

ALT
07-12551

BALDWIN COUNTY, ALABAMA
JUDGE ADRIAN T. JOHNS
Filed/cert. 11/ 9/2007 8:27 AM
TOTAL \$ 214.00
68 Pages

1084347



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**DECLARATION OF COVENANTS
CONDITIONS AND RESTRICTIONS FOR
THE HIGHLANDS OF SPANISH FORT**

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR THE HIGHLANDS OF SPANISH FORT, ("Declaration") is made by INTERNATIONAL PAPER REALTY CORPORATION, a Delaware corporation ("Declarant").

WITNESSETH:

WHEREAS, Declarant is the owner of certain property described on Exhibit A attached hereto, containing approximately 11,076 acres, more or less, said property being generally known as "The Highlands of Spanish Fort" in Baldwin County, Alabama;

WHEREAS, Declarant desires to develop upon the Property a planned unit development consisting of well-planned residential, commercial, and recreational developments, open spaces and other private common areas and facilities for the benefit, interest and advantage of Declarant and each and every Owner who shall acquire title to any portion of the Property;

WHEREAS, Declarant has deemed it desirable for the efficient preservation, protection and control of the Property to create an agency for the purpose of maintaining and administering the Common Areas described hereinafter, including but not limited to maintaining landscaping, signage, and irrigation associated therewith, and for the purpose of administering this Declaration and collecting and expending for the purposes set forth herein the assessments hereinafter described;

WHEREAS, The Highlands of Spanish Fort Property Owners Association, Inc., has been formed for the aforesaid purposes;

NOW, THEREFORE, in consideration of the premises and of the mutual benefits to be derived by Declarant and each and every subsequent owner and occupant of Units or Tracts within the Property, Declarant does hereby declare that all of the Property shall be held, transferred, sold, conveyed and occupied subject to the restrictions, covenants, conditions, charges and affirmative obligations and conditions hereinafter set forth, all of which shall run with the Property and be binding on all persons, firms, associations, corporations or other entities having or hereafter acquiring any right, title or interest in the Property, or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner and occupant thereof, to wit:

ARTICLE I DEFINITIONS AND GOVERNING DOCUMENTS

1.1 Definitions. The following words and terms, when used in this Declaration, shall have the following meanings:

"Area of Common Responsibility" shall mean the Common Areas, together with such other areas, if any, for which the Association has or assumes responsibility pursuant to the terms of this Declaration, any Supplemental Declaration, or other applicable covenants, contracts, or agreements, including, but not limited to the medians and other areas adjacent to the Highlands Trace Parkway, Bay Minette Creek Greenway as it runs through The Highlands of Spanish Fort property, and monuments, together with associated signage, lighting and irrigation, and the payment of all utility costs in connection therewith.

"Articles of Incorporation" or "Articles" shall mean The Highlands of Spanish Fort Property Owners Association, Inc.'s Articles of Incorporation, filed with the Office of the Judge of Probate of Montgomery County, Alabama, as they may be amended. A copy of the initial Articles are attached to this Declaration as Exhibit B.

"Association" shall mean and refer to The Highlands of Spanish Fort Property Owners Association, Inc., an Alabama non-profit corporation, its successors and assigns. The Articles of Incorporation and the By-Laws for the Association is attached hereto as Exhibit B and Exhibit C, respectively.

"Base Assessment". Assessments levied on all Tracts subject to assessment under Article V to fund Common Expenses for the general benefit of all Tracts, as determined in accordance with Section 5.2, et seq.

"Board of Directors" or "Board" shall mean the body responsible for administration of the Association, selected as provided in the By-Laws and generally

serving the same role as the board of directors under Alabama corporate law, and shall include the Class B Control Period Board and the Post-termination Board (as such terms are defined in the By-Laws), as appropriate.

“By-Laws” shall mean the Bylaws of The Highlands of Spanish Fort Property Owners Association, Inc., as they may be amended. A copy of the initial By-Laws is attached to this Declaration as Exhibit C.

“Class B Control Period” shall mean the period of time during which the Declarant, as the Class B Member, is entitled to cast the number of votes which are contained in the total of all Class A Members, plus one vote. The Class B Control Period shall terminate upon the happening of the earlier of the following:

- (i) When Declarant shall no longer own any of the Property;
- (ii) Twenty (20) years from the date of recording this Declaration; or
- (iii) When, in its sole discretion, Declarant so determines.

“Commercial Review Committee” shall mean and refer to the Development Review Committee having jurisdiction over the Non-residential Tracts.

“Common Areas” shall mean and refer to all real and personal property, including easements, which the Association owns, leases, or otherwise holds possessory or use rights in for the common use and enjoyment of the Members, including, but not limited to, the entry monuments, Bay Minette Creek Greenway, and the Highlands Trace Parkway.

