable gardens shall be allowed in front or side yards.
- (ff) All dwellings must have an exterior of stone, stucco, EIFS type coverings, painted wood lap siding, brick or brick veneer, or a combination thereof. Other sides may be covered with siding if such siding is wood or has the appearance of wood and is applied in boards 8 inches wide or less. No sheet material siding shall be allowed, such as 4' x 8' plywood. Limited exceptions will be considered and may be allowed by the Committee for cases of exceptionally attractive designs.
- (gg) All flashings on structures must be copper or metal painted to match the trim of the structure.
- (hh) The Declarant reserves unto itself the right to alter these Restrictive Covenants or approve additional or separate Restrictive Covenants at the time of sale of any Lot, and such Restrictive Covenants may differ from Lot to Lot.
- (ii) Notwithstanding any provisions herein contained to the contrary, it shall be expressly permissible for the Declarant to maintain, during the time period necessary for the sale of said Lots, upon such portion of the premises as the Declarant deems necessary, such facilities as, in the sole opinion of the Declarant, may be reasonably required, convenient or incidental to the development of the Property and the sale of the Lots, including, without limitation, a business office, storage area, construction yard, signs, model units, and sales office.
- (jj) There shall be no violation of any rules which may from time to time be adopted by the Board of Directors for the operation and use of the Property and promulgated among the membership by them in writing. The Board of Directors is hereby authorized to adopt such rules including the levying of appropriate fines which will then be treated as assessments.
- (kk) The Declarant, in its sole discretion, or the Association, after approval by a majority vote of the Board of Directors, shall have the right, through agents and/or employees to enforce the aforesaid restrictive covenants and to enter upon any Lot in violation thereof for such purpose. Upon written notice from either the Declarant or the Association, any such violation shall be corrected by the Owner of the subject Lot. If fifteen (15) days after the notice of such violation, the Owner shall not have taken reasonable steps toward correction thereof, the Declarant or the Association, by their officers and directors, shall have the right, through agents and employees, to enter upon such Lot and take such steps as necessary to extinguish such violation. The costs thereof shall be the binding personal obligation of such Owners, as well as, a continuing lien upon the subject Lot upon the recording of a notice of lien with the Office of the Register of Deeds of Meigs County, Tennessee. The provisions of the Article of this Declaration dealing with assessments and non-payment thereof, including, without limitation, the right and remedies given to the association therein, shall apply fully to the debt obligations including interest and costs of collection, and the lien created in this section. Likewise, the terms and conditions of said Article dealing with subordination and mortgage protection shall be fully applicable.
- (ll) No firearms shall be discharged within the Subdivision.
- (mm) Outdoor lightning fixtures may be no more than 15 feet in height above grade. Full-cutoff designs are recommended: No light may be emitted above the horizontal plane passing through the lowest point from which light is emitted. If the fixture is not full cutoff by design, then the fixture must be equipped with a full-cutoff fixture shield.

Direct illumination fixtures must be aimed and shielded so that direct illumination is focused solely on the intended site fixture and away from adjoining properties. For example, lighting fixtures that illuminate plants must be aimed and shielded so that direct illumination is focused exclusively on the plants.

(nn) Common Areas as shown on the recorded plat are for the common enjoyment of all members of the Association and shall only be used by members and their guests exclusively for recreational facilities, walking trails, and temporary day parking of vehicles, and as otherwise designated by the Developer or Association. The Association shall develop rules and regulations concerning the use and assignment thereof.

ARTICLE XI.

MISCELLANEOUS

Section 1. Duration and Amendment. The covenants and restrictions of this Declaration shall run with and bind the land, shall inure to the benefit of the Association and the Owners of any real estate subject to this Declaration, their respective legal representatives, heirs, successors and assigns, and shall remain in effect until January 1, 2026, unless otherwise expressly limited herein, after which time said covenants shall be automatically extended for successive periods of ten (10) years each, unless an instrument signed by the then Owners of ninety (90%) percent of the Lots has been recorded, agreeing to change said covenants and restrictions in whole or in part. Any amendment must be properly recorded to be effective. NOTWITHSTANDING ANYTHING HEREIN CONTAINED TO THE CONTRARY, THE DECLARANT RESERVES AND SHALL HAVE THE RIGHT UNTIL ALL LOTS ARE SOLD TO UNILATERALLY AMEND THIS DECLARATION IN WHOLE OR IN PART.

