

April 7, 2015

Mr. Herbert Hilliard, Chairman  
Tennessee Regulatory Authority  
502 Deadrick Street  
Nashville, TN 37243

**RE: River Trace II Property Owners Petition to Intervene, TRA Docket #1400124**

Dear Mr. Hilliard,

The following River Trace II property owners respectfully petition the Tennessee Regulatory Authority (TRA) to grant said property owners intervention into this proceeding because we believe River Trace II property owners interests, rights, duties and privileges may be determined or affected by the proceeding. For cause the Petitioners would show:

1. Hammerland Inc. is in contempt of court as they submitted a petition for CCN dated 11/06/14 in the name of Hammerland Utilities, Inc, TRA Docket # 1400124.

See enclosed Restraining Order CH-13-CV-14 dated 02/28/13, which prohibits the sale or transfer of the sewer property by Hammerland, Inc. On May 14, 2014 Hammerland, Inc. Quitclaim deeded the sewer property to Hammerland Utilities, Inc.

On January 24, 2013, the Gartons filed an injunction against Hammerland, Inc. The injunction was filed for various reasons, but the primary reason was due to an in person conversation with a TDEC associate in October 2012. The TDEC associate advised the Gartons that River Trace II had an illegal sewer system. The Gartons were also told River Trace II's sewer system was never inspected or approved by TDEC in 1995; however, TDEC did issue a repair permit in 2008.

Hammerland, Inc.'s Secretary, Pam Bygden, continues to advise property owners that River Trace II has an approved sewer system. See enclosed correspondence between Hammerland, Inc. and property owners.

Pam Bygden was in court sitting beside Hammerland Inc.'s attorney when Judge Sexton ruled; however, she has denied knowledge of the injunction. Rick Faith hand delivered a copy of the injunction to her in the fall of 2014.

2. Hammerland, Inc. and Lake Associates knowingly misrepresented the sale of properties in River Trace II both verbally and by providing marketing material that stated River Trace II had an "existing sewer system". Prior to purchase, property owners were told River Trace II had an existing sewer system, a "step system" that would accommodate 39 lots. See enclosed copy of brochure.

Also prior to purchase, the Gartons had a telephone conversation with TDEC associate, Bob James, to confirm how the sewer system in River Trace II worked. At no point in time did Hammerland Inc, Lakes Associates or Bob James inform the Gartons the sewer system was never completed and approved by TDEC.

3. River Trace II Homeowners Association document, Article XIV- Sewer and Water Service references a "public water AND sewer" service, not just a sewer service in River Trace II subdivision. The CCN application only refers to a sewer system.
4. At no point in time did Hammerland Inc. or Lake Associates inform property owners (verbally or in written format) that that there would be building restrictions on the number of bedrooms or additional charges for any bedrooms over 3 per home. See CCN stipulations in Docket# 1400124.
5. The sewer system if approved as noted in the CCN creates significant concerns and potential expense to property owners that was not identified or negotiated prior to purchase.
6. On 03/05/15 the Gartons had a meeting with Rudy Collins, TDEC Regional Director for External Affairs, to discuss the property owner concerns and expectations. The Gartons provided a written document detailing questions and concerns related to River Trace II's sewer system. Many of the questions are detailed in TRA's Data Request document dated 3/31/15.

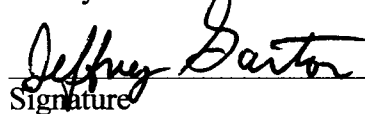
Let it be known that the property owners noted in this document expect Hammerland, Inc. to honor its contractual obligations by providing a fully operative, legal sewer system to River Trace II property owners. We expect to receive the system we were sold.

While we are hopeful that this issue will be resolved quickly and properly, it has been over 2 years since this issue was brought to our attention by TDEC. As time passes we become more concerned about the sewer system Hammerland, Inc. will provide. The CCN application has raised many questions. The property owners listed below would be happy to further discuss our concerns with the Chairman if he so desires a conversation.

**Whereas, the following River Trace II property owners request the Authority to grant our Petition to Intervene.**

**Respectfully Submitted,**

Jeffrey Garton

  
Signature

Jeanne Faith-Garton

  
Signature

4/7/15  
Date

Rick Faith

Rick Faith  
Signature

Pennye Faith

Pennye Faith  
Signature

4-12-15  
Date

Paul Kamke

Paul D. Kamke  
Signature

Sherri Kamke

Sherri Kamke  
Signature

4-12-15  
Date

Terry Faith

Terry Faith  
Signature

Penny Faith

Penny Faith  
Signature

4-12-15  
Date

IN THE CHANCERY COURT OF THE STATE OF TENNESSEE

IN AND FOR THE COUNTY OF STEWART AT DOVER

JEFFREY GARTON, and wife,  
JEANNE FAITH-GARTON,

Plaintiffs,

vs.

STATE OF TENNESSEE DEPT. OF  
ENVIRONMENT & CONSERVATION;  
HAMMERLAND, INC.; and, LAKE  
ASSOCIATES, INC.,

Defendants.

CH-13-CV-14

**FILED**  
CHANCERY COURT

FEB 26 2013

2:15 PM  
JANE C. LINK, CLERK & MASTER  
STEWART COUNTY, TN

**RESTRAINING ORDER**

This cause coming to be heard on February 1, 2013, based on Plaintiffs Motion For Temporary Restraining Order and Preliminary Injunction; and due notice having been given to Defendants; and the Court having considered the pleadings, testimony of witnesses and arguments of counsel, finds as follows:

1. Hammerland, Inc., is the developer of the River Trace II Subdivision in Stewart County, Tennessee and the owner and operator of the Subsurface Sewage Disposal System (SSDS) serving the development; and,

2. Hammerland, Inc., is authorized to turn control and operation of the SSDS over to the River Trace II Homeowners Association upon the sale of 75 percent of the lots in the subdivision; and,

3. Plaintiffs' claim that the SSDS is not, at the present time, in compliance with Rules and

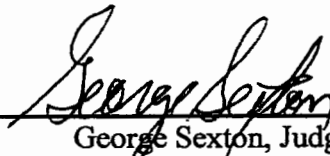
Regulations of the State of Tennessee regarding permitting and operation of a SSDS as indicated in Case No. 2013-81-01; and,

4. Plaintiffs' requested relief that Hammerland, Inc., be enjoined and restrained from transferring or otherwise turning control and operation of the SSDS over to the River Trace II Homeowners Association or anyone else is well taken.


**IT IS HEREBY ORDERED** that, pending further order of this Court Hammerland, Inc., its respective officers, agents, representatives, employees and successors, and all other persons in active concert and participation with them, be, and hereby are, restrained and enjoined from selling or transferring the real property owned by Hammerland, Inc., on which the SSDS is located.

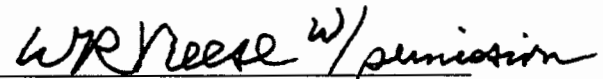
Plaintiffs Motion as to Defendant Lake Associates, Inc. is denied.

Furthermore, by Agreement, between the State and Plaintiffs, Plaintiffs' Complaint against the State of Tennessee, Department of Environment and Conservation is dismissed, with prejudice.

  
George Sexton, Judge

APPROVED AS TO FORM:

  
Thomas M. Stanley, BPR 026083  
Post Office Box 559  
Dover, Tennessee 37058  
931-305-4573  
Attorney for Plaintiffs

  
William R. Neese, BPR 007631  
314 market Street  
Paris, Tennessee 38242  
731-642-2188  
Attorney for Defendants Lake and Hammerland

STATE OF TENNESSEE, CHANCERY COURT, STEWART COUNTY  
I, Jane C. Link, Clerk & Master of the Chancery Court of Stewart County, hereby certify this is a true and exact copy of the original instrument filed in this cause.

