

Highland Lakes

Covenants, Conditions and Restrictions

Of

Highland Lakes Owners Association, Inc.

HIGHLAND LAKES OWNERS ASSOCIATION, INC.

Declaration of Covenants, Conditions And Restrictions

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OF

HIGHLAND LAKES OWNERS ASSOCIATION, INC.

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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

OF

HIGHLAND LAKES OWNERS ASSOCIATION, INC.

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS, is made this 19th day of February, 2003, by A & W Group, LLC., hereinafter referred to as the "Declarant";

WHEREAS, Declarant is the owner of certain real property in the City of Dothan, Houston County, Alabama which is more particularly described in Exhibit "A" (hereinafter referred to as the "total property") attached hereto and incorporated herein by reference to develop same as Highland Lakes;

WHEREAS, Declarant intends to develop the "total property" as a residential community and by virtue of this Declaration is on this date committing the "total property" to this Declaration;

WHEREAS, Declarant has caused the Highland Lakes Owners Association, Inc. to be formed as a master association for the purpose of providing a nonprofit corporation to serve as a representative of Declarant and owners of Highland Lakes which is hereinafter made the subject of this Declaration, to enforce these covenants;

WHEREAS, the Declarant desires to establish and enforce uniform standards of development quality and to provide for the effective preservation of the appearance, value and amenities of the "total property", which establishment, enforcement and preservation shall benefit all owners of the property located thereon and, to that end, desires to subject said real property to the protective covenants, conditions and restrictions herein contained, all of which are for the benefit of said real property and the owners thereof; and

NOW, THEREFORE, Declarant hereby declares that all of the property, described in Exhibit "A" (hereinafter referred to as "properties") attached hereto and incorporated herein by reference shall be held, sold and conveyed or encumbered, used, occupied and improved, subject to the following easements, restrictions, covenants and conditions, which are for the purpose of protecting the value and desirability of, and which shall run with, the real property and be binding on all parties having any rights, title or interest in the described property or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof. The restrictions contained herein shall not apply to or effect any real property described in Exhibit "A" or otherwise, which is not subjected specifically by written instrument to this Declaration.

ARTICLE I
DEFINITIONS

Section 1. "Access Easement" shall mean the easement for vehicles and pedestrian ingress and egress depicted on the subdivision map and further referred to in Article II hereof.

Section 2. "Architectural Committee" shall mean the committee created pursuant to Article IV hereof.

Section 3. "Area of Common Responsibility" shall mean the common area, together with those areas, if any, which by the terms of this Declaration, any supplemental Declaration or other applicable covenants, contract, or agreement become the responsibility of the Association.

Section 4. "Architectural Committee Rules" shall mean rules, guidelines or regulations, if any, which may be adopted by the Architectural Committee.

Section 5. "Articles" shall mean the Articles of Incorporation of the Association, as said Articles may be amended from time to time.

Section 6. "Association" shall mean and refer to Highland Lakes Owners Association, Inc., an Alabama Nonprofit Corporation, and its successors and assigns,

Section 7. "Annual Base Assessments" shall mean assessments established by the Board of Directors to fund common expenses for the general benefit of all lots.

Section 8. "Base Assessment" shall mean assessments of the Association to fund the common expenses for the general benefit of all lots.

Section 9. "Benefitted Assessments" shall mean assessments specifically assessed against lots receiving benefits, items, or services not provided to all lots within a neighborhood or within the properties that are incurred upon request of the owner of a lot for specific items or services relating to the lot or a consequence of the conduct of less than all owners, their licensees, invitees, or guests.

Section 10. "Board" or "Board of Directors" shall mean the Board of Directors of the Association.

Section 11. "Bylaws" shall mean the Bylaws of the Association, as such Bylaws may be amended from time to time.

Section 12. "Common Area" shall mean all real property (including improvements thereto) now owned, hereinafter owned or held by the Association for the common use and enjoyment of the owners. The Common Area owned by the Association at the time of this Declaration is described as follows: (See Exhibit "C" attached hereto).

Section 13. "Association Expenses" shall mean and include the actual and estimated expenses of operating the Association, including any reasonable reserve, all as may be found to be necessary and appropriate by the Board pursuant to this Declaration, the Articles of Incorporation and Bylaws of the Association.

Section 14. "Declaration" shall mean this entire document, as same may from time to time be

amended or supplemented.

Section 15. "Declarant" shall mean A & W Group, LLC., his successors, heirs or assigns.

Section 16. "Exclusive Common Areas" shall mean a portion of the common area intended for the exclusive use or primary benefit of the Neighborhood, as more particularly described in the Declaration.

Section 17. "Improvement" shall mean the buildings, garages, road, driveways, walls, hedges, plantings, planted trees and shrubs, and all other structures or landscaping improvements of every type and kind.

Section 18. "Lot" shall mean and refer to the individual lots as reflected in the subdivision map, as the same may be amended from time to time. A lot shall be deemed "developed" when the offsite streets and utilities have been completely installed. A lot shall be deemed "improved" when a residence has been completely constructed thereon. All other lots shall be deemed "undeveloped lots".

Section 19. "Member" shall mean any person who is a member of the Association. Every owner shall be a member. Unless otherwise specified, any required vote of the members shall be computed by allowing each member the number of votes equal to the number of lots owned by such member.

Section 20. "Neighborhood" shall mean and refer to a geographical area or areas, comprised of one or more types of housing areas designated initially or made subject to this Declaration by amendment. In the absence of a specific designation of separate neighborhood status, all property made subject to the Declaration shall be considered a part of the same neighborhood.

Section 21. "Owner" shall mean and refer to the record owner, whether one or more persons or entities of fee simple title to any lot or residence. "Owner" shall include the Declarant. The foregoing does not include persons or entities who hold an interest in any lot merely as security for the performance of an obligation. Unless otherwise specified, any required vote of the owners shall be computed by allowing each owner the number of votes equal to the number of lots owned by such owner.

Section 22. "Properties" shall mean and refer to the real property described in Exhibit "A" attached hereto and incorporated by reference and shall further refer to such additional property as may hereinafter be annexed by subsequent amendment to this Declaration or which is owned or acquired by the association.

Section 23. "Protective Covenants" shall mean all of the Covenants, Conditions and Restrictions contained in this entire Declaration, together with any amendments thereto.

Section 24. "Residence" shall mean a portion of the development designated on an approved layout plan or subdivision plat, as more particularly described below, for any type of independent use and occupancy as a residence by a single family unit. For example, each single family detached home shall constitute a residence. Residence shall include all portions of the land owned as well as any structure thereon, as described above.

Section 25. "Single Family Unit" shall mean a group of one or more persons each related to the

other by blood, marriage or legal adoption or a group of not more than three persons not all so related, who maintain a common household in a dwelling.

Section 26. "Special Assessments" shall mean assessments by the Association which may be levied from time to time to cover unbudgeted expenses or expenses in excess of those budgeted and as more fully described in the Declaration.

Section 27. "Subdivision Map" shall mean a recorded map or plat covering any or all of the property referred to in this Declaration, and any amendments or supplements thereof, which may be recorded in the Office of the Judge of Probate of Houston County, Alabama.

Section 28. "Supplementary Declaration" shall mean an amendment to the Declaration subjecting additional property to the Declaration.

ARTICLE II

EASEMENT

Section 1. Easements and Use Agreements. Easements, Restrictions, Covenants, and Conditions which shall run with the real property and be binding on all parties having any right, title or interest in the above described property, or in any part thereof, their heirs, successors and assigns are hereby created as follows:

(a) Easements to be Dedicated by Plat or Survey. Easements across the common area for access, parking, water, gas, telephone, electricity, sewer or other utilities, and drainage will be dedicated to the utility companies, municipality, county or other supervisory jurisdiction as from time to time may be necessary, all as set out in said plat or survey.

(b) Additional Agreements. This Declaration is further made subject to any other easements or agreements that may be required by any other governmental agency having supervisory authority over subject property.

(c) Additional Covenants and Easements. The Declarant may unilaterally subject any portion of the property submitted to this Declaration initially or by supplementary Declaration to additional covenants and easements, including covenants obligating the Association to maintain and insure such property on behalf of the owners and obligating such owners to pay the costs incurred by the Association through Neighborhood Assessments. Such additional covenants and easements shall be set forth in a supplementary Declaration filed either concurrent with or after the annexation of the subject property, and shall require the written consent of the owner(s) of such property, if other than the Declarant.

(d) Owner's Easements of Enjoyment. Every owner of a lot shall have a right of use and enjoyment in and to the common areas which said right of use and enjoyment shall be appurtenant to and shall pass with the title for every lot subject to the following provisions:

1. The right of the Association from time to time to make and amend reasonable regulations

concerning the use of the common areas of the property in accordance with the provisions therefore in the Articles of Incorporation and Bylaws. Copies of all such regulations and amendments shall be furnished by the Association to all owners and residents upon request;

2. The right of the Association to charge reasonable admission and other fees for the use and enjoyment of any recreational facility situated upon the common area;

3. The right of the Association to suspend the voting rights and right to use and enjoyment of the recreational facilities on any common area by any owner for any period during which any assessment against his lot remains unpaid; and for a period not be exceed sixty (60) days for infraction of any published rules and regulations the Association may formulate;

4. The right of the Association to dedicate or transfer all or any part of the common areas to any public agency, authority, utility for such purposes and subject to such conditions as may be agreed to by the members of the Association. No such dedication or transfer shall be effective unless an instrument signed by two-thirds (2/3) of each class of members agreeing to such dedication or transfer has been recorded.

(e) Delegation of Use. Any owner may delegate, in accordance with the Bylaws, his right of use and enjoyment to the common areas and facilities to the members of his family, his family guests, lessees, or contract purchasers who reside on the property.

(f) Indemnity for Damages. Each and every owner and future owner, in accepting a deed or contract for any lot subject to this declaration, agrees to indemnify the Association and Declarant, his heirs, assigns and successors for any damage caused by such owner, or the contractor, agent or employees or such owner, to roads, street, gutters, walkways or other aspects of common areas including all surfacing thereon or to water, a drainage or a storm sewer lines or sanitary sewer lines.

(g) Indemnification of Declarant. The Association agrees to indemnify and hold harmless Declarant, his heirs, assigns and successors from any and all liability arising out of accidental death or injury on the common area, including all costs and attorney's fees resulting from or arising out of such death or injury.

Section 2. Easement for Emergency. Authorized agents of the Association shall have the right, but not the obligation, and a perpetual easement is hereby granted to the Association, to enter all portions of the Properties, including each lot, for emergency, security, and safety reasons. Except in emergencies, entry onto a lot shall be only during reasonable hours and after notice to and permission from the owner thereof. This easement includes the right to enter any lot to cure any condition which increases the risk of fire or other hazard if an owner fails or refuses to cure the condition within a reasonable time after request by the Board, but does not authorize entry into any dwelling without permission of the owner.

Section 3. Easements for Maintenance and Enforcement. Authorized agents of the Association shall have the right, but not the obligation, and a perpetual easement is hereby granted to the Association, to enter all portions of the Properties, including each lot to (a) perform its maintenance responsibilities under Article

VIII, and (b) make inspections to ensure compliance with this Declaration, any Supplementary Declaration, Bylaws, and any rules or regulations. Except in emergencies, entry onto a lot shall be only during reasonable hours and after notice to and permission from the owner. This easement shall be exercised with a minimum of interference to the quiet enjoyment to Owners' property, and any damage shall be repaired by the Association at its expense. This easement does not authorize entry into any dwelling without permission of the Owner.

The Association also may enter a lot to abate or remove, using such force as may be reasonably necessary, any structure, thing or condition which violates the Declaration, the Bylaws, or the rules. All costs incurred, including reasonable attorney's fees, shall be assessed against the violator as a Specific Assessment.