Section 2. Enforcement. The Declarant, the Association, or any Member, shall have the right to enforce the terms and conditions of this Declaration by any proceeding at law or in equity, against any person or persons violating or attempting to violate any covenant or restriction, to restrain violations, to require specific performance and/or to recover damages; and against the land to enforce any lien created by these covenants; and failure to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter. The expense of enforcement by the Declarant or the Association shall be chargeable to the Owner of the Lot violating these covenants and restrictions and shall constitute a lien on the Lot, collectible in the same manner as assessments hereunder.

Section 3. Hold Harmless and Owner's Responsibility. Each Owner, recognizing that certain risks are inherent in the building of houses, and in other aspects of building and recreation, does upon taking title to a Lot, hold harmless (1) the Declarant, (2) the Association, (3) any other entity managing or supervising the aforesaid activities which is owned and/or controlled or employed by the Declarant, by the Association or by some or all of the Members, and (4) their directors, officers and employees, from any and all losses, liabilities, or damages which said Owner, his family, or guests may sustain resulting from the acts, and/or omissions of said entities, except for their gross negligence. Further, said Owner shall be fully responsible for any and all losses or damages which might be caused by himself, his family or their invitees.

Section 4. Casualty and Liability Insurance. The Owner of each Lot shall carry in full force and effect casualty insurance in limits for the replacement value of Lot improvements located thereon and normal and reasonable general liability insurance. The Owner shall provide the Association a copy of the policies providing such coverage, and the policies shall contain a thirty (30) day notice of cancellation provision running to the benefit of the Association. Insurance on the Common Area shall be carried and paid by the Association.

Section 5. Interest and Late Charges. Any amount due to the Association, which is not paid within ten (10) days after it is due, may, upon resolution of the Board of Directors of the Association, bear interest at a rate not to exceed the highest rate allowed under the laws of the State of Tennessee, and may, by resolution of said Board, be subject to such penalty or "late charges" as said Board may fix.

Section 6. Notices. Any notice required to be sent to any Member under the provisions of this Declaration shall be deemed to have been properly sent when mailed, postpaid, to the last known address of the person who appears as a Member on the records of the Association at the time of such mailing.

Section 7. Headings. All headings appearing herein are for convenience only and shall be disregarded in construing the substantive provisions hereof.

Section 8. Severability. Invalidity of any one of these covenants or restrictions by judgment or court order shall in no way affect the validity of any other provisions, which shall remain in full force and effect.

Section 9. Waiver. No restriction, condition, obligation or provision of this Declaration shall be deemed to have been abrogated or waived by reason of any failure or failures to enforce the same.

Section 10. Gender, Etc. Whenever in this Declaration the context so requires, the singular number shall include the plural and the converse; and the use of any gender shall be deemed to include all genders.

IN WITNESS WHEREOF, the undersigned has caused these presents to be signed by the officer duly authorized so to do the day and year first above written.

TENNESSEE LAND AND LAKES, LLC.

By: _____

GREGORY D. SHANKS

Its: Attorney-in-Fact Pursuant to
Power of Attorney of record in Misc. Book
32, page 352 in the Register's Office
for Meigs County, Tennessee

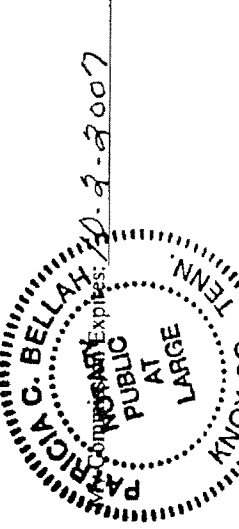
STATE OF TENNESSEE)

COUNTY OF KNOX)

: ss.

Before me, the undersigned authority, a Notary Public in and for said County and State aforesaid, personally appeared **GREGORY D. SHANKS**, with whom I am personally acquainted, or proved to me on the basis of satisfactory evidence, and who, upon oath, acknowledged himself to be the Attorney in Fact for **TENNESSEE LAND AND LAKES, LLC.**, the within named bargainer, a Limited Liability Company, and that he as such **Attorney in Fact**, being authorized so to do, executed the foregoing instrument in behalf of Tennessee Land and Lakes, LLC. for the purposes therein contained and acknowledged that he executed the same as the free act and deed of said Tennessee Land and Lakes, LLC.