This 22nd day of December, 2014

  
JANE C. LINK

Presented  
Book XX Page 411-412  
Date Feb. 28, 2013  
By Jane C. Link DS

Hammerland, Inc.  
6471 E. Antioch Road  
Buchanan, TN 38222

December 8, 2014

Mr. Jeff Garton  
Mrs. Jeanne Faith-Garton  
321 River Trace Drive  
Dover, TN 37058

RE: River Trace II Subdivision

Dear Mr. and Mrs. Garton:

Thank you for your letter dated November 18, 2014. I apologize if the letter sent to the home owners was not clear. The sewage treatment system is a public utility, but is owned by Hammerland Utilities, Inc. No potable water service will be provided. The existing lot owners will not have any financial obligation for the installation of the new system. The developer is paying all costs to get the new treatment system installed. Homeowners in the subdivision will continue to be serviced by the existing sewer system at no cost to you until the new construction is complete. Once the treatment system is installed there will be reasonable monthly fees for service to the homeowners. The new system will adhere to all State guidelines and will have a certified operator as required by the State.

To address your additional concerns:

- PER TDEC: 2 permits only - no inspection or approval
1. I understand that Timmy Jeannette pulled into your driveway and told you there was an "illegal sub-surface sewage system". He was making representations when he did not have all the facts because TDEC did not have the records for the subdivision. WE provided copies to them.  
The sewer system was fully operational and legal from its inception. All permits were in order and signed by the County Environmentalist at the time, Bob James, who has since retired. TDEC did not maintain the records and could not find the permits, however, after searching this office we found in Ken Morgan's old subdivision files copies of engineering drawings and approved permits for the original system. Also, the permit and drawing for the expansion of the field line system in 2008. These were provided to the County Environmentalist, Timmy Jeanette, at that time.
  3. In reference to your question regarding additional lots past the 39 in the subdivision, the system will have the capacity to serve 52.
  4. The system was always operational. The expansion in 2008 was to provide additional field lines to accommodate all the lots in the subdivision.
  5. Mr. Morgan passed away in December 2010. Subsequent to his passing, I was appointed Secretary of the corporation so there was a representative in Tennessee for the corporation. I am not a partner in Hammerland or any of their holdings. Please see the attached letter of authorization for myself from Chicago I have included for your convenience.
  6. Regarding having questions about the new system - a public meeting will be scheduled as soon as plan approval is obtained from TRA, which we are expecting any day. All efforts will be made to answer your questions at that time. In the meantime, please feel free to contact me with any questions.

I look forward to seeing you at the public meeting.

Regards,

  
Pamela L. Bygden  
Secretary, Hammerland, Inc.

ELMHURST  
STONE



CHICAGO  
COMPANY

400 W. FIRST STREET • P.O. BOX 57  
ELMHURST, IL 60126-0057 • (630) 832-4000 • FAX (630) 832-0140

January 17, 2013

To whom it may concern:

Please be advised that Pamela Bygden, Principal Broker at Lake Associates, Inc., REALTORS® is authorized to act as the agent for our property interests in Stewart County, Tennessee. This authorization includes hiring consultants, contractors, communication with State governing agencies, and all other actions required to manage the properties and the Subdivision known as River Trace II.

This authorization is for property owned by Elmhurst Chicago Stone, The Charles Corporation and Hammerland, Inc.

Sincerely,

Kenneth Lahner  
Vice President

November 24, 2014

Ms. Pamela Bygden  
Hammerland Inc.  
6471 E. Antioch Road  
Buchanan, TN 38222

RE: Hammerland Inc.'s Letter Dated 11/17/14, River Trace II Septic System

Dear Ms. Bygden,

Thank you for your attempt to outline the background on River Trace II's septic system and update us on Hammerland's proposed new system.

As you know, it has been over three years since an employee of the State of Tennessee Waste Water Division pulled in our driveway and made us aware that River Trace II has an "illegal sub-surface sewage system". If you recall, I called you immediately after they left to inform you of our conversation. You assured me on at least two occasions that Hammerland Inc. had all the approvals in your office. You also asked me not to tell Steve Mohon and Danny Kesterson about our conversation with the State of Tennessee.

For the record, prior to the purchase of our eight lots in 2005, we spoke with Ken Morgan about River Trace II's septic system. We were not familiar with a "step system" and we specifically asked Ken how it worked. Jeff also asked Ken if there was someone we could speak with at the State of Tennessee that could verify the process. Ken provided the name of phone number of someone who could help us.

We are not certified waste water experts so we called the gentleman, and he put our mind at ease about the septic system's mechanical process. However, at no point in time we were told by Ken Morgan or the gentleman from the State that the septic system was incomplete. Quite the contrary, we had received a River Trace II brochure (prior to purchase) that specifically stated the subdivision had an "existing" sewer system (see enclosed). We assumed "existing" meant the system covered all 39 lots in River Trace II.

By the way...River Trace II has 39 lots, how do you get 52 lots? Please consider this letter our formal request for an explanation of the 52 lots mentioned in Hammerland's letter dated 11/17/14.

During our property negotiations in 2005 we told Ken Morgan and you that we were buying lots for our personal use as well as investment. We planned to build one house per year and sell them. Ken reviewed the subdivision covenants and HOA documents with us prior to buying. Again, at no point in time were we told that the septic system was not fully operational. Ken did tell us (as was confirmed in the HOA document) that if a "public utility" for water and sewer was made available to River Trace II subdivision we would be required to tap in.

As property owners, Hammerland's letter dated 11/17/14 raises a lot of questions and concerns. We have a lot of money invested in River Trace II, and we are very anxious to have a conversation with Hammerland so that we clearly understand the type of "utility" system that is being proposed and the timeline for the build out.

We have had all 8 River Trace II properties for sale for the last 3 years. When listing with a realtor, we were told we had to disclose the septic issue with any potential buyers. We were also told we were required to tell any potential buyer they would not be able to pull an electrical permit until the septic system was approved by the State of Tennessee.



**HAMMERLAND, INC.**  
**6471 E. Antioch Road**  
**Buchanan, TN 38222**  
**(731) 642-1399**

November 17, 2014

Dear Property Owner:

During the early 1990's, River Trace II was developed and placed on the market by Hammerland, Inc., a development company based in Chicago, Illinois, with local representation by Ken Morgan, the principal broker at Lake Associates, Inc., a real estate brokerage company located at Paris Landing.

Soils in the area required that the development be served by a community sewer system. In 1994, a community sewer system was developed and approved by the Tennessee Department of Environment and Conservation (TDEC). It was installed at an approximate cost of \$160,000.00 to the developer. This system included household pumping units which had an Orenco screened pump housed in a septic tank located at each home. The liquid (grey water) was pumped through a pressurized collection system to a community septic system. Under this arrangement the home owner paid for the pumping unit and Hammerland, Inc. paid for the collection lines and the septic system. As a good will gesture from the developer, Ken Morgan provided the operation and maintenance at no cost, so no one has paid a sewer bill since the sewer system started twenty (20) years ago. In 2008, with the approval of TDEC, the community septic system capacity was doubled in size, again, at a cost to Hammerland, Inc.