Section 4. Easements to Serve Total Property. The Declarant hereby reserves for itself and its duly authorized agents, representatives, and employees, successors, assigns, licensees, and mortgagees, an easement over the Common Area for the purposes of enjoyment, use, access, and development of the property described in Exhibit "A", whether or not such property is made subject to this Declaration. This easement includes, but is not limited to, a right of ingress and egress over the Common Area for construction of roads and for connecting and installing utilities on such property. Declarant agrees that it and its successors or assigns shall be responsible for any damage caused to the Common Area as a result of vehicular traffic connected with development of such property. Declarant further agrees that if the easement is exercised for a permanent access to such property and such property or any portion thereof is not made subject to this Declaration, the Declarant, its successors or assigns shall enter into a reasonable agreement with the Association to share the costs of maintenance of the access roadway serving such property.

ARTICLE III

ADDITIONAL DOCUMENTS

All owners shall be and are required to execute such other documents as are necessary or convenient to effectuate the intent of the Declaration with respect to all easements which may be created pursuant to this Declaration.

ARTICLE IV

ARCHITECTURAL CONTROL

Section 1. The general architectural objective of the Declarant is to create parcels of residences constructed of traditional styles, and within architectural guidelines to be formulated by an architectural committee. The guidelines of the architectural committee will be designed to enhance the appearance of the entire development and maintain the value and integrity of the property within the development. The guidelines shall be those of the association and the architectural committee shall have full authority to prepare

and amend the same. The guidelines shall be made available to owners who seek to engage in development of or construction upon any portion of the property subject to this Declaration.

Section 2. Method of Architectural Control. So as to establish and maintain the above architectural criteria, no improvement or structure of any kind, including, without limitation, any building, fence, wall, sign, lighting system, site paving, grading, parking lot, screen enclosure, sewer drain, disposal system, decorative building, landscaping, landscape device or object, shall be commenced, erected, placed or maintained upon a lot, nor shall any addition, change or alteration therein, thereof or thereto be made, unless and until the plans and specifications, showing the color, nature, kind, shape, materials and location of the same shall have been submitted to and approved in writing by the Architectural Committee. All plans and specifications must meet the written guidelines formulated by the Architectural Committee and shall be evaluated as to, among other things, the harmony of external design and location in relation to the surrounding structures and topography.

Section 3. Architectural Committee Membership. The Architectural Committee shall consist of three (3) members, none of which shall be required to be an owner, or to meet any other particular requirements. The term of the members of the architectural committee shall be at the discretion of Declarant.

Section 4. Release. Neither the Architectural Committee nor any member thereof shall be liable to any owner or to any other party for any damage, loss or prejudice suffered on account of the approval or disapproval of any plans, drawings or specifications, whether or not defective, or the execution or filing of any action, motion, certificate, petition or protest in the courts of the United States or the State of Alabama, or with any other governmental board or body, whether or not the facts stated therein are true and correct.

Section 5. Powers and Duties. The Architectural Committee shall have the following powers and duties:

- (a) To formulate guidelines consistent with the architectural objective as hereinabove stated.
- (b) To form committees, to regulate and be responsible for the control of new construction and modification.
- (c) To require submission to the Architectural Committee of plans and specifications for any improvement or structure of any kind, and any change, modification or alteration thereof, including, without limitation, any such improvement or change to any home, fence, wall, sign, lighting system, site paving, grading, screen enclosure, sewer, drain, disposal system, landscaping or landscape device or object, the construction or placement of which is or is proposed upon any lot. Such plans and specifications shall be in such form and contain such information as may be reasonably required by the Architectural Committee and shall include but not necessarily be limited to:
 1. An accurately drawn and dimensional plot plan showing all set backs, easements, drives and walks.

2. Floor plan and exterior elevations of the single family residence.

3. All plans must include a specifications list of proposed materials and samples of exterior materials which cannot be adequately described on the plans, and of materials with which the Architectural Committee is unfamiliar.

4. The name and address of the lot owner's general contractor who will construct the residence or any other improvements to the lot.

5. The Architectural Committee may also require such additional information as reasonably may be necessary for the Architectural Committee to evaluate completely the proposed structure or improvement or general contractor in accordance with this Declaration. All information submitted to the Architectural Committee.

(d) The Architectural Committee shall approve or disapprove the submitted plans and specifications for any improvement, residence or structure as hereinabove described prior to commencement of construction of such improvement, home or structure within thirty (30) days of submission of the documentation required herein. Partial submissions shall not be permitted. In the event the Architectural Committee shall fail, for a period of thirty (30) days from the date of receipt of such submission to approve or disapprove any plans or specifications submitted to it for approval or the general contractor, the same shall be deemed to have been approved. The approval by the Architectural Committee of plans and specifications submitted for its approval, as herein specified, shall not be deemed to be a waiver by the Architectural Committee of the right to object to any other features or elements embodied in such plans or specifications if and when the same features and elements are embodied in any subsequently plans and specifications submitted for approval for use on other lots. If any improvement or structure as aforesaid shall be completed, changed, modified or altered without the prior approval of the Architectural Committee or shall not be completed, changed, modified or altered in accordance with the approvals granted by the Architectural Committee or the lot owner engages a general contractor other than the approved general contractor, then the owner shall, upon and in accordance with a demand by the Architectural Committee, cause the property, improvement or structure either to be restored to its original condition or to comply with the plans and specifications as adopted by the Architectural Committee or engage another approved general contractor, and shall bear all costs and reasonable attorney's fees of the Architectural Committee. Notwithstanding the aforesaid, after the expiration of one (1) year from the date of final completion of any such improvement or structure, such improvement or structure shall be deemed to comply with all of the provisions hereto unless prior to the expiration of said one (1) year either notice to the contrary shall have been recorded in the Office of the Judge of Probate of Houston County, Alabama or written notification shall have been forwarded to the owner by the Association. Any agent or member of the Architectural Committee may at any reasonable time enter any building or property subject to the jurisdiction of the Architectural Committee which is under construction or owned or in which the agent or member may believe that a violation of these protective covenants is occurring or has occurred. Prior to the

use or occupancy of any improvement or structure constructed or erected on any lot, the owner thereof shall apply for a certificate from the Architectural Committee that the construction thereof has been completed in accordance with the plans and specifications approved by the Architectural Committee. In the event that the Architectural Committee shall fail, for a period of ten (10) days from the date of receipt of such application, to give or deny such certification, the same shall be deemed to have been given. The Architectural Committee may from time to time, designate to a person or persons the right to approve or disapprove plans or specifications and to issue such certification.

(e) To adopt fees which shall be designed to reimburse the Architectural Committee for the necessary and reasonable costs incurred by it in processing requests for Architectural Committee approval of any matters under its jurisdiction. Such fees, if any, should be payable to the Architectural Committee, in cash, at the time that any application for approval is sought from the Architectural Committee.

(f) The Architectural Committee may enforce the provisions of this Declaration regarding Architectural Control, any guidelines formulated by the Architectural Committee or other regulations pertaining to Architectural Control by initiation of an action for damages and/or injunctive relief and/or specific performance, by way of example but not limitation, and in the event an action at law or in equity is brought or initiated by the Architectural Committee, the Architectural Committee shall be entitled to recover a reasonable attorney's fee in addition to any other relief which may be awarded as a result of such action.

(g) Neither the Architectural Committee nor any architect or agent thereof nor the Declarant shall be responsible to check for any defects in any plans or specifications submitted, revised or approved in accordance with the foregoing provisions, nor for any structural or other defects in any work done according to such plans and specifications.

(h) The initial three members of the Architectural Committee appointed by the Declaration are as follows: Hugh W. Wheelless, Jr., Charles Waid and Roben Ash.

(i) Amendment. This Article may not be amended without Declarant's written consent so long as the Declarant owns any land described in Exhibit "A" hereof.

ARTICLE V

GENERAL RESTRICTIONS

The Board of Directors is hereby empowered to promulgate and enforce a general standard of behavior and use of properties within Highland Lakes. Therefore the Board of Directors is hereinafter empowered to enforce the following general restrictions as set forth in the policy for enforcement herein.

Section 1. Residential Use. All lots shall be used for single family residential purposes exclusively.

No business or business activity shall be carried on in or upon any residence at any time except with the written approval of the board. Leasing of a residence shall not be considered a business or business activity.

However, the board may require a prior board approval of any residential leases. Furthermore, the board may permit residences to be used for business purposes so long as such business, in the sole discretion of the board, does not otherwise violate the provisions of the Declaration or Bylaws, and does not create a disturbance. The board may issue rulings regarding permitted business activities. Prohibited uses include, but are not limited to:

- (a) Dangerous, noxious, offensive or excessively noisome activities which may be or become an annoyance or nuisance to Owners; and
- (b) Raising, breeding, or keeping of any animals, bird or fowl; provided that an Owner shall be permitted to keep not more than two dogs and/or cats as domestic pets on a single Lot and provided further that the Architectural Committee or Association may approve more animals to be kept as domestic pets on a lot if such animals are to be kept in an enclosed area approved by the Architectural Committee; and
- (c) Exploring, mining, boring, quarrying, drilling, or otherwise removing oil or other hydrocarbons, minerals, gravel or natural gas;
- (d) Use of a dwelling house by more than a single family unit.

Any owner may request from the Architectural Committee at any time a determination of whether a prospective use of a lot is permitted. A certificate to that effect signed by a majority of the Architectural Committee shall be deemed to be dispositive of the issue.

Section 2. Limitation on Size and Location of Structures. In addition to the general restrictions contained in this Declaration, the following specific limitations shall apply to the following Neighborhood:

I. Highland Lakes.

(a) No structure shall be erected, altered, placed or permitted to remain on any lot other than a main single family dwelling not to exceed two and one-half stories (or 35 feet in height) and a private garage for not more than four cars unless otherwise approved in writing by the Architectural Committee. No detached building other than the main single family dwelling shall be constructed or permitted on any lot unless previously approved by the Architectural Committee.

(b) No building shall be located on any lot nearer to the front lot line of said lot as shown by the minimum building set back line shown on the subdivision plat or map. For the purpose of this covenant, eaves, steps and open decks, pools, or terraces shall not be considered part of the building.

(c) Each main structure residential building, exclusive of open porches, garages, basements and carports, shall not be less than 3,000 square feet on the ground floor of any one story building; nor less than a total of 3,000 square feet in the case of a multistory building.

(d) No pier, dock, seawall, dock shelter, fence or other structure or obstruction shall be built or maintained upon any waterfront lot or into or upon any waterway except with the specific written approval of

the Architectural Committee.

(e) No device may be constructed or installed upon any lot which shall in any way alter the course or natural boundaries of the waterway or which shall involve or result in the removal of water from any waterway without the prior written approval of the architectural committee.

(f) The owner of each lot abutting the water's edge shall release and discharge the Declarant, and the Association from any and all claims for debt or damage sustained by owner or existing owner's favor, to owner, owner's property or property rights hereafter to be sustained or to accrue by reason or account of the use of said lake.

(g) No gasoline power boats or other gasoline power water vehicles shall be allowed on the lakes without the unanimous annual approval of all owners of lots abutting the waters edge.

(h) No building shall be located nearer to the rear of said lot than the minimum building set back line as shown on the subdivision map or plat.

Section 3. Exterior Lighting. All exterior lighting shall be subject to the review of the Architectural Committee.

Section 4. Utilities. To the extent of interest of the owner of a lot, the owner of a lot will not erect or grant to any person, firm or corporation the right, license, or privilege to erect or use or permit the use of overhead wires, poles, or overhead facilities of any kind for electrical or telephone service on said real estate without the prior written consent of the Architectural Committee. All electrical and telecommunication lines located upon any lot and property subject to this declaration shall be installed and maintained underground.