Witness my hand and seal at office, this 2nd day of May, 2006.



NOTARY PUBLIC

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"EXHIBIT A"
Property Description

Situated in District Three (3) of Meigs County, Tennessee and being known and designated as all of Section I of Espalier Bay, as shown on Plat 272-B in the Register of Deeds Office for Meigs County, Tennessee.

Being a portion of the property conveyed to the Declarant by deed dated November 2, 2005 of record in Deed Book V4, Page 163 et seq.

State of Tennessee



Department of State
Corporate Filings
312 Eighth Avenue North
6th Floor, William R. Snodgrass Tower
Nashville, TN 37243

CHARTER
(Nonprofit Corporation)

FILED

For Office Use Only

2006 MAR 16 AM 9:55

RECEIVED
SECRETARY OF STATE

The undersigned acting as incorporator(s) of a nonprofit corporation under the Tennessee Nonprofit Corporation Act adopts the following Articles of Incorporation.

1. The name of the corporation is: ESPALIER BAY PROPERTY OWNERS ASSOCIATION, INC.

2. Please complete all of the following sentences by checking one of the two boxes in each sentence:

This corporation is a ☐ public benefit corporation / ☒ mutual benefit corporation.

This corporation is ☐ a religious corporation / ☒ not a religious corporation.

This corporation will ☒ have members / ☐ not have members.

3. The name and complete address of the corporation's initial registered agent and office in Tennessee is:

Gregory D. Shanks 406 Union Avenue, Suite 600 Knoxville

Name _____ Street Address _____ City _____ State _____ Zip Code _____ County _____

4. List the name and complete address of each incorporator:

Gregory D. Shanks 406 Union Avenue, Suite 600, Knoxville, TN 37902

Name _____ (Include Street Address, City, State, and Zip Code)

Name _____ (Include Street Address, City, State, and Zip Code)

Name _____ (Include Street Address, City, State, and Zip Code)

5. The complete address of the corporation's principal office is:

406 Union Avenue, Suite 600 Knoxville, Tennessee USA 37902

Street Address _____ City _____ State/Country _____ Zip Code _____

6. The corporation is not for profit.

7. If the document is not to be effective upon filing by the Secretary of State, the delayed effective date and time are:

Date _____, Time _____ (Not to exceed 90 days.)

8. Insert here the provisions regarding the distribution of assets upon dissolution:

Assets will be distributed to the Members.

Rec #: 42655 Janie Stiner, Register
Hays County
Rec'd: 5.00 Instrument #: 3459
State: 0.00 3/27/2006 at 9:15 AM
Clerk: 0.00 in Miscellaneous Book
EDP: 2.00
Total: 7.00
33 Pgs 22-22

9. Other provisions:

37306

Signature Date

Incorporator's Signature

Gregory D. Shanks

Incorporator's Name (typed or printed)

SS-4418 (Rev. 9/04)

Filing Fee: \$100

RDA 1678

Exhibit B

EXHIBIT "C"

**BYLAWS
OF**

ESPALIER BAY PROPERTY OWNERS ASSOCIATION, INC.

ARTICLE I

GENERAL

Section 1. Name. The name of this corporation is ESPALIER BAY PROPERTY OWNERS ASSOCIATION, INC. Its principal place of business shall be 406 Union Avenue, Suite 600, Knoxville, Tennessee 37902. The corporation may have such other offices within or without the State of Tennessee as the Board of Directors may from time to time designate.

Section 2. Applicability. These Bylaws and each provision thereof shall be applicable to all Lots and all Members, as hereinafter defined, within the residential subdivision known as Espalier Bay, located in Meigs County, Tennessee (the "Property"), and within such other subdivisions or property which may become subject to the Declaration.

Section 3. Definitions. All of the terms of these Bylaws shall have the same meanings as set forth in the Declaration of Covenants, Conditions and Restrictions for Espalier Bay (the "Declaration").

ARTICLE II

MEMBERSHIP

Section 1. Eligibility. Every Member in compliance with all of the requirements and conditions contained in the Declaration and these Bylaws shall be entitled to attend and vote at all meetings of the Association. The Declarant shall be a Member for each Lot owned by it until same is sold and title transferred.