All the residents enjoyed the use of the system and everything operated as it should until late in 2012 when the system overflowed and a resident of the subdivision made a formal complaint to TDEC. TDEC employees from the local office made an inspection and issued a citation. Hammerland, Inc. employed an engineer for technical assistance. Hammerland, Inc. had the stopped up units repaired at a cost of \$28,000.00. Despite our best efforts, TDEC revoked the permit for the treatment system and our ability to provide sewer service. Our contractual obligation is to provide sewer service to fifty two (52) lots. Of the choices which TDEC gave Hammerland, Inc., the only one which allows the continued availability of sewer service to all the property owner's is to construct a new sewage treatment plant and provide a certified operator. The new system will be built adjacent to the existing one.

A new sewage treatment plant has been designed and a contractor has been engaged at a cost of \$298,000.00 to Hammerland, Inc. Hammerland, Inc. has formed a subsidiary for the operation of the sewer system, Hammerland Utilities, Inc. All documents have been submitted to the Tennessee Regulatory Authority (TRA) for approval. All the construction and operation will be extremely expensive for Hammerland, Inc.

Regretfully, free sewer service is not an option any longer. Hammerland Utilities, Inc. has only approximate cost figures at this time. Once Hammerland Utilities, Inc. has these numbers from TRA, they will certainly be passed on to all the landowners in the subdivision.

This letter is the first notice regarding the upgrade of the sewer service at River Trace II subdivision. The developer will provide further information as it is received.

Warmest regards,



Pamela L. Bygden  
Secretary  
Hammerland, Inc.

# *"Life on the water... with a splash of elegance."*

- ♦ *Lovely lots along the shore of beautiful Kentucky Lake.*
- ♦ *Only 3 Minutes From "Land Between The Lakes," one of the best known vacation, hunting and fishing spots in America.*
- ♦ *And just minutes from Paris and Clarksville, Tennessee - communities that offer all the amenities of life such as shopping, hospitals, doctors, entertainment, excellent schools and public libraries.*

*"Life on the water with a splash of elegance" is what you will find at River Trace II. At first glance you'll know it's the spot for you.*

## ♦ *Beautiful Waterfront & Off Shore Lots*

*Deep Water Bay  
Dock Permittable - TVA Area  
Common Ramp Area  
County Maintained Roads  
Existing Sewer System  
Planned Restrictive Subdivision*

## **RIVER TRACE II**

*Being removed from the maddening crowd, one is able to hear the whisper of the trees in the breeze, water splashing against the shore, birds singing, and many such sweet sounds that fill a heart with ease. Hunting, fishing, boating, nature walks, peace, tranquility, and solitude are just a few of the aspects of the perfect life to be found at River Trace II.*



## *Just 5 Minutes From...*

*Paris, Bowling State Park  
Marina Facilities  
18 Hole Golf Course  
Swimming Facilities  
Hotel Accommodations  
Future Convention Center*



## Far From The Maddening Crowd

*It seems to me I'd like to go  
Where bells don't ring, nor whistles blow,  
Nor clocks don't strike, nor gongs sound,  
And I'd have stillness all around.*

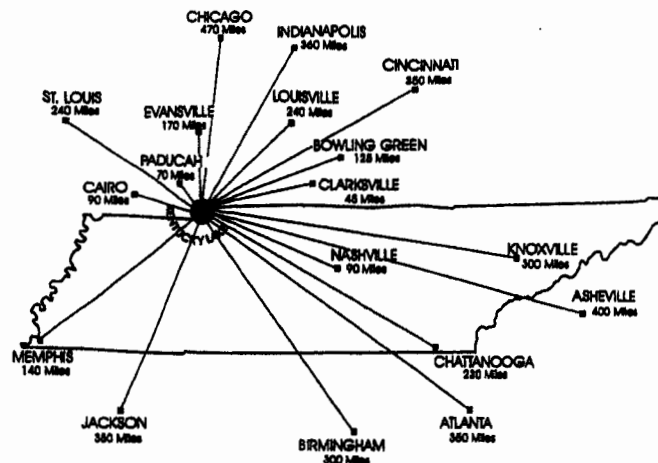
*Not real stillness, but just the trees,  
Low whispering, or the hum of bees,  
Or rivers soft splashing against the shore,  
In strangely, softly tangled tones,*

*Or maybe a cricket or katydid,  
Or the songs of birds in the hedges hid,  
Or just some such sweet sound as these,  
To fill a tired heart with ease.*

*If 'tweren't for sight and sound and smell,  
I'd like the city pretty well,  
But when it comes to getting rest,  
I like the country lots the best.*

*Sometimes it seems to me I must  
Just quit the city's din and dust,  
And get out where the sky is blue,  
And say, now, how does it seem to you?*

Nixon Waterman



## RIVER TRACE II

Developed by  
**CESC**  
(Chicago Elmhurst Stone Corp)  
of Chicago, Illinois.

Lots sold exclusively by  
**Lake Associates Realtors.**

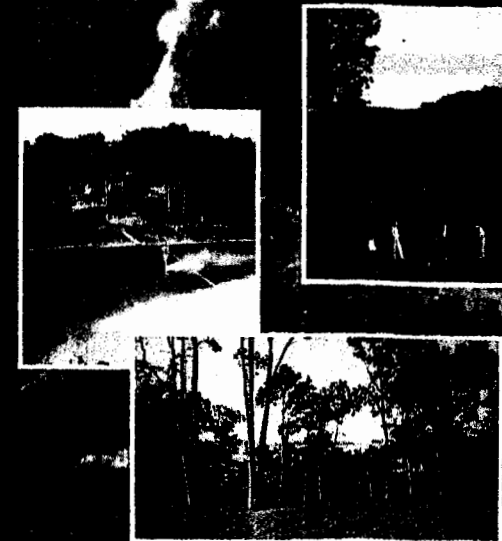
Broker referrals are welcomed.



6471 E. Antioch Road  
Buchanan, Tennessee 38222  
(800) 642-1981  
(901) 642-1399

## RIVER TRACE II

*"Life On  
The Water...  
with a splash  
of elegance"*



**RIVER TRACE II SUBDIVISION  
HOMEOWNERS ASSOCIATION**

**ARTICLE I**

The name of this Association shall be River Trace II Subdivision Homeowners Association.

**ARTICLE II**

The purpose for which this Association is organized is to protect the value of the property of the Members of the Association, to establish, maintain and operate the public areas and access areas to the lake and the sewer system as shown on the Plat of River Trace II Subdivision, recorded in Plat Book \_\_\_, Page \_\_\_, in the office of the Register of Deeds of Stewart County, Tennessee, and to engage in such other activities that may be to the mutual benefit of the Owners of The Properties in River Trace II Subdivision.

**ARTICLE III**

Within sixty (60) days after the Developer's conveyance of seventy-five percent (75%) of the Lots in River Trace II Subdivision, or at an earlier time in the sole discretion of Developer, the "Common Properties" shall be vested in the Association together with the management and maintenance of the areas and facilities of River Trace II Subdivision together with the powers and authorities of the Developer as set forth herein. Should the Developer elect to vest any of the management and maintenance of said areas and facilities of the Common Properties with the Association prior to the Developer's conveyance of seventy-five percent (75%) of the Lots in the manner indicated above, Developer may in its sole discretion elect to retain any other powers of management, maintenance and direction provided herein until such time as the Developer conveys seventy-five percent (75%) of the Lots comprising The Properties.