Section 5. Maintenance. All structures, landscaping and other improvements upon individual lots shall be continuously maintained by the owner thereof so as to preserve a well kept appearance, especially along the perimeters of any lot, including a vacant lot. Lots must be kept neat, clean, orderly, free of debris and litter, mowed, and/or trimmed. Landscaping, including grassing, planting of shrubs, trees, flowers and other aesthetic features as described in the architectural guidelines of the Association shall be completed within one (1) month from the completion of the main structure of any residence.

Section 6. Accumulation of Refuse. No lumber, metals, bulk materials (except lumber, metals, bulk materials as is usual in the maintenance of a private residence and which must be stored in such a manner so that it cannot be seen from adjacent and surrounding property) refuse or trash shall be kept, stored, or allowed to accumulate on any part of the properties except building materials during the course of construction of any approved structure. Builders must provide dumpsters on the property during the construction period. If trash or other refuse is to be disposed of by being picked up and carried away on a regular and recurring basis, containers may be placed in the open, on any day that a pickup is to be made, at such place on the lot to provide access to persons making such pickup. Garbage containers shall be kept in a clean and sanitary condition and shall be so placed or screened by shrubbery or other appropriate material approved in writing by the Architectural Committee as not to be visible from any road or from

adjacent and surrounding property. The Architectural Committee, in its discretion, may adopt and promulgate reasonable rules and regulations relating to the size, shape, color and type of containers permitted and the manner of storage of the same on any lot. No outside burning of wood, leaves, trash, garbage or household refuse shall be permitted, except during the construction period, or except as specifically approved by the Architectural Committee.

Section 7. Landscaping. No weeds, underbrush or other unsightly growth shall be permitted to grow or remain upon any part of a lot and no refuse pile or unsightly object shall be allowed to be placed or suffered to remain upon any part of a lot, including undeveloped lot. Owners will be required to keep undeveloped lots safe, neat, clean, orderly, free of debris and litter, mowed and/or trimmed within thirty (30) feet of the front line of said lot or parcel and thirty (30) feet of the side line of any corner lot or parcel. This provision shall not apply to the Declarant.

Section 8. Tree Removal. No trees shall be removed without the expressed consent of the Architectural Committee, except for (a) diseased or dead trees; (b) trees needing to be removed to promote the growth of other trees; (c) trees needing to be removed for safety reasons; or (d) trees in the immediate location of a building approved by the Architectural Committee.

Section 9. Temporary Structures. No structure of a temporary character, trailer, basement, tent or shack shall be used at any time as a residence either temporarily or permanently. No storage building of any type shall be permitted unless such building is designed as part of the main residential structure and approved by the Architectural Committee.

Section 10. Fences and Hedges. No chain link fences shall be used. No fence of any type will be erected on the front of any lot. A wooden or wire fence or privacy screening may be used at the rear of a lot, provided that material for such fence and the location thereof is approved in advance by the Architectural Committee as provided in this Declaration.

Section 11. Signs. No sign of any kind shall be displayed to the public view on any lot except the sign which is approved by the Architectural Committee as the uniform sign for use within the properties. This provision shall not apply to the Declarant.

Section 12. Garages. Garage openings will not be permitted on the front of any building without the prior written approval of the Architectural Committee.

Section 13. HVAC Equipment.

(a) Outside air conditioning units may not be located in the front yard. All outside air conditioning units shall be hidden from view by shrubbery, or other foliage or fence that otherwise satisfies the requirements hereof.

(b) No wall or window air conditioning unit shall be permitted except with the prior written consent of the Architectural Committee.

(c) No plumbing or heating vent shall be placed on the front side of the roof. All vents protruding from roofs shall be painted the same color as the roof covering.

Section 14. Satellite Dishes. No satellite dish will be allowed on any lot without the prior written approval of the Architectural Committee.

Section 15. Solar Collectors. No solar collectors shall be permitted without the prior written consent of the Architectural Committee and when allowed, shall be installed so as not to be visible from any street.

Section 16. Recreational vehicles. No boat, boat trailer, house trailer, horse trailer, trailer, camper, motor home or any similar items shall be stored on or at any lot for a period of time in excess of twenty-four (24) hours unless housed in a carport or garage, or otherwise screened so that it cannot be seen from the street or from adjacent and surrounding property.

Section 17. Commercial Trucks. No commercial truck, vehicle, or equipment shall be permitted to be parked or to be stored in open view on any place of any lot. This prohibition on parking shall not apply to temporary parking of trucks and commercial vehicles used for pickup and delivery.

Section 18. Remedies for Vehicle and Recreational Equipment Violations. Any such vehicle or recreational vehicle parked in violation of these or other regulations contained herein or in the rules and regulations now or hereinafter adopted by the Association may be towed by the Association at the sole expense of the owner of such vehicle or recreational equipment if it remains in violation for a period of twenty-four (24) hours. The Association shall not be liable to the owner of such vehicle or recreational equipment or trespass, conversion or otherwise, nor guilty of a criminal act by reason of such towing and neither its removal nor failure of the owner to receive any notice of said violation shall be grounds for relief of any kind.

Section 19. Vehicle Maintenance and Repair. No maintenance or repairs shall be performed on any vehicle upon any portion of the property, unless performed in a garage, except in an emergency situation. Notwithstanding the foregoing, all repairs to disassembled vehicles within the property must be completed within four (4) hours from its immobilization or the vehicle must be removed. Should the Association own any maintenance vehicles, it shall be allowed to maintain and store its maintenance vehicles on specific areas of the property designated by the Association.

Section 20. Clothes lines. No clothing or other household fabrics shall be hung in the open on any lot or property unless the same is not visible from any adjoining property or public view.

Section 21. Mailboxes. The Architectural Committee will be responsible for the design and location of a mailbox to be placed and used within each residential neighborhood.

Section 22. Transmission Equipment. No visible ham radios or radio transmission equipment shall be operated or permitted to be operator on any lot. No television or radio antennas shall be permitted on

ARTICLE VI

MEMBERSHIP AND VOTING RIGHTS

Section 1. Membership. Every owner shall be a member of the Association. No owner, whether one or more persons, shall have more than one (1) membership per lot owned. If a lot is owned by more than one person, all co-owners shall be entitled to the privileges of membership; however, there shall be only one vote per lot. All such co-owners shall be jointly and severally obligated to perform the responsibilities of owners hereunder. The membership rights and privileges of an owner who is a natural person may be exercised by the member or the member's spouse. The membership rights of an owner which is a corporation, partnership or other legal entity shall be exercised by the individual designated from time to time by the owner in a written instrument provided to the Secretary of the Association.

Section 2. Voting Rights. The Association shall have two (2) classes of membership, Class "A", as follows:

a. Class "A". Class "A" members shall be the owners with the exception of Class "B" members, if any.

Class "A" members shall be entitled to one (1) vote in the association for each lot owned. When more than one person is the owner of any lot, the vote for such lot shall be exercised as those persons or entities themselves determine and advise the secretary of the Association prior to any meeting. In the absence of such advice, the lot's vote shall be suspended in the event more than one person seeks to exercise it.

(b) Class "B". Class "B" member shall be the Declarant and any successor Declarant who takes title for the purpose of development and sale, and who is designated as such in a recorded instrument executed by Declarant. The Class "B" member shall be a voting member and shall be entitled to cast the number of votes which are contained in the total of all Class "A" members, plus one (1) vote, until such time when Class "B" votes terminate and convert to Class "A" votes.

Class "B" membership shall terminate and become converted to Class "A" membership upon the happening of the earlier of the following:

- 1) When Class "A" members, other than the Declarant, owns ninety-five (95%) percent of the lots permitted by the Master Plan for property described in Exhibits "A";
- 2) January 1, 2010; or
- 3) When, at his discretion, the Declarant so determines, with the approval of any first mortgagee of Declarant, if necessary.

From and after the happening of these events, whichever occurs earlier, the Class "B" member shall be deemed to be a Class "A" member. At such time, the Declarant shall call a meeting, as provided in the

Bylaws of the Association for special meetings of the Association, to advise the membership of the termination of Class "B" status and to elect the members of the Board of Directors.

ARTICLE VII

MAINTENANCE

Section 1. The Association's Responsibility. The Association shall maintain and keep in good repair the area of common responsibility, which shall include, but need not be limited to:

(a) all landscaping and other flora, parks, lakes, structures and improvements, including any **private street**, bike and pedestrian pathway/trails, situated upon the common area;

(b) landscaping within public rights-of-way within or abutting the Properties, and landscaping and other flora within any public utility easement within the Properties (subject to the terms of any easement agreement relating thereto);

(c) such portions of any additional property included within the area of common responsibility as may be dictated by this Declaration, any Supplementary Declaration, or any contract or agreement from maintenance thereof entered into by the Association;

(d) all ponds, streams and/or wetlands located within the Properties which serve as part of the drainage and storm water retention system for the Properties, including any retaining walls, bulkheads or dams (earthen or otherwise) retaining water therein, and any fountains, lighting, pumps, conduits, and similar equipment installed therein or used in connection therewith; and

(e) any property and facilities owned by the Declarant and made available, on a temporary or permanent basis, for the primary use and enjoyment of the Association and its Members, such property and facilities to be identified by written notice from the Declarant to the Association and to remain a part of the area of common responsibility and be maintained by the Association until such time as Declarant revokes such privilege of use and enjoyment by written notice to the Association.

Except as provided above, the area of common responsibility shall not be reduced by amendment of this Declaration or any other means except with the prior written approval of the Declarant.

The Association may assume maintenance responsibility for property within any neighborhood, in addition to that designated by any supplementary declaration, either by agreement with the neighborhood or because, in the opinion of the board, the level and quality of service then being provided is not consistent with the community-wide standard. All costs of maintenance pursuant to this paragraph shall be assessed as a neighborhood assessment only against the lots within the neighborhood to which the services are provided.

The provision of services in accordance with this Section shall not constitute discrimination within a class.

The Association may maintain other property which it does not own, including, without limitation,

property dedicated to the public, if the Board of Directors determines that such maintenance is necessary or desirable to maintain the community-wide standard.

Except as otherwise specifically provided herein, all costs associated with maintenance, repair and replacement of the area of common responsibility shall be a common expense to be allocated among all lots as part of the Base Assessment, without prejudice to the right of the Association to seek reimbursement from the owner(s) of, or other persons responsible for, certain portions of the area of common responsibility pursuant to this Declaration, other recorded covenants, or agreements with the owner(s) thereof. All costs associated with maintenance, repair and replacement of Exclusive Common Areas shall be a neighborhood expense assessed as a neighborhood assessment solely against the lots within the neighborhood(s) to which the Exclusive Common Areas are assigned, notwithstanding that the Association may be responsible for performing such maintenance hereunder.

Section 2. Owners Responsibility. In accordance with this Declaration and any subsequent amendments thereto, all maintenance of a lot and all structures, and other improvements within a lot shall be the sole responsibility of the owner thereof who shall perform such maintenance in a manner consistent with this Declaration and the applicable covenants; provided further, if this work is not properly performed by the owner, the Association may perform it and assess the owner as a special assessment; provided however, whenever entry is not required in an emergency situation, the Association shall afford the owner ten (10) days reasonable notice and an opportunity to cure the problem prior to entry; said notice to be not less than ten (10) days.