Section 2. Voting Rights. The voting rights of the Membership shall be appurtenant to the ownership of a Lot, each owner of a Lot being entitled to one (1) vote for each Lot owned.

At every meeting of the Members, each of the Members shall have the right to cast his vote on each question. Subject to the Declarant's control and other rights set forth in the Declaration, the vote of the Members representing fifty-one (51%) percent majority of the total votes cast with respect to any question, in person or by proxy, shall decide any question brought before such meeting, unless the question is one upon which, by express provisions of statute, the Association's Charter, the Declaration or these Bylaws, a different vote is required, in which case such express provision shall govern and control.

The vote of any membership which is owned by more than one person may be exercised by any of them present at any meeting unless any objection or protest by any other owner of such membership is noted at such meeting. In the event all of the co-owners of any membership who are present at any meeting of the Members are unable to agree on the manner in which the vote for such membership shall be cast on any particular question, then such vote shall not be counted for purposes of deciding that question.

No Member shall be eligible to vote, either in person or by proxy, who is shown on the books or management accounts of the Association to be more than thirty (30) days delinquent in any payment due the

Association.

Section 3. Proxies. A Member may appoint any other Member, the Declarant or any other person permitted by law as his proxy. In no case may any Member, except the Declarant, cast more than one vote by proxy in addition to his own vote. Any proxy must be in writing and must comply with all requirements imposed by law or by these Bylaws.

Section 4. Quorum. The presence, either in person or by proxy, of Members representing at least fifty-one (51%) percent of the total votes entitled to be cast with respect to any question shall be requisite for, and shall constitute a quorum for, the transaction of business at all meetings of the Members. If the number of Members at a meeting drops below the quorum and the question of a lack of quorum is raised, no business may thereafter be transacted.

A meeting may be adjourned despite the absence of a quorum. When a meeting is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the adjourned meeting any business may be transacted that might have been transacted on the original date of the meeting. If two or more successive meetings are adjourned for lack of a quorum, the quorum for each successive resumed meeting shall be equal to the greater of the number of votes represented at either of the two previous adjourned meetings.

Section 5. Place of Meeting. Meetings of the membership shall be held at the principal office or place of business of the Association or at such other suitable place convenient to the membership as may be designated by the Board of Directors.

Section 6. Annual Meetings. The annual meetings of the Members of the Association shall be held at 7:00 p.m. on the third Monday in January of each year, beginning in 2009. At such meeting there shall be elected a Board of Directors by secret written ballot of the Members in accordance with the requirements of these Bylaws. The Members may also transact such other business of the Association as may properly come before them.

Section 7. Special Meetings. It shall be the duty of the President to call a special meeting of the Members as directed by resolution of the Board of Directors or upon a written petition signed by Members representing at least twenty percent (20%) of the total number of votes outstanding. The notice of any special meeting shall state the time and place such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice.

Section 8. Notice of Meetings. It shall be the duty of the Secretary to mail a notice of each annual or special meetings, stating the purpose thereof as well as the time and place where it is to be held, to each Member of record, at his address as it appears on the membership book the Association, or if no such address appears, at his last known place of address, at least ten (10) days but no more than sixty (60) days prior to such meeting. Service may also be accomplished by the delivery of any such notice to the Member at his last known address by deposit in the box or slot for the United States mail. Notice by either such method shall be considered a notice served. Attendance by a Member at any meeting of the Members shall be a waiver of notice by him of the time, place and purpose thereof.

Section 9. Action Without Meeting. Whenever the vote of Members at a meeting thereof is required or permitted to take any action in accordance with any statute, the Declaration or these Bylaws, such meeting and vote may be dispensed with if all Members who would have been entitled to vote upon such action consent in writing to such action being taken.

Section 10. Order of Business. The order of business at all regularly scheduled meetings of the Members shall be as follows:

- (a) Roll call and certificate of proxies.
- (b) Proof of notice of meeting or waiver of notice
- (c) Reading of minutes of preceding meeting.
- (d) Reports of Officers, if any.

- (e) Reports of committees, if any.
- (f) Unfinished business.
- (g) New business.
- (h) Election or appointment of inspectors of election.
- (i) Election of directors.