**ARTICLE IV**

The Members of the Association shall be limited to persons who are in all respects sui juris and who shall be admitted to membership in the Association upon receiving the approval of the Board of Directors of the Association, but in all cases, all Members of the Association shall be Owner's of a Lot in River Trace II Subdivision.

**ARTICLE V**

The Association's existence shall be perpetual.

## ARTICLE VI

At such time as the Developer vests ownership of the Common Properties with the Association, the affairs of the Association shall be managed by a Board of Governors of not less than three (3) nor more than five (5). The Board of Governors shall be elected by the Members of the Association and shall be elected annually. The Board of Governors shall elect and appoint a President, Secretary and Treasurer. The duties of the officers shall be as prescribed in Article IX below.

## ARTICLE VII

The names of the officers will serve until the first election of officers by the members of the Board of Governors of the Association shall be:

Charles P. Hammersmith, Jr. - President

Kenneth J. Lahner - Treasurer

Kenneth Morgan - Secretary

## ARTICLE VIII

The names of the persons constituting the first Board of Governors who will serve until the first election of members of the Board by the Members of the Association shall be:

Charles P. Hammersmith, Jr.

Kenneth J. Lahner

Kenneth Morgan

## ARTICLE IX

### DUTIES OF OFFICERS

SECTION 1: Executive Officers. The executive officers of the Association shall be a President, Secretary and Treasurer. All of the officers of the Association shall be elected annually by the Board of Governors, hereinafter sometimes referred to as the "Board". They shall take office immediately after election. The officers of the Association shall be representatives of the Developer or Members of the Association.

SECTION 2. President. Subject to the direction of the Board of Governors, the President shall be the chief executive officer of the Association and shall perform such other duties as from time to

time may be assigned to him by the Board. The President shall be ex officio a member of all committees.

SECTION 3. Secretary. The Secretary shall keep the minutes of all proceedings of the Board of Governors and all committees and the minutes of the Members' meetings in books provided for that purpose.

SECTION 4. Treasurer. The Treasurer shall have custody of all the receipts, disbursements, funds and securities of the Association and perform all duties incident to the office of Treasurer, subject to control of the Board of Governors and the President, and such other duties as may from time to time be assigned to him by the Board or the President.

SECTION 5. Subordinate Officers. The President, with the approval of the Board of Governors, may appoint such other officers and agents as the Board may deem necessary who shall hold office during the pleasure of the Board, and who may have such authority to perform such duties as from time to time may be prescribed by the President or the Board.

SECTION 6. Powers and Duties of Officers. The Officers shall have the powers and duties necessary for the administration of the affairs of the Association, including, without limitation, the following:

a. To provide for the improvement, maintenance, repair and rehabilitation of the driveway areas, sewers, entry-way and landscaping, and parkways in public rights-of-way and The Properties;

b. To enact and enforce such rules and regulations as are necessary for the use and enjoyment of The Properties and the Common Properties.

c. To procure and maintain such public liability, workmen's compensation, fidelity, directors' and officers' liability and other insurance in such amounts and insuring the Members, the Association, and the Board of Governors against such risks as the Board may in its discretion deem appropriate.

d. To pay all taxes and other costs and expenses incident to the ownership of all Common Properties for the benefit of the Association.

e. To execute such grants of easement, as may be necessary from time to time for any utility serving River Trace II Subdivision;

f. To deposit from time to time to the credit of the Association funds in savings and checking accounts in such banks, trust companies, or other depositories as the Board may select;

g. To authorize any officer or offices, agent or agents, of the Association to enter into contracts or to execute and deliver instruments in the name of and on behalf of the Association;

h. To keep correct and complete books and records of account and minutes of the proceedings of the Board and committees having any of the authority of the Board. All books and records of the Association may be inspected by any Member or his agent or attorney, for any proper purpose at any reasonable time;

i. To provide to the holder of a first mortgage on any Lot, upon written request, written notice of any default by the Member of such Lot in the performance of any obligation hereunder which is not cured within thirty (30) days. This provision may not be amended without the written consent of all holders of first mortgages on the Lots;

j. To exercise for the Association all powers, duties, and authority vested in or delegated to the Association and not reserved to the Members.

## ARTICLE X

### BOARD OF GOVERNORS

SECTION 1: Members. The business and the affairs of this Association shall be managed by the Board of Governors who will consist of not less than three (3) nor more than five (5) members. All members of the Board of Governors shall be representatives of the Developer or Owners of Lots.

SECTION 2: Regular Meetings. The Board will meet for transaction of business at such place as it may designate from time to time.

SECTION 3: Special Meetings. Special meetings of the Board of Governors may be called by the President or by three (3) members of the Board for any time and place, provided, reasonable notice of such meetings shall be given to each member of the Board before the time appointed for such meetings.

SECTION 4: Quorum. The Governors shall act only as a Board and the individual Governors shall have no power as such. A majority of members of the Board shall constitute a quorum for the transaction of business.

SECTION 5: Order of Business. The Board of Governors may from time to time determine the order of business at its meeting.

SECTION 6: Chairman. At all meetings of the Board of Governors the President, or, in his absence, a Chairman chosen by the Governors present, shall preside.

SECTION 7: Terms of the members of the Board. The terms of the members of the Board of Governors shall be for one (1) year.

SECTION 8: Annual Report. The Board of Governors, after the close of the fiscal year, shall submit to the Members of the Association a report as to the condition of the Association and its property and shall submit also an account of the financial transactions of the past year.

SECTION 9: Vacancies in Board. Whenever a vacancy in the membership of the Board shall occur, the remaining members of the Board shall have the power, by a majority vote, to select a Member of the Association to serve the unexpired term of the vacancy.

SECTION 10. Indemnity of Board of Governors. The members of the Board of Governors and the officers thereof or of the Association shall not be liable to the Members for any mistake or judgment, or any acts or omissions made in good faith. The Members shall indemnify and hold harmless each such member of the Board of Governors or its officers against all contractual liability of others arising out of contracts made by such members or officers on behalf of the Members or the Association unless such contract shall have been made in bad faith or contrary to the provisions of this instrument. The liability of any member arising out of any contract made by such member or officer or out of the aforesaid indemnity shall be executed by such members or officers or the managing agent, as the case may be, as agents for the Members or for the Association.

SECTION 11: Board's Determination Binding. In the event of any dispute or disagreement between any Member relating to River Trace II Subdivision or any question of interpretation or application of the provisions of this instrument or by-laws, the determination thereof by the Board of Governors shall be final and binding on each and all of such Members.

## ARTICLE XI

### MEETINGS OF MEMBERS

SECTION 1: Annual Meetings. There shall be an annual meeting of the Members of the Association at such place as may be designated on the first Monday of June of each year, if not a legal holiday under the laws of the State of Tennessee, and if a legal



holiday then on the next succeeding business day, at 11:00 a.m., for the transaction such business as may come before the meeting. No notice shall be required for such meeting.

SECTION 2. Special Meetings. Special meetings of the Members shall be held whenever called by the Board of Governors or by the Owners of at least twenty-five (25) Lots. Notice of each special meeting, stating the time, place and in general terms the purpose or purposes thereof, shall be sent by mail the last known address of all Members at least ten (10) days prior to the meeting.

SECTION 3. Voting. Every Owner may cast one (1) vote either in person or by proxy, for each Lot owned in fee simple (regardless of the number of Members comprising such Lot Owner).

SECTION 4. Quorum. At any meeting of the Members a quorum shall consist of Members owning, jointly or solely, in fee simple, or Members representing the corporation owning in fee simple a majority of the Lots in River Trace II Subdivision, present either in person or proxy and a majority in amount of such quorum shall decide any question that may come before the meeting.