ARTICLE VIII

COVENANTS FOR MAINTENANCE ASSESSMENTS

Section 1. Purpose of Assessments. The assessments levied by the Association shall be used for the general purposes of promoting the recreation, health, safety, welfare, common benefits, and enjoyment of the owners and occupants in Highland Lakes, including maintenance of real and personal property, all as may be more specifically authorized by the board, including by way of example, but not limited to, the following: (a) the improvement and maintenance of the access easement and for provision of certain other services, (b) the procuring of services for the owners, including, but not limited to, maintenance and operation of common areas, areas of common responsibility, construction, repair or refinishing and improvement of common areas, construction, reconstruction, repair, replacement or refinishing of any portion of an access easement, and such other services which may be approved and (c) the repair of capital improvements on an access easement or common area. Notwithstanding the above restriction on use of funds for improvement and maintenance of the access easement or common area, the said funds, may to the extent of the excess of accumulated surplus over the total amount of regular assessments for the preceding year, be used for capital expenditures

to benefit the access easement or common areas and fulfil the purposes of the Association.

Section 2. Creation of Lien and Personal Obligation for Assessments. There are hereby created assessments for Association expenses as the Board may specifically authorize from time to time. There shall be four types of assessments: (a) Base Assessments to fund Common Expenses for the general benefit of all lots; (b) Special Assessments as described herein; and (c) Benefitted Assessments as described herein. Each Owner, by accepting a deed or entering into a recorded contract of sale for any portion of the Properties, is deemed to covenant and agree to pay these assessments.

All assessments, together with interest (at a rate not to exceed the highest rate allowed by Alabama law) as computed from the date the delinquency first occurs, late charges, costs, and reasonable attorney's fees, shall be a charge and continuing lien upon each lot against which the assessment is made until paid, as more particularly provided herein. Each such assessment, together with interest, late charges, costs and reasonable attorney's fees, also shall be the personal obligation to the person who was the owner of such lot at the time the assessment arose. Upon a transfer of title to a lot, the grantee shall be jointly and severally liable for any assessments and other charges due at the time of conveyance. However, no first Mortgagee who obtains title to a lot by exercising the remedies provided in its Mortgage shall be liable for unpaid assessments which accrued prior to such acquisition of title.

The Association shall, upon request, furnish to any Owner liable for any type of assessment a certificate in writing signed by an Association officer setting forth whether such assessment has been paid. Such certificate shall be conclusive evidence of payment. The Association may require the advance payment of a reasonable processing fee for the issuance of such certificate.

Assessments shall be paid in such manner and on such dates as the Board may establish. If the Board so elects, assessments may be paid in two or more installments. Unless the Board otherwise provides, the Base Assessment and any Neighborhood Assessment shall be due and payable in advance on the first day of each fiscal year. If any Owner is delinquent in paying any assessments or other charges levied on his lot, the Board may require any unpaid installments of all outstanding assessments to be paid in full immediately.

No owner may exempt himself from liability for assessments, by non-use of Common Area, abandonment of his or her lot, or any other means. The obligation to pay assessments is a separate and independent covenant on the part of each Owner. No diminution or abatement of assessments or set-off shall be claimed or allowed for any alleged failure of the Association or Board to take some action or perform some function required of it, or for inconvenience or discomfort arising from the making of repairs or improvements, or from any other action it takes.

During the Class "B" Control Period, Declarant may annually elect either to pay regular assessments on all of its unsold lots, notwithstanding the commencement date for assessments set forth herein, or to pay

the difference between the amount of assessments collected on all other lots subject to assessment and the amount of actual expenditures by the Association during the fiscal year. Unless the Declarant otherwise notifies the Board in writing at least 60 days before the beginning of each fiscal year, the Declarant shall be deemed to have elected to continue paying on the same basis as during the immediately preceding fiscal year. The Declarant's obligations hereunder may be satisfied in the form of cash or by "in kind" contributions of services or materials, or by a combination of these.

The Association is specifically authorized to enter into subsidy contracts or contracts for "in kind" contribution of services, materials, or a combination of services and materials with the Declarant or other entities for payment of Common Expenses.

Section 3. Computation of Base Assessment. At least 30 days before the beginning of each fiscal year, the Board shall prepare a budget covering the estimated Common Expenses during the coming year, including a capital contribution to establish a reserve fund in accordance with a budget separately prepared as provided herein.

The Base Assessment shall be levied equally against all lots and shall be set at a level which is reasonably expected to produce total income for the Association equal to the total budgeted Common Expenses, including reserves. In determining the level of assessments, the Board, in its discretion, may consider other sources of funds available to the Association. In addition, the Board shall take into account the number of lots subject to assessment hereunder on the first day of the fiscal year for which the budget is prepared and the number of lots reasonably anticipated to become subject to assessment during the fiscal year.

So long as the Declarant has the right unilaterally to annex additional property pursuant to Article XIV, the Declarant may, but shall not be obligated to, reduce the Base Assessment for any fiscal year by payment of a subsidy (in addition to any amounts paid by Declarant hereunder), which may be either a contribution, an advance against future assessments due from the Declarant, or a loan, in the Declarant's discretion. Any such subsidy shall be conspicuously disclosed as a line item in the Common Expense budget and shall be made known to the membership. The payment of such subsidy in any year shall under no circumstances obligate the Declarant to continue payment of such subsidy in future years, unless otherwise provided in a written agreement between the Association and the Declarant.

The Board shall send a copy of the budget and notice of the amount of the Base Agreement for the following year to be delivered to each Owner at least 15 days prior to the beginning of the fiscal year for which it is to be effective. Such budget and assessment shall become effective unless disapproved at a meeting by Members holding at least 75% of the total Class "A" votes in the Association and by the Class "B" Member, if such exists. There shall be no obligation to call a meeting for the purpose of considering the budget except on petition of the Members as provided for special meetings in the Bylaws, which petition must

be presented to the Board within ten (10) days after delivery of the notice of assessments.

If the proposed budget is disapproved or the Board fails for any reason to determine the budget for any year, then until such time as a budget is determined, the budget in effect for the immediately preceding year shall continue for the current year.

Section 4. Reserve Budget and Capital Contribution. The Board shall annually prepare reserve budgets for general purposes which take into account the number and nature of replacement cost. The Board may set a capital contribution in an amount sufficient to permit meeting the projected needs of the Association, as shown on the budget, with respect both to amount and timing by annual Base Assessments, as appropriate, over the budget period.

Section 5. Special Assessments. In addition to other authorized assessments, the Association may levy Special Assessments from time to time to cover unbudgeted expenses or expenses in excess of those budgeted. Such Special Assessment may be levied against the entire membership, if such Special Assessment is for Common Expenses. Except as otherwise specifically provided in this Declaration, any Special Assessment shall require the affirmative vote or written consent of Members holding at least 51% of the total votes allocated to lots which will be subject to such Special Assessment, and the affirmative vote or written consent of the Class "B" Member, if such exists. Special Assessments shall be payable in such manner and at such times as determined by the Board, and may be payable in installments extending beyond the fiscal year in which the Special Assessment is approved.

Section 6. Benefitted Assessments. The Board shall have the power to specifically assess expenses of the Association against lots (a) receiving benefits, items, or services not provided to all lots within a Neighborhood or within the Properties that are incurred upon request of the Owner of a lot for specific items or services relating to the lot or (b) that are incurred as a consequence of the conduct of less than all Owners, their licensees, invitees, or guests. The Association may also levy a Benefitted Assessment against any lot to reimburse the Association for costs incurred in bringing the lot, or the Neighborhood in which such lot is located, into compliance with the provisions of the Declaration, any applicable Supplemental Declaration, the Articles, the ByLaws, and rules, provided the Board gives prior notice to the applicable Owners and an opportunity for a hearing.

Section 7. Lien for Assessments. The Association shall have a lien against each lot to secure payment of delinquent assessments, as well as interest, late charges (subject to the limitations of Alabama law), and costs of collection (including attorneys fees). Such lien shall be superior to all other liens, except (a) the liens of all taxes, bonds, assessments, and other levies which by law would be superior, and (b) the lien or charge of any first Mortgage of record (meaning any recorded Mortgage with first priority over other Mortgages) made in good faith and for value. Such lien, when delinquent, may be enforced by suit, judgment, and judicial or nonjudicial foreclosure.

The Association may bid for the lot at the foreclosure sale and acquire, hold, lease, mortgage, and convey the lot. While a lot is owned by the Association following foreclosures: (a) no right to vote shall be exercised on its behalf; (b) no assessment shall be levied on it; and (c) each other lot shall be charged, in addition to its usual assessment, its equal pro rata share of the assessment that would have been charged such lot had it not been acquired by the Association. The Association may sue for unpaid Common Expenses and costs without foreclosing or waiving the lien securing the same.

The sale or transfer of any lot shall not affect the assessment lien or relieve such lot from the lien for any subsequent assessments. However, the sale or transfer of any lot pursuant to foreclosure of the first Mortgage shall extinguish the lien as to any installments of such assessments due prior to such sale or transfer. A Mortgagee or other purchaser of a lot who obtains title pursuant to foreclosure of the Mortgage shall not be personally liable for assessments on such lot due prior to such acquisition of title. Such unpaid assessment shall be deemed to be Common Expenses collectible from owners of all lots subject to assessment hereunder, including such acquirer, its successors and assigns.

Section 8. Date of Commencement of Assessments. The obligation to pay assessments shall commence as to each lot on the first day of the month following: (a) the month in which the lot is made subject to this Declaration, or (b) the month in which the Board first determines a budget and levies assessments pursuant to this Article, whichever is later. The first annual Base Assessment, if any, levied on each lot shall be adjusted according to the number of months remaining in the fiscal year at the time assessments commence on the lot.

Section 9. Failure to Assess. Failure of the Board to fix assessment amounts or rates or to deliver or mail each owner an assessment notice shall not be deemed a waiver, modification, or a release of any Owner from the obligation to pay assessments. In such event, each Owner shall continue to pay Base Assessments on the same basis as for the last year for which an assessment was made, if any, until a new assessment is made, at which time the Association may retroactively assess any shortfalls in collections.

Section 10. Exempt Property. The following property shall be exempt from payment of Base Assessments, Neighborhood Assessments, and Special Assessments:

- (a) All Common Area;
- (b) Any property dedicated to and accepted by any governmental authority or public utility.

ARTICLE IX

MORTGAGEE PROVISIONS

The following provisions are for the benefit of holders of first mortgages on residences in the Development. The provisions of this Article apply to both this Declaration and the Bylaws notwithstanding any other provisions contained therein.

Section 1. Notices of Action. An institutional holder, insurer or guarantor of a first mortgage, who provides a written request to the Association (such request to state the name and address of such holder, insurer, guarantor and the residence number, therefore becoming an "eligible holder"), will be entitled to timely notice of:

(a) Any condemnation loss or any casualty loss which affects a material portion of the properties or which affects any residence on which there is a first mortgage held, insured, or guaranteed by such eligible holder;

(b) Any delinquency in the payment of assessments or charges owed by an owner of a residence, subject to the mortgage of such eligible holder, where such delinquency has continued for a period of sixty (60) days; provided, however, notwithstanding this provision, any holder of a first mortgage, upon request, is entitled to written notice from the Association of any default in the performance by an owner of a residence of any obligation under the Declaration or Bylaws of the Association which is not cured within sixty (60) days;

(c) Any lapse, cancellation, or material modification of any insurance policy maintained by the Association; or

(d) Any proposed action which would require the consent of a specified percentage of eligible holders.