In the case of a special meeting, items (a) through (d) shall be applicable, and thereafter the agenda shall consist of the items specified in the notice of the meeting.

ARTICLE III

BOARD OF DIRECTORS

Section 1. Number and Qualification. The affairs of the Association shall be managed by the Board of Directors composed of natural persons, each of whom shall be of legal age.

Section 2. Initial Directors. The initial Board of Directors shall be appointed by the Declarant and shall consist of three (3) persons who need not be Members of the Association. The initial Directors, or their successors as appointed by Declarant, shall act as such from the date on which the Declaration is recorded in the Register's Office of Meigs County, Tennessee, until the Association is transferred to the owners at which time the directors shall be elected as provided herein.

Section 3. Subsequent Directors. After the Declarant has surrendered control of the Association, the Board of Directors shall be composed of three (3) to seven (7) persons, who need not be Members of the Association.

Section 4. Nomination. Nomination for election of the Board of Directors of the Association shall be made by a Nominating Committee. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more Members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the Members, to serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Nominations may also be made from the floor at the annual meeting.

Section 5. Power and Duties. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association and the Property and may do all such acts and things as are not by law or by these Bylaws directed to be exercised and done by the Members. The powers and duties of the Board of Directors shall include, but not be limited to, the following:

To provide for:

- (a) Care and upkeep of the properties charged to the care of the Association.
- (b) Establishment and collection of assessments and/or carrying charges from the Members and for the assessment and/or enforcement of liens therefor and borrowing of funds, all in a manner consistent with law and the provisions of these Bylaws and the Declaration.
- (c) Designation, hiring and/or dismissal of the personnel necessary for the good working order of the Property and to provide services for the community in a manner consistent with law and the provisions of these Bylaws and the Declaration.
- (d) Promulgation and enforcement of such rules and regulations and such restrictions or requirements as may be deemed proper respecting the use, occupancy and maintenance of the Property.

all of which shall be consistent with law and the provisions of these Bylaws and the Declaration.

- (e) Fulfillment of all duties promulgated by these Bylaws and the Declaration.

Further the Board of Directors shall have the power to suspend the enjoyment rights of any Member for any period during which any assessment remains unpaid and for any period not to exceed ninety (90) days for the infraction of its published rules and regulations.

Section 6. Election and Term of Office. The term of the Directors shall expire when their successors have been duly elected and are duly qualified. At the first annual meeting of the Members after which the Declarant has surrendered control of the Association, the Members shall determine the number of Directors consistent with these Bylaws, who shall constitute the Board of Directors to serve until the next annual meeting. The term of office of each Director thereafter shall be for a period of one (1) year and until their successors shall have been elected.

Section 7. Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a Director by a vote of the membership shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office.

Section 8. Regular Meetings. Regular meetings of the Board of Directors may be held at such place as shall be determined, from time to time, by a majority of the Directors, but at least two (2) such meetings shall be held during each calendar year. Notice of regular meetings of the Board of Directors shall be given to each Director, personally or by mail or telephone, at least six (6) days prior to the day named for such meeting.

Section 9. Special Meetings. Special meetings of the Board of Directors may be called by the President on three (3) days' notice to each Director, given personally or by mail or telephone, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice on the written request of at least one-third (1/3) of the Directors.

Section 10. Waiver of Notice. Before or at any meeting of the Board of Directors, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board of Directors shall be a waiver of notice by him of the time, place and purpose thereof. If all the Directors are present and remain present at any meeting of the Board of Directors, no notice shall be required and any business may be transacted at such meeting.

Section 11. Quorum. At all meetings of the Board of Directors a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If at any meeting of the Board of Directors there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such subsequent meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

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

Section 13. Fidelity Bonds. The Board of Directors may require that all officers and employees of the Association handling or responsible for the Association's funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Association.

ARTICLE IV

OFFICERS

Section 1. Designation. The principal Officers of the Corporation shall be a President, a Vice President, a Secretary and a Treasurer, all of whom shall be elected by the Board of Directors. After the Declarant has surrendered control of the Association, the third annual meeting of Members, the officers of the Association must be Members of the Association. The Directors may appoint such other officers as in their judgment may be necessary. The offices of Secretary and Treasurer may be filled by the same person.