## ARTICLE XII

### MEMBERSHIPS

SECTION 1. Qualifications. Only Owners shall be eligible to become a Member of the Association. Whenever a Member shall cease to own a Lot in River Trace II Subdivision, such Member shall automatically be dropped from the Membership roll of the Association.

SECTION 2. Members. A Member shall have no vested right, interest or privilege of, in, or to the assets, functions, affairs or franchises of the Association, or any right, interest or privilege which may be transferable or inheritable, or which shall continue after his membership ceases, or while he is not in good standing.

SECTION 3. Manner of Admission. Every person desiring to become a Member of the Association shall make written application therefore to the Secretary, giving complete information regarding the applicant's qualifications, residence, address, business address, and such other information as the Board of Governors shall from time to time require.

SECTION 4. Memberships Not Transferable. Each Member shall be entitled to a certificate or card of membership certifying to his membership, which shall be signed by the President and by the Secretary of the Association. No membership or certificate of membership may be sold, assigned, or transferred, voluntarily or by will or by operation of law.

SECTION 5. Termination of Membership. Whenever any Member shall cease to have all of the qualifications necessary for admission to membership in the Association, then such membership shall terminate.

SECTION 6. Initiation Fee. Every Member shall be required to pay an initiation fee, the amount of which shall be determined by the Board of Governors for each membership and may be changed from time to time by the Board of Governors or by the Members.

SECTION 7. Annual Dues. Every Member shall be required to pay annual dues, the amount of which shall be determined by the Board of Governors for each membership and may be changed from time to time by the Board of Governors.

## ARTICLE XIII

### EASEMENTS

SECTION 1: Developer and Public Utility Easements over Driveway Areas and Other Portions of River Trace II Subdivision. A non-exclusive, perpetual easement is hereby reserved in the Association and granted to Developer and to public utilities, their respective successors and assigns, jointly and separately, to install, operate, maintain, and remove facilities and equipment used to serve the River Trace II Subdivision in connection with public water supply transmission lines, sanitary sewers, storm sewers, drainage lines, or other public utility service, and their appurtenances, either in, over, across, below or through the common areas, together with the right to cut, trim or remove trees, bushes and roots as may be reasonably required incident to the rights herein given, and the right to enter upon such portions of River Trace II Subdivision.

SECTION 2: Maintenance and Access Easements over River Trace II Subdivision. A non-exclusive, perpetual easement is hereby reserved with the Developer, its successors and assigns, over, across and upon all of The Properties for purposes of management, maintenance, repair, snow removal, driveway rehabilitation, and lawn or landscaping care as required pursuant to the duties established under this Instrument.

SECTION 3: Easement for Entry Sign. A non-exclusive perpetual easement is hereby reserved in the Association, its successors and assigns, over, across and under that part of the River Trace II Subdivision selected as the location, for the construction, maintenance, operation, removal, repair and replacement of a non-illuminated entry way identification sign for River Trace II Subdivision, provided that the Association shall restore the surface of the easement property to its original condition, as nearly as may be, following any installation, maintenance, repair, replacement or removal of such sign.

SECTION 4: Easement to Run with the Land. All easements and rights on or with respect to River Trace II Subdivision are easements appurtenant to and running with the land, perpetually in full force and effect, and at all times shall inure to the benefit of and be binding on the Developer and its respective successors and assigns, and any Member, Owner, purchaser, mortgagee or other person having an interest in any Lot or its or his heirs, grantees, successors and assigns.

#### ARTICLE XIV

##### SEWER AND WATER SERVICE

SECTION 1. Every Owner of a Lot in The Properties shall be presumed conclusively to have covenanted by accepting a deed of conveyance to a Lot, regardless of the means of acquisition of title, to hook up to and pay charges for water and sewer service as and when such service becomes available to the Lot by a common sewer and water system, at a monthly rate as fixed by the utility furnishing such service from and after the availability of sewer and water service for connection to the Lot. At such time as the respective utility becomes available for connection, each Lot Owner shall pay a connection charge to the utility in an amount approved by the Association. Thereafter, he shall pay for consumption of water at reasonable rates subject to a minimum monthly charge established by the servicing utility. Said availability, consumption and usage rates may be billed monthly, quarterly, semi-annually, or annually at the option of the serving public utility. Unpaid charges shall become a lien upon the Lot or Lots served as of the date the same become due. An Owner shall not drill or permit the drilling of a water well upon his Lot at such time as a utility furnishing water to The Properties becomes available.

#### ARTICLE XV

##### PROPERTY RIGHTS IN THE COMMON PROPERTIES

SECTION 1. Members' Easements of Enjoyment. Subject to the provisions of Section 3, every Member shall have a right and an easement of enjoyment in and to the Common Properties and such easement shall be appurtenant to and shall pass with the title to every Lot.

SECTION 2. Title to Common Properties. The Developer may retain the legal title to the Common Properties until such time as it has completed improvements thereon and until such time as, in the opinion of the Developer, the Association is able to maintain the same.

SECTION 3. Extent of Members' Easements. The right and easements of enjoyment created hereby shall be subject to the following:

(a) The right of the Developer and of the Association to prescribe rules and regulations for the use of Common Properties deemed necessary to the health, safety and welfare of the Association and its Members. The Association may assign specific piers, docks and other water facilities for the use of specific Lot Owners.

(b) The right of the Developer and of the Association in accordance with its Articles and Bylaws to borrow money for the purchase of improving the Common Properties and in aid thereof to mortgage said properties.

(c) The right of the Association to take such steps as are reasonably necessary to protect the above-described properties against foreclosure.

(d) The right of the Association, to suspend the enjoyment rights of any member for any period during which any assessment remains unpaid and for any period not to exceed thirty (30) days for any infraction of its published rules and regulations.

(e) The right of the Association to charge reasonable admission and other fees for the use of the Common Properties.

(f) The right of the Association to dedicate or transfer all or any part of the Common Properties to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Association.

(g) The right of Developer and/or the Association, its successors and assigns to construct on, over and under the Common Properties and to maintain water, electric, gas, telephone, a sanitary disposal system and other utility facilities to serve The Properties or portions thereof and to grant easements to others in such regard.

## ARTICLE XVI

### LOSS OF PROPERTY

SECTION 1: The Board of Governors shall not be liable or responsible for the destruction or the loss of or damage to the property of any Member or the guest of any member, visitor or other person.

## ARTICLE XVII

### ASSESSMENT CHARGES

SECTION 1. The Board of Governors of River Trace II Subdivision Homeowner's Association shall have the right and power to subject The Properties to annual or special assessment charges as hereinafter authorized.

Commencing April 1, 1995, and on the same day of each year thereafter, each Owner of a Lot shall pay to River Trace II Subdivision Homeowner's Association, in advance, the charges assessed against his Lot.

SECTION 2. All such annual and special assessments, together with interest, if any, and cost of collection thereof, including attorneys fees, shall be a charge on the Lot and shall be a continuing lien upon the Lot against which each such assessment is made from the date of its commencement, all as hereinafter provided. Each such assessment, together with such interest and such cost of collection, shall also be the continuing personal obligation of the Member of such property at the time the assessment became due.

SECTION 3. The assessments levied by the Association shall be used for promoting the health, safety, and welfare of the Members of River Trace II Subdivision and carrying out the responsibilities of the Association, including but not limited to the payment of taxes, insurance, and other costs and expenses incident to the care and maintenance of the Common Properties.