Section 2. Special FHLMC Provision. So long as required by the Federal Home Loan Mortgage Corporation, the following provisions apply in addition to and not in lieu of the foregoing. Unless at least two-thirds (2/3) of the first mortgagees or at least two-thirds (2/3) of the total Association vote entitled to vote thereon consent, the Association shall not:

(a) By act or omission seek to abandon, partition, subdivide, encumber, sell, or transfer common area which the Association owns, directly or indirectly (the granting of easements for public utilities or other similar purposes consistent with the intended use of the common area shall not be deemed a transfer within the meaning of this subsection);

(b) Change the method of determining the obligations, assessments, dues, or charges which may be levied against an owner of a residence (a decision, including contracts, by the board or provisions of any supplementary Declaration regarding assessments for neighborhoods or other similar areas shall not be subject to this provision where such decision or supplementary Declaration is otherwise authorized by this Declaration);

(c) By act or omission, change, waive, or abandon any scheme of regulations or enforcement thereof pertaining to the architectural design or the exterior appearance and maintenance of residences and of the common areas (the issuance and amendment of architectural guidelines, standards, procedures, rules and regulations, or use restrictions shall not constitute a change, waiver, or abandonment within the meaning of this provision);

- (d) Fail to maintain insurance, as required by this Declaration; or
- (e) Use hazard insurance proceeds for any common area losses for other than the repair, replacement, or reconstruction of such property.

The first mortgagees may, jointly or singly, pay taxes or other charges which are in default in which may or have become a charge against the common area and may pay overdue premiums on casualty insurance policies or secure new casualty insurance coverage upon the lapse of any association policy and first mortgagees making such payments shall be entitled to immediate reimbursement from the Association.

Section 3. No Priority. No provision of this Declaration or the Bylaws gives or shall be construed as giving any owner or other party priority over any rights of the first mortgagee of any residence in the case of distribution to such owner of insurance proceeds or condemnation awards for losses to or a taking of the common area.

Section 4. Notice to Association. Upon request, each owner shall be obligated to furnish to the Association the name and address of the holder of any mortgage encumbering such owner's residence.

Section 5. Amendment by Board. Should the Veterans Administration, the Federal National Mortgage Association, or the Federal Home Loan Mortgage Corporation subsequently delete any of their respective requirements which necessitate the provisions of this Article or make any such requirements less stringent, the board, without approval of the owners, may cause any amendments to this Article to be recorded to reflect such changes.

Section 6. HUD/VA Approval. As long as there is a Class "B" membership, the following actions shall require the prior approval of the Federal Housing Administration ("FHA") or the US Department of Veterans Affairs ("VA"), if either such agency is insuring or guaranteeing the mortgage on any lot: annexation of additional property other than that described on Exhibit "A", dedication of common area, mortgaging of common area, or any material amendment of this Declaration. If either FHA or VA is insuring or guaranteeing the mortgage on any lot, no portion of the common area may be mortgaged or conveyed unless at least sixty-seven percent (67%) of the total Class "A" members consent without regard to lots owned by the Declarant.

Section 7. Applicability of Article IX. Nothing contained in this Article shall be construed to reduce the percentage vote that must otherwise be obtained under the Declaration, Bylaws, or Alabama law for any of the acts set out in this Article.

Section 8. Failure of Mortgagee to Respond. Any Mortgagee (or insurer or guarantor of a mortgage) who receives a written request from the board to respond to or consent to any action shall be deemed to have approved such action if the Association does not receive a written response from the mortgagee within thirty (30) days of the date of the association's request.

ARTICLE X
ASSOCIATION INSURANCE

Section 1. Association Insurance. The Association, acting through its Board or its duly authorized agent, shall obtain blanket "all-risk" property insurance, if reasonably available, for all insurable improvements on the Common Area to the extent that it has assumed responsibility for maintenance, repair and/or replacement in the event of a casualty. If blanket "all-risk" coverage is not generally available at reasonable cost, then fire and extended coverage, including coverage for vandalism and malicious mischief, shall be obtained. The face amount of the policy shall be sufficient to cover the full replacement cost of the insured property.

The Association also shall obtain a public liability policy on the Area of Common Responsibility, insuring the Association and its Members for damage or injury caused by the negligence of the Association of any of its members, employees, agents, or contractors while acting on its behalf. If generally available at reasonable cost, the public liability policy shall have at least a \$1,000,000.00 combined single limit as respects bodily injury and property damage and at least a \$3,000,000.00 limit per occurrence and in the aggregate.

Except as otherwise provided, premiums for all insurance on the Area of Common Responsibility shall be Common Expenses and shall be included in the Base Assessment.

The policies may contain a reasonable deductible and the amount thereof shall not be subtracted from the face amount of the policy in determining whether the insurance at least equals the coverage required hereunder. In the event of an insured loss, the deductible shall be treated as a Common Expense in the same manner as the premiums for the applicable insurance coverage. However, if the Board reasonably determines, after notice and an opportunity to be heard in accordance with Article XIV herein, that the loss is the result of the negligence or willful conduct of one or more lot owners, then the Board may specifically assess the full amount of such deductible against such owner(s) and their lots pursuant to Article IX.

All insurance coverage obtained by the Board shall:

(a) Be written with a company authorized to do business in Alabama which holds a Best's rating of A or better and is assigned a financial size category of IX or larger as established by A. M. Best Company, Inc., if reasonably available, or, if not available, the most nearly equivalent rating which is available.

(b) Be written in the name of the Association as Trustee for the benefitted parties. Policies on the Common Area shall be for the benefit of the Association and its members, and their Mortgagees, as their interests may appear.

(c) Vest in the Board exclusive authority to adjust losses; provided, however, no Mortgagee having an interest in such losses may be prohibited from participating in the settlement negotiations, if any, related to

the loss.

(d) Not be brought into contribution with insurance purchased by individual owners, occupants or their Mortgagees.

(e) Have an inflation guard endorsement, if reasonably available. If the policy contains a co-insurance clause, it shall also have an agreed amount endorsement. The Association shall arrange for an annual review of the sufficiency of insurance coverage by one or more qualified persons, at least one of whom must be in the real estate industry and familiar with construction in the Houston County area.

(f) The Board shall be required to use reasonable efforts to secure insurance policies containing endorsements that:

(i) waive subrogation as to any claims against the Association's Board, officers, employees, and its manager, the Owners and their tenants, servants, agents, and guests;

(ii) waive the insurer's rights to repair and reconstruct instead of paying cash;

(iii) preclude cancellation, invalidation, suspension, or nonrenewal by the insurer on account of any one or more individual Owners, or on account of any curable defect or violation without prior written demand to the Association to cure the defect or violation and allowance of a reasonable time to cure;

(iv) exclude individual Owners' policies from consideration under any "other insurance" clause; and

(v) require at least 30 days' prior written notice to the Association of any cancellation, substantial modification, or non-renewal.

The Association shall also obtain, as a Common Expense, worker's compensation insurance if and to the extent required by law, directors' and officers' liability coverage, if reasonably available, and flood insurance, if advisable.

The Association also shall obtain, as a Common Expense, a fidelity bond or bonds, if generally available at reasonable cost, covering all persons responsible for handling Association funds. The Board shall determine the amount of fidelity coverage in its best business judgment but, if reasonably available, shall secure coverage equal to not less than one-sixth of the annual Base Assessments on all lots plus reserves on hand. Bonds shall contain a waiver of all defenses based upon the exclusion of persons serving without compensation and shall require at least 30 days' prior written notice to the Association of any cancellation, substantial modification or nonrenewal.

Section 2. Owners Insurance. By virtue of taking title to a lot, each owner covenants and agrees with all other owners and with Association to carry blanket "all-risk" property insurance on its lot(s) and structures thereon providing full replacement cost coverage less a reasonable deductible, unless the Association carries such insurance (which they are not obligated to do hereunder).

Each owner further covenants and agrees that in the event of damage to or destruction of structures on or comprising his lot, he shall proceed promptly to repair or to construct in a manner consistent with the

original construction or such other plans and specifications as are approved in accordance with Article IV of this Declaration. Alternatively, the owner shall clear the lot of all debris and ruins and maintain the lot in a neat and attractive, landscaped condition consistent with the Declaration, Bylaws, and any Rules and Regulation of the Association. The Owner shall pay any costs which are not covered by insurance proceeds.

Section 3. Damage and Destruction.

(a) Immediately after damage or destruction to all or any part of the Properties covered by insurance written in the name of the Association, the Board of Directors or its duly authorized agent shall file and adjust all insurance claims and obtain reliable and detailed estimates of the cost of repair or reconstruction. Repair or reconstruction, as used in this paragraph, means repairing or restoring the property to substantially the condition in which it existed prior to the damage, allowing for changes or improvements necessitated by changes in applicable building codes.

(b) Any damage to or destruction of the Common Area shall be repaired or reconstructed unless the Members holding at least 75% of the total Class "A" votes in the Association, and the Class "B" Member, if any, decide within 60 days after the loss not to repair or reconstruct.

If either the insurance proceeds or reliable and detailed estimates of the cost of repair or reconstruction, or both, are not available to the Association within such 60-day period, then the period shall be extended until such funds or information are available. However, such extension shall not exceed 60 additional days.

(c) If determined in the manner described above that the damage or destruction to the Common Area shall not be repaired or reconstructed and no alternative improvements are authorized, the affected property shall be cleared of all debris and ruins and thereafter shall be maintained by the Association, as applicable, in a neat and attractive, landscaped condition consistent with the Declaration, Bylaws, and any Rules and Regulations of the Association.

Section 5. Disbursement of Proceeds. Any insurance proceeds remaining after paying the costs of repair or reconstruction, or after such settlement as is necessary and appropriate shall be retained by and for the benefit of the Association, as appropriate, and placed in a capital improvements account. This is a covenant for the benefit of Mortgagees and may be enforced by the Mortgagee of any affected lot.

Section 6. Repair and Reconstruction. If insurance proceeds are insufficient to cover the costs of repair or reconstruction, the Board of Directors shall, without a vote of the Members, levy Special Assessments against those lot owners responsible for the premiums for the applicable insurance coverage under Section 6 of Article IX.

ARTICLE XI
NO SECURITY

Neither Declarant nor the Board nor the Association shall provide any security or surveillance to protect the person or property of any owner or occupant, their licensees, invitees or guests and nothing in this Declaration, the Bylaws or Articles shall be construed to imply or infer or require the Declarant, Association or Board to supply or provide security and protection for any owner or occupant, their licensees, invitees, or guests.

ARTICLE XII
NO PARTITION

Except as permitted in this Declaration or amendments hereto, there shall be no physical partition of any common area or any part thereof, nor shall any person acquiring an interest in any lot or property of the subdivision seek any such judicial partition of a common area or any part thereof. This Article shall not be construed to prohibit the Board of Directors from acquiring and disposing of tangible personal property nor from acquiring title to real property which may or may not be subject to this Declaration.

ARTICLE XIII
ANNEXATION AND WITHDRAWAL OF PROPERTY

1. Annexation without approval of Membership. At any time until December 31, 2010, Declarant may unilaterally annex to the provisions of this Declaration all or any portion of the real property described in Exhibit "A". Declarant also may unilaterally assign the right, privilege, and option to annex property to this Declaration which is herein reserved to the Declarant, provided that such transferee or assignee shall be the developer of at least a portion of the real property described in Exhibits "A" and that such assignment is memorialized in a written, recorded instrument executed by Declarant.

Such annexation shall be accomplished by filing a supplementary Declaration annexing such property to the public records of Houston County, Alabama. Such supplementary Declaration shall not require the consent of voting members, but shall require the consent of the owner of such property, if other than Declarant. Any such annexation shall be effective upon filing for record of such supplementary Declaration unless otherwise provided therein. Nothing in this Declaration shall be construed to require the Declarant or any successor to annex or develop any of the property set forth in Exhibit "A" in any manner whatsoever.

2. Annexation with Approval of Membership. The association may annex real property other than that described in Exhibit "A", and after December 31, 2010, any property described in Exhibit "A", to the provisions of this Declaration with the consent of the owner of such property, the affirmative vote of members

representing the majority of the Class "A" votes of the Association represented at a meeting duly called for such purpose, and the consent of the Declarant so long as Declarant owns property subject to this Declaration or which may become subject to this Declaration.