Section 2. Election of Officers. The officers of the Association shall be elected annually by the Board of Directors at the organizational meeting of each new Board and shall hold office at the sole discretion of the Board of Directors.

Section 3. Removal of Officers. Upon an affirmative vote of a majority of the Members of the Board of Directors, any officer may be removed either with or without cause, and his successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors called for such purpose.

Section 4. President. The President shall be the chief executive officer of the Association. In the event he is also a Member of the Board of Directors, he shall preside at all meetings of the Members and of the Board of Directors. He shall have all of the general powers and duties which are usually vested in the office of President of an association, including, but not limited to, the power to appoint committees from among the membership from time to time as he may, in his discretion, decide is appropriate to assist in the conduct of the affairs of the Association.

Section 5. Vice President. The Vice President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board shall appoint some other Member of the Board to do so on an interim basis. The Vice President shall also perform such other duties as shall from time to time be delegated to him by the Board of Directors.

Section 6. Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the Members of the Association; shall have charge of the membership transfer books and of such other books and papers as the Board of Directors may direct; and shall, in general, perform all the duties incident to the office of the Secretary.

Section 7. Treasurer. The Treasurer shall have responsibility for corporate funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He shall be responsible for the deposit of all monies and other valuable effects belonging to the Association in such depositories as may from time to time be designated by the Board of Directors.

Section 8. Execution of Association Documents. With the prior authorization of the Board of Directors, all notes and contracts shall be executed on behalf of the Association by both the President, and the Secretary, and all checks shall be executed on behalf of the Association by such officers, agents, or other persons as are from time to time so authorized by the Board of Directors.

ARTICLE V

INDEMNIFICATION AND CONFLICTS

Section 1. Liability and Indemnification of Officers and Directors. The Association shall indemnify every officer and Director of the Association against any and all expense, including attorney's fees, reasonably incurred by or imposed upon any officer or Director in connection with any action, suit or other proceeding (including the settlement of any such suit or proceeding if approved by the then Board of Directors of the Association) to which he may be made a party by reason of being or having been an officer or Director of the Association, whether or not such person is an

officer or Director at the time such expenses are incurred. The officers and Directors of the Association shall not be liable to the Members of the Association for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. The officers and Directors of the Association shall have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Association or the Property (except to the extent that such officers or Directors may also be Owners of Lots within the Property) and the Association shall indemnify and forever hold each such officer and Director 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 officer or Director of the Association, or former officer or Director of the Association, may be entitled.

Section 2. Conflicts Or Common or Interested Directors. The Directors shall exercise their powers and duties in good faith and with a view to the interests of the Association and the Property. No contract or other transaction between the Association and one or more of its Directors, or between the Association and any corporation, firm or association (including the Developer) in which one or more of the Directors of this Association are directors or officers or are pecuniarily or otherwise interested, is either void or voidable because such Director or Directors are present at the meeting of the Board of Directors of any committee thereof which authorizes or approves the contract or transaction, or because his or their votes are counted for such purpose, if any of the conditions specified in any of the following subparagraphs exist:

- (a) The fact of the common directorate or interest is disclosed or known to the Board of Directors or a majority thereof or noted in the minutes, and the Board authorizes, approves, or ratifies such contract or transaction in good faith by a vote sufficient for the purpose; and
- (b) The contract or transaction is commercially reasonable to the Association at the time it is authorized, ratified, approved or executed.

Common or interested Directors may be counted in determining the presence of a quorum of any meeting of the Board of Directors or committee thereof which authorizes, approves or ratifies any contract or transaction with like force and effect as if he were not such director or officer of such other corporation or not so interested.

ARTICLE VI

EXPENSES, MAINTENANCE AND EMERGENCIES

Section 1. Management and Common Expenses. The Association, acting by and through its Board of Directors, shall manage, and operate the Property for the benefit of the Lots and the Owners thereof, shall enforce the provisions hereof and shall pay out of the Association's funds, the following:

- (a) The cost of such insurance as the Association may effect.
- (b) The cost of providing such legal and accounting services as may be considered necessary to the operation of the Property.
- (c) The cost of any and all materials, supplies, labor, services, maintenance, repairs, taxes, assessments or the like, which the Association secures in the discretion of the Board of Directors or by the vote of the Members which are deemed necessary or proper.
- (d) The cost of the maintenance or repair on any Lot in the event such maintenance or repair is reasonably necessary in the discretion of the Board of Directors to protect the Common Areas or to preserve the appearance or value of the Property or is otherwise in the interest of the general welfare of all Owners of the Lots;

provided, however, that such maintenance or repair shall be undertaken in accordance with the Declaration.