SECTION 4. Until the first annual meeting of the Association, the amount of the annual assessment shall be determined by the Developer. Thereafter, the amount of the annual assessment shall be determined by the Members at any annual meeting or any special meeting called for the purpose. Notice of any special meeting for such purpose shall be given in writing to all voting Members at least thirty (30) days in advance of the date set for such special meeting. The amount of the annual assessment shall in no case be less than an amount determined (taking into consideration existing cash reserves and the need to maintain future reasonable assessments) by the Developer or the Board, as the case may be, to be necessary to defray all costs and expenses of the Association in meeting its obligations and fulfilling its duties under this instrument for the following year. The amount of the annual assessment shall be uniform for all Owners of Lots, provided, however, the Developer shall be assessed only on improved Lots.

SECTION 5. Special Assessments for Extraordinary Items. In addition to the annual assessments authorized or allowed for under this Article, the Association may levy in any assessment year, applicable to that year only, a special assessment which shall be

assessed uniformly against each Lot owned by a Member of the Association for the purpose of defraying, in whole or in part, the cost of any extraordinary construction or reconstruction, unexpected or emergency repair, replacements, rehabilitation or maintenance of the common areas, provided that any such assessment shall have the assent of two-thirds (2/3) of the voting Members voting on the question at an annual meeting or a special meeting duly called for this purpose, written notice of which shall be sent to all voting Members at least fourteen (14) days in advance and shall set forth the purpose of the meeting, and provided further that, until the initial sale or lease of each Lot owned by the Developer, each such Lot owned by the Developer shall be subject to any special assessment for capital improvements only for repair or replacement of those capital improvements which were provided or constructed by the Developer and the Lots owned by either of them shall not be subject to special assessments for new capital improvements or expansion of existing capital improvements approved by the Association. The amount of special assessments levied determined pursuant to this Section shall be uniform for all Lots, provided, however, the Developer shall be assessed only on improved Lots which it owns.

SECTION 6. Special Assessments for Labor and Materials Expended for the Benefit of Individual Lots. In the event that any Member shall fail to perform any covenant, duty, responsibility, or obligation imposed upon by this instrument with respect to the condition of his Lot, the Board may, after providing such Member with at least ten (10) days notice of its intent to do so, cause any work and materials necessitated by such failure to be undertaken and provided by reputable and competent persons for the account of such Member and shall levy a special assessment against such Member and his Lot for the purpose of defraying the cost thereof. Any such assessment shall be treated and enforceable in the same manner as annual assessments authorized to be levied by the Association. The Board may, before exercising its authority hereunder, call a special meeting of the Association to consider the necessity for such action. Each Owner, by acceptance of a deed to his Lot, shall be deemed to consent to the terms of this Section and to grant such rights of entry and access to his Lot as may be necessary or appropriate to carry out its provisions.

The notice required to be given pursuant to this Section may be delivered either personally or by mail to the voting Member representing such Lot at the address given to the Board for the purpose of servicing such notice, or the Lot of the Owner if no voting Member address had been given to the Board.

SECTION 7. Date of Assessment. Developer, until the first annual meeting of voting Members, and thereafter, the Board, shall fix the date of commencement and the date or dates of payment of the annual assessment against each Lot at least thirty (30) days in advance of such date or period and shall, at that time, prepare a

roster of the Lots and assessments applicable thereto which shall be open to inspection by any Owner. Written notice of the assessment shall thereupon be sent to every Owner subject thereto. The Board shall upon demand at any time furnish to any Owner liable for any assessment a certificate in writing signed by an officer of the Board, setting forth whether such assessment has been paid, and such certificate shall be presumptive evidence of payment of any such assessment.

The date of any special assessment shall be fixed by the Board. The Board may require any annual or special assessment to be paid in such installments as it may deem appropriate.

SECTION 8. Effect of Non-payment of Assessment; Remedies of Association. If an assessment is not paid on the date when due, then such assessment shall become delinquent and shall, together with such interest thereon and cost of collection thereof as hereinafter provided, be a continuing lien on the Lot in favor of the Association which shall bind such property in the hands of the then Owner, his heirs, devisees, personal representatives, successors and assigns until paid. The personal obligation of the then Owner to pay such assessment, however, shall remain his personal obligation shall not pass to his successors in title unless expressly assumed by them, although the delinquent assessment will remain a lien on the Lot until satisfied.

If an assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest for the due date at an interest rate of one and one-half percent (1 1/2%) per month, or the maximum rate allowable by law, whichever is less, and the Association may bring an action against the Owner personally obligated to pay the same or to foreclose the lien against the Lot, or both, and there shall be added to the amount of such assessment the costs of preparing and filing the complaint in such action, and in the event a judgment is obtained, such judgment shall include interest on the assessment as above provided and reasonable attorney fees to be fixed by the court, together with the costs of the action.

SECTION 9. Subordination of the Lien to Certain Encumbrances. Notwithstanding anything contained herein to the contrary, the lien of the assessments provided for herein shall be subordinate to the lien of any first mortgage or trust deed in the nature of a mortgage now or hereafter placed upon the property subject to assessment; provided, however, that such subordination shall apply only to the assessments which have become due and payable prior to a sale or transfer of such property pursuant to a decree of foreclosure, or any other proceeding in lieu of foreclosure. Such sale or transfer shall not relieve such property from liability for any assessments thereafter becoming due nor from the lien of any such subsequent assessment.

ARTICLE XVIII

FISCAL YEAR

SECTION 1: The fiscal year of the Association shall begin on the 1st day of January and terminate on the 31st day of December of each year.

ARTICLE XIX

Unless the context otherwise indicates or requires, terms set forth in this instrument shall have the meanings as set forth on Exhibit "A" attached hereto and incorporated herein by reference.

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RIVER TRACE II SUBDIVISION  
COVENANTS AND RESTRICTIONS

1. Land Use and Building Type. All Lots which are designated on any recorded subdivision plat of The Properties with a numeral (without prefix) are intended as Dwelling Lots and shall be used for private residence purposes only. No structure, except as specifically authorized elsewhere in this instrument shall be erected, re-erected or maintained on a Dwelling Lot except one dwelling designed for occupancy by a single family, a private garage containing no more than four parking spaces for the sole use of the Owners or occupants of the Dwelling, and water facilities for the sole use of the Owners and occupants of the Dwelling. Said garages may have living quarters in connection therewith for the sole use of the Owner or occupants of his servants or guests but shall not be used for rental purposes. No structure, garage or other dwelling accessory shall be erected prior to construction of a Dwelling. No other Dwelling, Accessory Buildings or Structures may be erected except in such manner and location as hereinafter provided or as approved in writing by the Association. Where foundations are desired, they should be so designed as to minimize excavation (such as column and beam construction) and excavated material should be stocked in a way that it cannot be eroded and carried into the lake. Where vegetation cover is destroyed, it should be replaced immediately so as not to allow soil to be exposed to erosive forces.

2. Dwelling Materials, Quality and Size. It is the intention and purposes of these Covenants and Restrictions to insure that all Dwellings shall be of quality design and workmanship. All Dwellings shall be constructed in accordance with applicable governmental building codes. The ground floor area of any dwelling on a Lake Lot shall be not less than 1,500 square feet for a one Story or 2,000 square feet for a two Story Dwelling and for a Dwelling constructed on an interior Lot, not less than 1,200 square feet in ground floor area. Building exteriors must be made of brick, frame or log construction, and all wood exteriors must be painted or stained. Roofs of all dwellings shall have a minimum 5/12 pitch. The exterior portion of any structure must be completed within one year from date of commencement of said construction.