Annexation shall be accomplished by filing a supplementary Declaration describing the property being annexed in the public records of Houston County, Alabama. Any such supplemental Declaration shall be signed by the President and the Secretary of the Association, and by the owner of the annexed property. Any such annexation shall be effective upon filing unless otherwise provided therein.

3. Withdrawal of Property. The Declarant reserves the right to amend this Declaration so long as it has a right to annex additional property pursuant to this Article, without prior notice and without the consent of any person, for the purpose of removing property then owned by the Declarant, its affiliates, or the Association from the coverage of this Declaration, to the extent originally included in error or as a result of any changes in the Declarant's plans for the properties, provided such withdrawal is not unequivocally contrary to the overall, uniform scheme of development for the properties.

4. Acquisition of Additional Common Area. Notwithstanding any other provision contained in this Declaration, Declarant may convey additional real estate, improved or unimproved, located within the property described in Exhibit "A" and upon said conveyance or dedication to the Association said property shall be accepted by the Association, and thereafter shall be maintained by the Association at its expense for the benefit of all its members.

4. Amendment. This Article shall not be amended without the prior written consent of the Declarant, so long as Declarant owns any property described in Exhibit "A".

ARTICLE XIV

ENFORCEMENT OF ASSOCIATION DECLARATION, BYLAWS, RULES, REGULATIONS, ETC.

Section 1. Enforcement. The board shall have the power to impose reasonable fines, which shall constitute a lien upon the property of the violating owner, and to suspend any owner's right to vote or any person's right to use the common area for violation of any duty imposed under the Declaration, the Bylaws, or any rules and regulations duly adopted hereunder; provided, however, nothing herein shall authorize the Association or the Board of Directors to limit ingress and egress to or from a lot. In the event that any occupant, guest or invitee of a lot violates the Declaration, Bylaws, or a rule or regulation and a fine is imposed, the fine shall first be assessed against the occupant; provided, however, if the fine is not paid by the occupant within the time period set by the Board, the Owner shall pay the fine upon notice from the Association. The failure of the Board to enforce any provision of the Declaration, Bylaws, or any rule or

regulation shall not be deemed a waiver of the right of the Board to do so thereafter.

(a) Notice. Prior to imposition of any sanction hereunder, the Board or its delegate shall serve the alleged violator written notice describing (i) the nature of the alleged violation, (ii) the proposed sanction to be imposed, (iii) a period of not less than 10 days within which the alleged violator may present a written request to the covenants committee, if any, or Board of Directors for a hearing; and (iv) a statement that the proposed sanction shall be imposed as contained in the notice unless a challenge is begun within 10 days of the notice. If a timely challenge is not made, the sanction stated in the notice shall be imposed.

(b) Hearing. If a hearing is requested within the allotted 10 day period, the hearing shall be held in executive session affording the alleged violator a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of proper notice shall be placed in the minutes of the meeting.

Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, Director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed. The Board of Directors or the covenants committee may, but shall not be obligated to, suspend any proposed sanction if the violation is cured within the 10 day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions of any rules by any person.

(c) Appeal. Following a hearing before the covenants committee, the violator shall have the right to appeal the decision to the Board of Directors. To perfect this right, a written notice of appeal must be received by the manager, President, or Secretary of the Association within 15 days after the hearing date.

(d) Additional Enforcement Rights. Notwithstanding anything to the contrary herein, the Association, acting through the Board of Directors, may elect to enforce any provision of the Declaration, the Bylaws, or the rules and regulations of the Association by self-help (specifically including, but not limited to, the towing of vehicles that are in violation of parking rules and regulations) or by suit at law or in equity to enjoin any violation or to recover monetary damages or both without the necessity of compliance with the procedure set forth above. In any such action, to the maximum extent permissible, the owner or occupant responsible for the violation of which abatement is sought shall pay all costs, including reasonable attorney's fees actually incurred.

ARTICLE XV LITIGATION

Section 1. Litigation. No judicial or administrative proceeding shall be commenced or prosecuted by the Association unless approved by a vote of 75% of the Members. This Section shall not apply, however, to (a) actions brought by the Association to enforce the provisions of this Declaration (including, without

involving the Association to alternative dispute resolution procedures of Section 3 shall require approval of the Association.

Section 3. Mandatory Procedures for all other claim. All claims other than exempt claims shall be resolved using the following procedures:

(a) Notice. Any Bound Party having a Claim ("Claimant") against any other Bound Party ("Respondent"), other than an exempt Claim, shall notify each Respondent in writing of the Claim (the "Notice"), stating plainly and concisely:

1. the nature of the Claim, including date, time, location, persons involved, and Respondent's role in the Claim;
2. the basis of the Claim (i.e., the provisions of this Declaration, the Bylaws, the Articles or rules or other authority out of which the Claim arises);
3. what Claimant wants Respondent to do or not to do to resolve the Claim; and
4. that Claimant wishes to resolve the Claim by mutual agreement with Respondent and is willing to meet in person with Respondent at a mutually agreeable time and place to discuss in good faith ways to resolve the Claim.

(b) Negotiation.

1. Each Claimant and Respondent (the "Parties") shall make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation.
2. Upon receipt of a written request from any Party, accompanied by a copy of the notice, the board may appoint a representative to assist the Parties in resolving the dispute by negotiation, if in its discretion it believes its efforts will be beneficial to the Parties and to the welfare of the community.

(c) Mediation.

1. If the Parties do not resolve the Claim through negotiation within 30 days of the date of the notice (or within such other period as may be agreed upon by the Parties) ("Termination of Negotiations"), Claimant shall have 30 additional days within which to submit the Claim to mediation under the auspices of a Dispute Resolution Center or Mediation Center or independent agency providing similar services upon which the Parties may mutually agree.

2. If Claimant does not submit the Claim to mediation within 30 days after termination of negotiations, Claimant shall be deemed to have waived the Claim, and Respondent shall be released and discharged from any and all liability to Claimant on account of such Claim; provided, nothing herein shall release or discharge Respondent from any liability to persons not a Party to the foregoing proceedings.

3. If the Parties do not settle the Claim within 30 days after submission of the matter to the mediation process, or within such time as determined reasonable or appropriate by the

EXHIBIT A

HIGHLAND LAKE ESTATES

A parcel of land in Houston County, Alabama, and being more particularly described as follows:

Commencing at an existing concrete marker, marking the northwest corner of Section 25, T3N, R25E; thence South 05°19'50" East a distance of 209.28 feet to an existing iron pin and the Point of Beginning; thence North 84°46'52" East a distance of 352.14 feet to an existing iron pin; thence North 05°19'19" West a distance of 209.65 feet to an existing iron pin; thence North 84°46'42" East a distance of 210.02 feet to an existing iron pin; thence North 84°37'48" East a distance of 297.59 feet to an existing iron pin; thence North 35°45'40" East a distance of 312.50 feet to an existing iron pin on the South Right of Way of Fortner Street; thence South 61°39'38" East along the South Right of Way of said street a distance of 300.00 feet to a set concrete monument; thence South 62°30'20" East along the South Right of Way of said street a distance of 152.82 feet to a set concrete monument; thence departing the South Right of Way of Fortner Street bearing South 23°41'49" West a distance of 300.59 feet to an existing iron pin; thence South 00°47'05" West a distance of 378.59 feet to an existing iron pin; thence South 00°20'09" East a distance of 209.92 feet to an existing iron pin; thence South 01°12'47" West a distance of 419.81 feet to an existing iron pin; thence South 83°58'21" West a distance of 1212.25 feet to an existing iron pin; thence South 82°58'00" West a distance of 487.09 feet to an existing iron pin; thence South 85°57'52" West a distance of 513.81 feet to a set concrete monument; thence North 22°40'03" East a distance of 1480.87 feet to a point in Newton Creek, said point being South 86°28'39" West a distance of 142.23 feet from an existing iron pin on the shore; thence North 86°28'39" East a distance of 142.23 feet to an existing iron pin; thence South 31°53'46" West a distance of 271.84 feet to an existing iron pin; thence North 84°37'14" East a distance of 348.87 feet to the Point of Beginning; containing 56.40 acres more or less.

EXHIBIT "B"

Rules of Arbitration

1. Claimant shall submit a claim to arbitration under these rules by giving written notice to all other Parties stating plainly and concisely the nature of the claim, the remedy sought and Claimant's desire to submit the Claim to arbitration ("Arbitration Notice").

2. Each Party shall select an Arbitrator ("Party Appointed Arbitrator"). The Parties are encouraged to select an Arbitrator who has experience in the real estate industry and who is familiar with the arbitration of real estate related disputes. The Party Appointed Arbitrators shall, by unanimous agreement, select one or two neutral Arbitrators ("Neutral(s)") so that the total arbitration panel ("Panel") has an odd number of Arbitrators. If any Party fails to appoint a Party Appointed Arbitrator within 20 days from the date of the Arbitration Notice, the remaining Arbitrators shall conduct the proceedings, selecting a neutral in place of any missing Party Appointed Arbitrator. The Neutral Arbitrator(s) shall select a chairperson ("Chair").

3. If the Panel is not selected under Rule 2 within 45 days from the date of the Arbitration Notice, or if the Parties earlier agree, Claimant may notify the Alabama State Bar Task Force on alternative methods of dispute resolution for recommendation of an arbitration or mediation agency which will appoint one neutral ("Appointed Neutral"), notifying the Appointed Neutral and all Parties in writing of such appointment. The Appointed Neutral shall be experienced in the arbitration of real estate related disputes or knowledgeable of real estate issues as determined by Alabama State Bar Task Force on alternative methods of dispute resolution for recommendation of an arbitration or mediation agency. The Appointed Neutral shall thereafter be the sole Arbitrator ("Arbitrator"), and any Party Appointed Arbitrators or their designees shall have no further duties involving the arbitration proceedings.

4. No person may serve as a Neutral in any arbitration under these rules in which that person has any financial or personal interest in the result of the arbitration. Any person designated as a Neutral shall immediately disclose in writing to all Parties any circumstances likely to affect impartiality, including any bias or financial or personal interest in the outcome of the arbitration ("Bias Disclosure"). If any Party objects to the service of any Neutral after receipt of that Neutral's Bias Disclosure, such Neutral shall be replaced in the same manner in which that Neutral was selected.

5. The Arbitrator or Chair, as the case may be ("Arbitrator") shall fix the date, time and place for the hearing. The place of the hearing shall be within the properties unless otherwise agreed by the Parties.

6. Any Party may be represented by an attorney or other authorized representative throughout the arbitration proceedings.

7. All persons who, in the judgment of the Arbitrator, have a direct interest in the arbitration are entitled to attend hearings.

8. There shall be no stenographic record of the proceedings.

9. The hearing shall be conducted in whatever manner will, in the Arbitrator's judgment, most fairly and expeditiously permit the full presentation of the evidence and arguments of the Parties.

10. The Parties may offer such evidence as is relevant and material to the Claim, and shall produce such additional evidence as the Arbitrator may deem necessary to an understanding and determination of the Claim. The Arbitrator shall be the sole judge of the relevance and materiality of any evidence offered, and conformity to the legal rules of evidence shall not be necessary. The Arbitrator shall be authorized, but not required, to administer oaths to witnesses.

11. The Arbitrator shall declare the hearings closed when satisfied the record is complete.

12. There will be no posthearings briefs.

13. The award shall be rendered immediately following the close of the hearing, if possible, and not later than 14 days from the close of the hearing, unless otherwise agreed by the Parties. The award shall be in writing, shall be signed by the Arbitrator and acknowledged before a notary public. If the Arbitrator believes an opinion is necessary, it shall be in summary form.