- (c) All other items which are listed as responsibilities of the Association as found in the Declaration.

Section 2. Duty to Maintain. Except for maintenance requirements herein imposed upon the Association, the Owner of any Lot shall, at his own expense, maintain said Lot in accordance with the Declaration.

Section 3. Emergencies. For the purpose solely of performing any of the repairs or maintenance required or authorized by these Bylaws or the Declaration, or in the event of a bona fide emergency involving illness or potential danger to life or property, the Association, through its duly authorized agents or employees, shall have the right, after reasonable efforts to give notice to the Owner or occupant, to enter upon any Lot at any hour considered to be reasonable under the circumstances.

ARTICLE VII

FINANCIAL ASPECTS

Section 1. Fiscal Year. The fiscal year of the Association shall begin on the first day of January every year, except for the first fiscal year of the Association, which shall begin at the date of incorporation. The commencement day of the fiscal year herein established shall be subject to change by the Board of Directors.

Section 2. Books and Accounts. Books and accounts of the Association shall be kept under the direction of the Treasurer in accordance with good accounting practice. The same shall include books with detailed accounts, in chronological order, of receipts and of the expenditures affecting the Property and its administration and shall specify the maintenance and repair expenses incurred. The amount of any assessment required for payment of any capital expenditures shall be credited upon the books of the Association to the "Paid-in-Surplus" account as a capital contribution by the Members.

Section 3. Reports. Within ninety (90) days from date of close of each fiscal year, the Association shall furnish its Members and the holders of first mortgages requesting same an annual financial statement, including the income and disbursements of the Association.

Section 4. Inspection of Books. The books and accounts of the Association, and vouchers accrediting the entries made thereupon, shall be available for examination by the Members, by the institution holder of any first mortgage on any Lot, and/or their duly authorized agents or attorneys, during normal business hours and for purposes reasonably related to their interests as Members or lenders.

ARTICLE VIII

MISCELLANEOUS

Section 1. Notice to Board of Directors. Any Owner who mortgages such Lot shall promptly notify the Board of Directors of the name and address of his mortgagee and, if requested so to do, shall file a conformed copy of such mortgage with the Board of Directors. The Board of Directors shall maintain suitable records pertaining to such mortgages.

Section 2. Agent for Service of Process. The President of the Association shall be designated as the person authorized to accept service of process in any action relating to two or more Lots or to the Common Area.

Section 3. Notices. Unless another type of notice is herein elsewhere specifically required, any and all notices called for in the Declaration or these Bylaws shall be given in writing.

Section 4. Severability. In the event any provision or provisions of these Bylaws shall be determined to be invalid, void or unenforceable, such determination shall not render invalid, void or unenforceable any other provisions hereof which can be given effect.

Section 5. Waiver. No restriction, condition, obligation or provision of these Bylaws shall be deemed to have been abrogated or waived by reason of any failure or failures to enforce the same.

Section 6. Captions. The captions contained in these Bylaws are for convenience only and shall not in any way limit or enlarge the terms and provisions of these Bylaws.

Section 7. Gender, Etc. Whenever in these Bylaws the context so requires, the singular number shall include the plural and the converse; and the use of any gender shall be deemed to include all genders.

Section 8. Conflicts. These Bylaws are subordinate to all provisions of the Declaration including, without limitation, those provisions granting certain rights, privileges and powers to the Declarant. All of the terms hereof, except where clearly repugnant to the context of the Declaration, shall have the same meaning as in the Declaration. In the event of any conflict between these Bylaws and the Declaration, the provisions of the Declaration shall control, and in the event of any conflict between these Bylaws and any of the law of the State of Tennessee, the provisions of said law shall control.

Section 9. Amendments. These Bylaws may be amended from time to time as permitted by state law as it may change from time to time.

Duly adopted on _____, 2006.

INCORPORATOR