3. Location on the Lot. No structure shall be located on any Lot nearer to a Lot Line than the building lines shown on the recorded plat of subdivision, or nearer than five feet from any other Lot Line and as local code requires.

4. Driveways. Plans and specifications for driveways, culverts, pavement, edging or markers shall be as approved in writing by the Association.

5. Home Occupations, Nuisance and Livestock. No home occupation or profession shall be conducted in any Living Unit or accessory building. No noxious or offensive activity shall be carried on, in or upon any premises nor shall anything be done thereon which may be or may become an annoyance or nuisance to the neighborhood. The use of any garage, carport, driveway or parking area which may be in front or adjacent to a part of any Lot as a habitual parking place for commercial vehicles is prohibited. The parkway located between the pavement and the Lot Line of each Lot shall not be used for the parking or private or commercial vehicles, boats or trailers. The habitual violation of such parking regulations shall be deemed a nuisance.

6. Temporary Structures. No trailer or a basement of an uncompleted building, tent, shack, garage, barn (except as permitted elsewhere herein) and no temporary building or structure of any kind shall be used at any time for a residence, either temporary or permanent. Temporary buildings or structures used during the construction of a Living Unit shall be on the same Lot as the dwelling or Multifamily Structure and such buildings or structures shall be removed upon completion of construction.

7. Easements. In the recorded plat of subdivision of the Existing Property, Developer has:

(a) Reserved an easement to itself, and its successors and assigns, within the area as shown on the plat and marked "Utility Easement", to install, lay, construct, renew, operate and maintain utility pipes and conduits and underground equipment for the purpose of serving The Properties with telephone, electric, water and other utility services, and also reserves the right to cut down and remove any trees or bushes that interfere or threaten to interfere with any such use or right. No permanent building, structure or trees shall be placed upon said easement except that said easement may be used for gardens, shrubs, landscaping and other purposes not then or later interfering with said reserved uses and rights;

(b) Created an easement for surface drainage in and along the streets and such other locations are shown on the plat marked "Drainage Easement";

8. Maintenance of Parkways. Each Owner shall be responsible for the maintenance of parkways located between his Lot Lines and the edges of the street or ingress or egress easements on which said Lots border.

9. Wells and Plumbing. All plumbing fixtures, dishwashers, toilets or sewage disposal systems shall be connected to a septic tank system constructed by the Owner and approved by the Developer and/or Association and any state, county or municipal authority having jurisdiction. Septic tank systems and locations must be of

registered professional engineer design. Said engineer's design plans must be submitted to the Developer and/or Association for approval and issuance of permit prior to commencing construction. All systems are to be of the closed type; no waster water is to be discharged into the lake. Any such system as installed shall be subject to inspection and final approval by the approving authority before backfilling and a fee established by the Association may be assessed for such inspection.

10. Amendments and Deviations of the Covenants and Restrictions

(a) Developer hereby grants and gives the Association, its successors or assigns, the right to enter into agreements with the grantee of any Lot or Lots without the consent of grantees of other Lots or adjoining or adjacent property to deviate from any of the covenants set forth in this instrument for reasons of practical difficulties or particular hardships evidenced by any such grantee. Any such deviation, which shall be manifested by agreement in writing, shall not constitute a waiver of any such covenant as to other Lots comprising The Properties.

(b) Notwithstanding anything herein which is to the contrary, Developer reserves the right to construct and maintain on Lots selected by it in The Properties a structure or structures for use by it, and its successors and assigns, as an office or offices in connection with the development and sale of The Properties and to erect and maintain signs as selected locations to implement its sales activities, and as a location for a water well or wells, water storage facility and sewage treatment facility or facilities provided no such facility shall be maintained in such manner as to interfere unreasonably with the enjoyment of any Lot by the Owners thereof.

(c) These Covenants and Restrictions may be amended at any time and from time to time, by (i) the agreement of at least three-fourths (3/4ths) of the Owners of Lots; or (ii) an amendment hereto signed by the Developer acting alone so long as it is the Owner of at least thirty (30%) percent of the Lots comprising The Properties.

11. No animals, livestock or poultry of any kind shall be raised, bred, or kept on any lot except household pets, which shall be under control of the Owner at all times. With suitable facilities and proper fencing, horses and ponies shall be permitted on subdivision lots five (5) acres or larger in size, provided that at least one (1) acre per horse or pony is fenced for the maintenance of each such animal. No trapping or hunting or discharging of firearms shall be permitted within The Properties.

12. No Lot shall be used or maintained as a dumping ground for rubbish, trash, garbage or other waste, but such waste shall be kept in sanitary containers. No Lot Owner shall permit any discarded motor vehicle, equipment, machinery, boats, appliances or other scrap to be abandoned on his/her Lot or remain there for more than thirty (30) days.

13. All residences shall be set back at least twenty-five (25) feet from any road, five (5) feet from any side or back lot line, or easement of record.

14. Easements are reserved along and within fifteen (15) feet of Lot Lines along roads for the construction and maintenance of public and quasi-public utilities. Right of ways are reserved from for access to TVA property per survey map and plat of subdivision.

15. All driveways will be constructed of asphalt or concrete and completed within six (6) months after occupancy.

16. Utilities will be underground from Road Right of Way, except when the cost thereof exceed \$2,000.00 per Lot.

17. Removal of trees to be kept at a minimum to allow clearing for house site, septic field, garage and driveway.

18. No signs shall be displayed on property, except during construction or "For Sale" and no such sign shall be larger than 24" X 30"

19. For violation of any of the covenants herein set forth any party hereto may prosecute appropriate proceedings under the law of the state of Tennessee, such as for damages or for abatement of a nuisance, or, in case of attempted violation, for prevention and restraint.

20. If any of the covenants and restrictions herein set forth shall be judicially invalidated, all others shall remain in full force and effect.

Ms. Pamela Bygden  
Hammerland, Inc.  
6471 E. Antioch Rd.  
Buchanan, TN 38222

Dec. 4, 2014

Re: Letter from Hammerland dated 11-17-14  
concerning River Trace II Septic System

Dear Ms. Bygden:

We are in receipt of your letter concerning the above referenced. We do not understand why it took 2 years for you to notify us of this problem. And find there are inaccuracies in your comments as to the history of the problem.

When we bought our lots in 2008 through Ken Morgan (Hammerland partner), he told us it was a fully functional sewer system. Paul also asked Ken if he was a certified waste operator by the State to operate this system since it was a private community sewer. Ken told us that he was certified by the State. We assumed he knew what he was talking about because he told us he was Hammerlands partner. We were never

told the system was not fully operational.

If the septic system was approved in 1994 as stated in your letter dated 11-17-14, why was there a need to double the size? There have been no new homes built since 2006. And there are only 7 homes (that we are aware of) on the existing system today.

The attached copy of the River Trace II subdivision brochure states the subdivision has an existing sewer system and common ramp area (which the ramp does not exist). In addition to this, the River Trace II subdivision plat shows there are 39 lots NOT 52. Please advise concerning this discrepancy.