14. If there is more than one Arbitrator, all decisions of the panel and the award shall be by majority vote.

15. Each Party agrees to accept as legal delivery of the award the deposit of a true copy in the mail addressed to that Party or its attorney at the address communicated to the Arbitrator at the hearing.

EXHIBIT C

All Common Areas as noted in A Final Plat "Highland Lakes" Subdivision as recorded in Plat Book 11, Page 34.

ARTICLES OF INCORPORATION
OF
HIGHLAND LAKES OWNERS ASSOCIATION, INC.

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ARTICLES OF INCORPORATION

OF

HIGHLAND LAKES OWNERS ASSOCIATION, INC.,

A NONPROFIT CORPORATION

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**ARTICLES OF INCORPORATION
OF
HIGHLAND LAKES OWNERS ASSOCIATION, INC.,
A NONPROFIT CORPORATION**

In compliance with the requirements of the Alabama Nonprofit Corporation Act under §10-3-1, et. seq., Code of Alabama, 1975, as amended, the undersigned, hereinafter referred to as Declarant, has this day voluntarily formed a corporation not for profit and does hereby certify:

ARTICLE I

NAME

The name of the corporation is Highland Lakes Owners Association, Inc., hereinafter called the "Association".

ARTICLE II

PRINCIPAL OFFICE

The principal office of the Association is located at 709 Royal Parkway, Dothan, Alabama 36305.

ARTICLE III

REGISTERED AGENT

Hugh W. Wheelless, Jr., whose address is 709 Royal Parkway, Dothan, Alabama 36305, is hereby appointed the initial registered agent of this Association.

ARTICLE IV

PURPOSE AND POWERS OF THE ASSOCIATION

This Association does not contemplate pecuniary gain or profit to the members thereof, and the specific purposes for which it is formed are to provide for maintenance, preservation and architectural control of the lots and common area within the unit development known as Highland Lakes as same becomes subject to the Declaration of Covenants, Conditions and Restrictions for Highland Lakes Owners Association, Inc. (as defined below) and to promote the welfare of the owners within the properties (as that term is defined in the Declaration) and to:

(a) Exercise all of the powers and privileges and to perform all of the duties and obligations of the Association as set forth in that certain Declaration of Covenants, Conditions and Restrictions of Highland Lakes Owners Association, Inc. hereinafter called the "Declaration", applicable to the property and recorded or to be recorded in the Office of the Judge of Probate of Houston County, Alabama, and as the same may be amended from time to time as therein

manner of exercising voting rights shall be determined by the Bylaws of the Association.

(b) Change of membership of the Association shall be established by recording in the Office of the Judge of Probate of Houston County, a deed or other instrument establishing record title to a Lot subject to the Declaration and written notice to the Association of such change and title. The owner designated by such instrument thereby becomes a member of the Association, and the membership of the prior owner is terminated.

(c) The share of a member in the funds and assets of the Association cannot be assigned, hypothecated, or transferred in any manner, except as an appurtenance of his Lot.

ARTICLE VI

TERM

The existence of the corporation shall be perpetual unless the Association is terminated pursuant to the provisions of the Declaration of Covenants, Conditions and Restrictions.

ARTICLE VII

INCORPORATORS

The name and address of the sole incorporator is:

NAME:	ADDRESS:
A & W Group, LLC.	P. O. Box 189, Dothan, AL 36302

ARTICLE VIII

BOARD OF DIRECTORS

A. The affairs of this Association shall be managed by a Board of Directors of not less than three Directors. The number of Directors may be changed by amendment of the Bylaws of the Association. The names and addresses of the persons who are to act in the capacity of Directors until the selection of their successors are:

NAME:	ADDRESS:
Hugh W. Wheelless, Jr.	P. O. Box 189, Dothan, AL 36302
Roben Ash	P. O. Box 189, Dothan, AL 36302
Lisbeth Ash	P. O. Box 189, Dothan, AL 36302

B. To the fullest extent that the Alabama Nonprofit Corporation Act, as it exists on the date hereof or as it may hereafter be amended, permits the limitation or elimination of the liability of directors, no director of the Association shall be personally liable to the Association or its Members for monetary damages for breach of duty of care or other

duty as a director. No amendment to or repeal of this Article shall apply to or have any effect on the liability or alleged liability of any director of the Association for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

C. The method of election and the term of office, removal, and filing of vacancy shall be set forth in the Bylaws.

ARTICLE IX **BYLAWS**

The Bylaws of the Association shall be adopted by the Board of Directors and may be altered, amended, or rescinded in the manner provided by the Bylaws.

ARTICLE X **AMENDMENTS**

Amendments to the Articles of Incorporation shall be proposed and adopted as provided in §10-3A-81, Code of Alabama, 1975, provided that no amendment may be in conflict with the Declaration, provided further, no amendment shall be effective to impair or dilute any rights of members that are governed by such Declaration, and provided further, no amendment shall be effective unless approved by two-thirds (2/3) vote of members of the Association entitled to vote.

ARTICLE XI **ANNEXATION**

The Association may annex additional property pursuant to the Declaration of Covenants, Conditions and Restrictions of Highland Lakes Owners Association, Inc. As long as there is a Class "B" membership as provided for in the Declaration of Covenants, Conditions and Restrictions of Highland Lakes Owners Association, Inc., annexation of additional property other than that described on Exhibit "A" of the Declaration of Covenants, Conditions and Restrictions of Highland Lakes Owners Association, Inc., dedication of common area, mortgaging of common area, and amendment of the Articles of Incorporation shall require the prior approval of the Federal Housing Administration ("FHA") or the US Department of Veterans Affairs ("VA"), if either such agency is insuring or guaranteeing the mortgage on any lot within the development.

OFFICE OF THE JUDGE OF PROBATE OF HOUSTON COUNTY, ALABAMA

CERTIFICATE OF INCORPORATION

OF

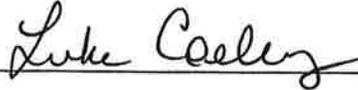
HIGHLAND LAKES OWNERS ASSOCIATION, INC.

A NON-PROFIT CORPORATION

The undersigned, Luke Cooley, Judge of Probate of Houston County, Alabama, hereby certifies that the Articles of Incorporation of Highland Lakes Owners Association, Inc. a Nonprofit corporation, duly signed pursuant to the provisions of the Code of Alabama, have been received in this office and are found to conform to law.

Accordingly, the undersigned, as Judge of Probate of Houston County, Alabama, and by virtue of the authority vested in her by law, hereby issues this Certificate of Incorporation to Highland Lakes Owners Association, Inc., and attaches hereto a certified copy of the Articles of Incorporation.

Dated this 25 day of February, 20 03.



Luke Cooley, Judge of Probate, Houston County, Alabama

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Luke Cooley
Judge of Probate
Houston County, Alabama

BYLAWS
OF
HIGHLAND LAKES OWNERS ASSOCIATION, INC.

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BYLAWS OF HIGHLAND LAKES OWNERS ASSOCIATION, INC.

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BYLAWS OF HIGHLAND LAKES OWNERS ASSOCIATION, INC.

ARTICLE I

NAME, MEMBERSHIP, APPLICABILITY AND DEFINITIONS

1. Name. The name of the Association shall be Highland Lakes Owners Association, Inc. (hereinafter referred to as the "Association").
2. Principal Office. The principal office of the Association shall be located at 709 Royal Parkway, Dothan, AL 36305.
3. Definitions. The words used in these Bylaws shall have the same meaning as set forth in the Declaration of Covenants, Conditions and Restrictions for Highland Lakes Owners Association, Inc., as amended, renewed or extended from time to time, hereinafter sometimes referred to as the "Declaration", unless the context shall prohibit such meaning.

ARTICLE II

ASSOCIATION: MEETINGS, QUORUM, VOTING, PROXIES

1. Membership. The Association shall have two (2) classes of membership. Class "A" and Class "B", as more fully set forth in the Declaration, the terms of which pertaining to membership are specifically incorporated herein by reference.
2. Place of Meetings. Meetings of the Association shall be held at such suitable place convenient to the members as may be designated by the Board of Directors either within the properties or as convenient thereto as possible and practical.
3. Annual Meeting. The first meeting of the Association, whether a regular or special meeting, shall be held within one (1) year from the date of the incorporation of the Association. The next annual meeting shall be set by the Board so as to occur within thirteen (13) months after the initial annual meeting. Subsequent regular annual meetings of the Association shall be held within thirty (30) days of the same day of the same month of each year thereafter at an hour set by the Board. Subject to the foregoing, the annual meeting of the Association shall be held at a date and time as set by the Board of Directors.
4. Special Meetings. The President may call special meetings. In addition, it shall be the duty of the President to call a special meeting of the Association if so directed by resolution of the Board of Directors or upon a petition signed by members of the Association representing at least 35% percent of the total votes of the Association. The notice of the special meeting shall state the date, time and place of the meeting and the purpose thereof. No business shall be transacted at a special meeting except that so stated in the notice.

of members representing one-third (1/3) of the Association shall constitute a quorum at all meetings of the Association. However, until Class "B" membership converts to Class "A" membership, a quorum will not exist without the presence of Declarant, his heirs, successors and assigns. For so long as Declarant, his heirs, successors or assigns is the owner of any lot within the properties, Declarant shall be given a written notice of all meetings and proposed actions of the Association by certified mail, return receipt requested, or by personal delivery at the address he has registered with the Secretary of the Association as it may change from time to time. Declarant or his designated representative shall be given the opportunity at any such meeting to join in discussion from the floor of any prospective action, policy or program to be implemented by the Association.

11. Conduct of Meetings. The President shall preside over all meetings of the Association, and the Secretary shall keep the minutes of the meeting and record in a minute book all resolutions adopted at the meeting as well as a record of all transactions occurring thereat.

12. Action without a Meeting. Any action required by law to be taken at the meeting of the Association, or any action which may be taken at a meeting of the Association, may be taken without a meeting if consent in writing setting forth the action so taken shall be signed by all members entitled to vote with respect to the subject matter thereof, and such consent shall have the same force and effect as a unanimous vote of the Association.

ARTICLE III

BOARD OF DIRECTORS: NUMBER, POWERS, MEETINGS

A. Governing Body - Composition.

Section 1. The affairs of the Association shall be governed by a Board of Directors. Except as otherwise provided herein, the Directors shall be members, spouses of such members or officers of corporate members; provided, however, no person and his or her spouse may serve on the board at the same time, and only one officer of a corporate member may serve on the board at the same time.

Section 2. Directors Appointed by Declarant. Declarant shall have the right to appoint or remove any member or members of the Board of Directors until such time as the first of the following events shall occur:

- (a) The expiration of seven (7) years after the date of the recording of the Declaration;
- (b) The date on which ninety-five (95%) percent of the lots permitted to be developed in the Master Plan for property described in Exhibit "A" have been sold by the Declarant; or
- (c) The surrender by Declarant in writing of the authority to appoint and remove directors and officers of the Association.

Each owner, by acceptance of a deed to or other conveyance of property within the properties, vests

in Declarant such authority to appoint and remove Directors of the Association. The Directors selected by the Declarant need not be owners or occupants in the properties. The names of the initial Directors selected by the Declarant are set forth in the Articles of Incorporation of the Association.

Section 3. Veto. As long as there exists a Class "B" membership, the Declarant shall have a veto power over all actions of the board, as is more fully provided in this section. This power shall expire at such time as the first of the events designated in Section 2 above shall occur. This veto power shall be exercisable only by the Declarant, his successors, and assigns who specifically take this power in a recorded instrument. The veto shall be as follows:

No action authorized by the Board of Directors shall become effective, nor shall any action, policy, or program be implemented until and unless:

(a) Declarant shall have been given the written notice of all meetings and proposed actions to be approved at meetings by certified mail, return receipt requested, or by personal delivery at the address registered with the Secretary of the Association, as it may change from time to time, which notice shall comply with the provisions of these Bylaws regarding notice of regular or special meetings of the Directors and which notice shall, except in the case of the regular meetings held pursuant to the Bylaws, set forth in reasonable particularity the agenda to be followed at the meeting; and

(b) Declarant shall have been given the opportunity at such meeting to join in or to have its representatives or agents join in discussion from the floor of any prospective action, policy, or program to be implemented by the board or the Association. Declarant and its representatives or agents may make its concerns, thoughts, and suggestions known to the members of the Association and/or the board. The Declarant shall have and is hereby granted a veto power over any such action, policy, or program authorized by the Board of Directors and to be taken by the board. The veto may be exercised by Declarant, its representatives, or agents either at the meeting held pursuant to the terms and provisions hereto or by written notice to the Board within 15 days from the date of adoption of any proposed action or policy or program of the Board or Association. Any veto power shall not extend to the requiring of any action or counterclaim on behalf of the board.

Section 4. Number of Directors. The initial Board of Directors shall consist of three (3) members. The Board of Directors shall be increased from time to time as provided in Section 6 of this Article.

Section 5. Nomination of Directors. Elected Directors shall be nominated by the board and may also be nominated by a nominating committee if such committee is established by the board. All candidates shall have a reasonable opportunity to communicate their qualifications and to solicit votes.

Section 6. Election and Term of Office. Notwithstanding any other provision contained herein:

(a) Within 30 days after the time Class "A" Members, other than the Declarant, own twenty-five percent (25%) of the lots permitted by the Master Plan for the property described in Exhibits "A", the Association shall call a special meeting at which the Class "A" Members shall elect one of the three directors, who shall be an at-large director. The remaining two directors shall be appointees of the Class "B" Member. The director elected by the Class "A" Members

his or her predecessor. Any director elected by the Class "A" members who has three consecutive unexcused absences from board meetings or who is delinquent in the payment of any assessment or any other charge due the Association for more than thirty (30) days may be removed by a majority of the directors present at a regular or special meeting of the board at which a quorum is present, and a successor may be appointed by the board to fill the vacancy for the remainder of the term.

B. Meetings.

1. Organizational Meetings. The organizational meeting of newly elected Board of Directors shall be held within ten (10) days of their election at the place and time as shall be fixed by the Directors at the meeting at which they were elected, and no further notice of the organizational meeting shall be necessary providing a quorum shall be present.

2. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time, by a majority of the Directors. Notice of the time and place of the meeting shall be communicated to Directors personally or by mail, telephone, or telegraph, at least three (3) days prior to the day the name for such meeting, provided, however, notice of the meeting need not be given to a Director who has signed a waiver of notice or written consent to hold the meeting.

3. Special Meetings. Special meetings of the Directors shall be held when called by written notice signed by the President or by a majority of the Directors. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. Not less than three (3) days notice of the meeting shall be given to each Director by either, written notice by First Class Mail, postage prepaid, telephone communication or telegram provided, however, that if notice is sent to a Director by First Class Mail, such notice shall be deposited into the United States Mail Box at least four (4) days before the time set for the meeting.

4. Waiver of Notice. Any Director may waive notice of a meeting before or after the meeting and such waiver shall be deemed equivalent to the giving of notice.

5. Quorum. A quorum at Directors' meetings shall consist of the Directors entitled to cast a majority of the vote of the entire Board of Directors. The acts of the board approved by a majority of votes present at a meeting at which a quorum is present shall constitute the acts of the Board of Directors, except where approval by a greater number of Directors is required by the Declaration or Bylaws. If at any meeting of the Board of Directors there is less than a quorum present, the majority of those present may adjourn the meeting from time to time until a quorum is present. At any additional meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice. The joinder of a Director in the action of a meeting by signing and concurring in the minutes thereof shall constitute the presence of such Director for the purpose of determining a quorum.

6. Conduct. The President shall preside over all meetings of the Board of Directors, and Secretary shall keep a minute book of the meetings. In the absence of the President, the Vice-President shall preside, and in the absence of

business judgment, in depositories other banks;

6. Making and amending rules and regulations;

7. Opening of bank accounts on behalf of the Association and designating the signatures required;

8. Making or contracting for the making of repairs, additions, and improvements to or alterations of the common area in accordance with the provisions of the Declaration and these Bylaws after damage or destruction by fire or other casualty;

9. Enforcing by legal means the provisions of the Declaration, these Bylaws, and the rules and regulations adopted by it and bringing any proceedings which may be instituted on behalf of or against the owners concerning the Association;

10. Obtaining and carrying insurance against casualties and liabilities, as provided in the Declaration, and paying the premium cost thereof;

11. Paying the cost of all services rendered to the Association or its members and not chargeable to an owner;

12. Keeping books with detailed accounts of receipts and expenditures of the Association and its administration, specifying the maintenance and repair expenses and any other expenses incurred.

13. Making available upon request by a prospective purchaser of a lot, any owner of a lot, any first mortgagee, or the holders, insurers of guarantors of a first mortgage on any lot, current copies of the Declaration, the Articles of Incorporation, the Bylaws, and rules governing the Association, together with all other books, records and financial statements of the Association;

14. Permit utility suppliers to use portions of the common area reasonably necessary to the ongoing development of the property;

15. To make contracts and incur liabilities in connection with the exercise of any of the powers and duties of the Board to provide or cause to be provided all goods and services required by the Bylaws or by law, or which the Board, in its discretion, deems necessary for the proper operating and maintenance of the common areas;

16. To employ any persons or firms reasonably necessary to carry out the provisions of the Declaration, Bylaws, Articles of Incorporation of Highland Lakes Owners Association, Inc. and any rules and regulations permitted thereby, including accountants and attorneys.

To employ a management agent or manager, at compensation established by the Board, to perform such duties and services as the Board shall authorize including, but not limited to, the duties listed in this section; and any such duties so conferred upon the managing agent or manager by the Board of Directors may be revoked immediately and without formal notice; or, modified or amplified by the Board of the Directors at a duly constituted meeting. The Declarant or an affiliate of the Declarant, may be employed as a managing agent or manager. The Management contracts may not have a term in excess of one (1) year and must permit termination by either party with or without

cause on 30 days notice.

ARTICLE IV

OFFICERS

1. Officers. The officers of the Association shall be a President, Vice-President, Secretary/Treasurer. The Board of Directors may elect such other officers, including one or more assistant Secretaries and one or more assistant Treasurers, as it shall deem desirable, such officers to have the authority and perform the duties prescribed from time to time by the Board of Directors. Any two or more offices may be held by the same person.

2. Election, Term of Office, and Vacancies. The officers of the Association shall be elected annually by the Board of Directors at the first meeting of the Board of Directors following each annual meeting of the Association. A vacancy in any office arising because of death, resignation, removal or otherwise may be filled by the Board of Directors for the unexpired portion of the term.

3. Removal. Any officer may be removed by the Board of Directors whenever in its judgment the best interests of the Association will be served thereby.

4. The initial officers of the Association shall be Hugh W. Wheelless, Jr., President; Roben Ash, Vice-President and Secretary-Treasurer.

5. The President shall be the chief executive officer of the Association. He shall have all the powers and duties which are usually vested in the office of the President of an Association, including but limited to the power to appoint committees from among the members from time to time, as he may in his discretion determine appropriate, to assist in the conduct of the affairs of the Association.

6. The Vice-President shall, in the absence of or disability of the President, exercise the powers and perform the duties of the President, he shall also generally assist in the President and exercise such other powers or perform such duties as shall be prescribed by the Director.

7. The Secretary shall keep the minutes of all proceedings of the Directors and members. He shall attend to the giving and serving of all notices to the members and Directors and other notices required by law. He shall have custody of the seal of the Association and affix the same to instruments requiring a seal when duly signed. He shall keep the records of the Association, and shall perform all other duties incident to the office of the Secretary of an Association as may be required by the Directors or the President.

8. The Treasurer shall have custody of all property of the Association, including funds, securities, and evidences of indebtedness. He shall keep the financial records and books of account of the Association in accord with good accounting practices; shall keep detailed, accurate records and chronological order of the receipts and expenditures

affecting the common areas and facilities, specifying and itemizing the maintenance and repair expenses of the common areas and facilities and other expenses incurred; shall keep in account for each lot setting forth any shares of common expense or other charges, due dates thereof, present balance due for each lot, and any interest and common surplus. The Treasurer shall perform all other duties incident to the office of Treasurer. The records, books of account, and vouchers authorizing payments, shall be available for examination by members of the Association as convenient.

9. Any officer may resign at any time by giving written notice to the Board of Directors, the President, or the Secretary. Such resignation shall take effect on the date of the receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

10. All agreements, contracts, deeds, leases, checks and other instruments of the Association shall be executed by at least two (2) officers or by the President or by such other person or persons as may be designated by resolution of the Board of Directors.

ARTICLE V

FISCAL MANAGEMENT

In accordance with the Declaration, the Board of Directors shall prepare a budget covering estimated common expenses during the coming year. Copies of the proposed budgets for common expenses shall be delivered to each owner as provided by the Declaration. Delivery of a copy of any proposed budget shall not affect the liability of any owner from any existing or further base assessment, special assessment or benefitted assessment as provided for in the Declaration.

ARTICLE VI

COMMITTEES

The Board of Directors may appoint committees to perform such tasks and to serve such periods as may be designated by resolution of the Board at a regular, special or annual meeting as provided for by the Bylaws. Such committees shall perform such duties and have such powers as may be provided in the resolution. Each committee shall operate in accordance with the terms of the resolution of the Board of Directors designating the committee or with rules adopted by the Board of Directors. Members of the committee may be nonmembers of the Association provided, however, that no committee shall be composed entirely of nonmembers of the Association.

ARTICLE VII

AGENT TO RECEIVE SERVICE OF PROCESS

The following person, who is a resident of the State of Alabama, is designated as agent to receive service of process upon the Association:

Name: Hugh W. Wheelless, Jr.

Address: 709 Royal Parkway, Dothan, AL 36305

ARTICLE VIII

PARLIAMENTARY RULES

Roberts Rules of Order (latest addition) shall govern the conduct of Association meetings when not in conflict with the Declaration or these Bylaws.

ARTICLES IX

AMENDMENTS

These Bylaws may be amended in accordance with the provisions set forth in Article X of the Declaration concerning amendments thereto.

The foregoing are adopted as the Bylaws of Highland Lakes Owners Association, Inc., a non profit corporation, at the first meeting of the Board of Directors held on the 19th day of February, 2003.

IN WITNESS WHEREOF, Highland Lakes Owners Association, Inc., a nonprofit corporation, has caused these Bylaws to be executed by Hugh W. Wheelless, Jr., as its President, and attested to by Roben Ash, as its secretary on this the 19th day of February, 2003.

HIGHLAND LAKES OWNERS ASSOCIATION, INC.

BY: 
Hugh W. Wheelless, Jr., President

ATTEST BY:



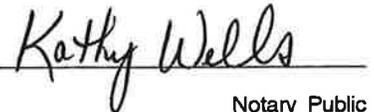
Roben Ash, As its Secretary

State of Alabama

Houston County.

I, Kathy Wells, a notary public in and for said county in said state, hereby certify that Hugh W. Wheelless, Jr. and Roben Ash, whose names as President and Secretary respectively, of Highland Lakes Owners Association, Inc., a nonprofit corporation, are signed to the foregoing instrument and who are known to me, acknowledged before me on this day that, being informed of the contents of said instrument, they, as such officers and with full authority, execute the same voluntarily for and as the act of said corporation.

Given under my hand and seal this 19th day of February, 2003.


Notary Public
My commission expires: 4-18-05