Please forward copies of the following documents referenced in

Hammerland's letter dated 11-17-14:

- 1994 original TDEC community sewer system approval document
- 2008 TDEC community septic system expansion approval document
- 2012 formal complaint by a resident of the sewer system overflow
- All documentation related to TDEC permit revocation of Hammerland's proposal for a treatment/sewer system
- TDEC sewer system options provided to Hammerland, Inc. for River Trace II subdivision
- Documents submitted to TRA for approval of Hammerland, Inc.'s subsidiary Hammerland Utilities, Inc. to form a utility district
- Copy of the River Trace II Subdivision septic system maintenance records from 1994 to November 2014

It is our understanding from Hammerland's letter dated 11-17-14 that Hammerland, Inc. is contractually responsible for all maintenance

issues related to River Trace II Subdivision. We assume the responsible parties are Charles P. Hammersmith, Jr., President; Kenneth J. Lahner, Treasurer and Charles E. Simon, Secretary. However, from your letter we assume you are now the Secretary. Please provide us with a copy of the document engaging you as Secretary and confirm the other officers are the same.

Unless Hammerland's proposal for a new utility district is a Public utility for water and sewer, we are not expecting to have to pay for anything... as is outlined in the HOA document. Please advise if this will be a private or public utility? We expect Hammerland to meet with the property owners to discuss their plan. We will definitely attend that meeting.



We expect Hammerland to honor the original information we were told and that is documented in the covenants and HOA prior to closing and what was noted in the River Trace II brochure we received during negotiations, as we have received no other communication from Hammerland since we bought our property.

There is one more question we have. We plan to retire next year and build our house on our lots. How will this pending septic issue impact our building?

We trust we can work this out with Hammerland, Inc. and will not have to seek legal counsel.

We look forward to hearing from you in a timely manner and thank you for your assistance in this matter.

Sincerely,

Paul & Sherri Kamke

cc: Charles P. Hammersmith, Jr.

Hammerland, Inc.  
6471 E. Antioch Road  
Buchanan, TN 38222

December 18, 2014

Mr. Paul Kamke  
190 Pinehurst Drive  
Oakland, TN 38060

RE: River Trace II Subdivision

Dear Mr. Kamke:

Thank you for your letter dated December 4, 2014. I apologize if the letter sent to the home owners was not clear. The sewage treatment system is a public utility that is owned by Hammerland Utilities, Inc. No potable water service will be provided. The existing lot owners will not have any financial obligation for the installation of the new system. The developer is paying all costs to get the new treatment system installed. Homeowners in the subdivision will continue to be serviced by the existing sewer system at no cost to you until the new construction is complete. Once the treatment system is installed there will be reasonable monthly fees for service to the homeowners. The new system will adhere to all State guidelines and will have a certified operator as required by the State.

To address your additional concerns:

1. Ken Morgan was not a partner in Hammerland. Lake Associates, Inc. represented the developer, Hammerland, Inc., in real estate transactions.
2. The sewer system was fully operational and legal from its inception. All permits were in order and signed by the County Environmentalist at the time, Bob James, who has since retired. TDEC did not maintain the records and could not find the permits, however, after searching this office we found in Ken Morgan's old subdivision files copies of engineering drawings and approved permits for the original system. Also, the permit and drawing for the expansion of the field line system in 2008. These were provided to the County Environmentalist, Timmy Jeanette, at that time.
3. In reference to your question regarding additional lots past the 39 in the subdivision, the system will have the capacity to serve 52.
4. Mr. Morgan passed away in December 2010. Subsequent to his passing, I was appointed Secretary of the corporation so there was a representative in Tennessee for the corporation. I am not a partner in Hammerland or any of their holdings. Please see the attached letter of authorization for myself from Chicago I have included for your convenience.
5. Regarding having questions about the new system – a public meeting will be scheduled as soon as plan approval is obtained from TRA, which we are expecting any day. All efforts will be made to answer your questions at that time. In the meantime, please feel free to contact me with any questions.

I look forward to seeing you at the public meeting.

Regards,



Pamela L. Bygden  
Secretary, Hammerland, Inc.

ELMHURST  
STONE



CHICAGO  
COMPANY

400 W. Elmhurst Street • P.O. BOX 57  
ELMHURST, ILLINOIS 60120 • TEL: 630.532.4000 • FAX: 630.532.4140

January 17, 2013

To whom it may concern:

Please be advised that Pamela Bygden, Principal Broker at Lake Associates, Inc., REALTORS® is authorized to act as the agent for our property interests in Stewart County, Tennessee. This authorization includes hiring consultants, contractors, communication with State governing agencies, and all other actions required to manage the properties and the Subdivision known as River Trace II.

This authorization is for property owned by Elmhurst Chicago Stone, The Charles Corporation and Hammerland, Inc.

Sincerely,

Kenneth Lahner  
Vice President

**HAMMERLAND, INC.  
6471 E. Antioch Road  
Buchanan, TN 38222  
(731) 642-1399**

November 17, 2014

Dear Property Owner:

During the early 1990's, River Trace II was developed and placed on the market by Hammerland, Inc., a development company based in Chicago, Illinois, with local representation by Ken Morgan, the principal broker at Lake Associates, Inc., a real estate brokerage company located at Paris Landing.

Soils in the area required that the development be served by a community sewer system. In 1994, a community sewer system was developed and approved by the Tennessee Department of Environment and Conservation (TDEC). It was installed at an approximate cost of \$160,000.00 to the developer. This system included household pumping units which had an Orenco screened pump housed in a septic tank located at each home. The liquid (grey water) was pumped through a pressurized collection system to a community septic system. Under this arrangement the home owner paid for the pumping unit and Hammerland, Inc. paid for the collection lines and the septic system. As a good will gesture from the developer, Ken Morgan provided the operation and maintenance at no cost, so no one has paid a sewer bill since the sewer system started twenty (20) years ago. In 2008, with the approval of TDEC, the community septic system capacity was doubled in size, again, at a cost to Hammerland, Inc.

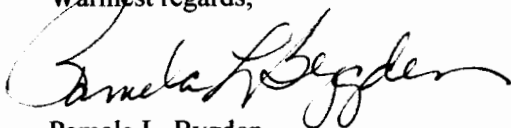
All the residents enjoyed the use of the system and everything operated as it should until late in 2012 when the system overflowed and a resident of the subdivision made a formal complaint to TDEC. TDEC employees from the local office made an inspection and issued a citation. Hammerland, Inc. employed an engineer for technical assistance. Hammerland, Inc. had the stopped up units repaired at a cost of \$28,000.00. Despite our best efforts, TDEC revoked the permit for the treatment system and our ability to provide sewer service. Our contractual obligation is to provide sewer service to fifty two (52) lots. Of the choices which TDEC gave Hammerland, Inc., the only one which allows the continued availability of sewer service to all the property owner's is to construct a new sewage treatment plant and provide a certified operator. The new system will be built adjacent to the existing one.

A new sewage treatment plant has been designed and a contractor has been engaged at a cost of \$298,000.00 to Hammerland, Inc. Hammerland, Inc. has formed a subsidiary for the operation of the sewer system, Hammerland Utilities, Inc. All documents have been submitted to the Tennessee Regulatory Authority (TRA) for approval. All the construction and operation will be extremely expensive for Hammerland, Inc.

Regretfully, free sewer service is not an option any longer. Hammerland Utilities, Inc. has only approximate cost figures at this time. Once Hammerland Utilities, Inc. has these numbers from TRA, they will certainly be passed on to all the landowners in the subdivision.

This letter is the first notice regarding the upgrade of the sewer service at River Trace II subdivision. The developer will provide further information as it is received.

Warmest regards,



Pamela L. Bygden  
Secretary  
Hammerland, Inc.