“Common Expenses” shall mean the actual and estimated expenses incurred, or anticipated to be incurred, by the Association for the general benefit of all Members, including any reasonable reserve, as the Board may find necessary and appropriate. Common Expenses shall not include any expenses incurred during the Class B Control Period for initial development or other original construction costs unless Members representing a majority of the total Class A vote of the Association approve.

“Declarant” shall mean International Paper Realty Corporation, a Delaware corporation, or any successor or assign who takes title to any portion of the Property for the purpose of development and/or sale and who is designated as Declarant in a Recorded instrument the immediately preceding Declarant executes.

“Declarant Affiliate” Each of those Persons, if any, identified as Declarant affiliates on any Supplemental Declaration, their successors and assigns, and any other natural person, corporation, limited liability company, limited liability partnership, general partnership, limited partnership, or sole proprietorship (a) owning, owned by, or

under common control with, the Declarant, (b) of which Declarant is a member or partner, or (c) which is a shareholder of Declarant. The existence of an intermediary between Declarant and Declarant Affiliates shall not affect the Declarant Affiliates' status as such.

"Development Guidelines" The guidelines, standards, and review procedures approved by Declarant for each Tract specifying the permitted uses, site development requirements, and in some cases architectural and landscaping design guidelines adopted pursuant to Article II, as they may be amended from time to time, including, without limitation, the Highlands of Spanish Fort Design Guidelines and the Highlands of Spanish Fort Design and Development Standards.

"Development Review Committees" shall mean and refer collectively to the Residential Review Committee and the Commercial Review Committee.

"Equivalent Residential Unit" ("ERU") shall mean and refer to a unit of development capacity equivalent to that required for a single residential dwelling. The number of ERUs assigned to each Tract shall be computed in accordance with Exhibit D, which is incorporated herein and made a part hereof by this reference.

"Governing Documents" A collective term referring to this Declaration and any applicable Supplemental Declaration, the By-Laws, the Articles, the Development Guidelines, and Board resolutions, all as they may be amended.

"Member" shall mean and refer to Declarant, the Vendee Members and the Subassociation Members.

"Mortgage" A mortgage, a deed of trust, a deed to secure debt, or any other form of security instrument affecting title to any Tract. The term "Mortgagee" shall refer to a beneficiary or holder of a Mortgage.

"Non-residential Tract" shall mean and refer to any Tract not intended for development, use and occupancy as attached or detached residences for single families.

"Owner" One or more Persons who hold the record title to any Tract or Unit, but excluding in all cases any party holding an interest merely as security for the performance of an obligation. Any Vendee Member is considered an Owner of any portion of a Tract not subdivided into Units, and, upon the subdivision of any portion of said Tract, an Owner of said Units until sold to a third party.

"Parties to this Declaration" shall mean and refer to Declarant, the Association, all Vendee Members who subscribe to this Declaration, and all Subassociation Members who, upon being delegated responsibilities hereunder by a Vendee Member, shall subscribe to this Declaration and accept such responsibilities.

"Person" shall mean a natural person, a corporation, a partnership, a trustee, or any other legal entity.

"Property", "Properties" or "The Highlands of Spanish Fort" shall mean the real property described in Exhibit A, together with such additional property as is subjected to this Declaration by a Supplemental Declaration.

"Record", "Recording" or "Recorded" shall mean the filing of a legal instrument in the Office of the Judge of Probate of Baldwin County, Alabama, or such other place as may be designated as the official location for recording documents affecting title to real estate.

"Residential Review Committee" shall mean and refer to the Development Review Committee having jurisdiction over Residential Tracts.

"Residential Tract" shall mean and refer to any Tract intended for development, use and occupancy as attached or detached residences for single families.

"Special Assessment" Assessments levied in accordance with Section 5.9.

"Specific Assessment" Assessments levied in accordance with Section 5.10.

"Subassociation" shall mean the automatic membership association consisting of all Owners of Units, recreational facilities and separately owned Tracts of land (however used) within a Tract conveyed by said Vendee Member.

"Subassociation Covenants" shall mean a Recorded subdivision or condominium declaration or agreement of covenants, conditions, and restrictions establishing a general plan of development for each Tract.

"Subassociation Member" shall mean and refer to any Subassociation satisfying the requirements of this Declaration, to whom a Vendee Member shall delegate its responsibilities and obligations under this Declaration.

"Supplemental Declaration" shall mean an instrument Recorded which subjects additional property to this Declaration, and/or imposes additional restrictions and obligations on the land described in such instrument.

"Tract" shall mean any portion of the Property previously or hereafter conveyed by Declarant to a Vendee Member or any subdivided portion of a Tract that does not qualify as a Unit.

"Unit" shall mean a portion of The Highlands of Spanish Fort, whether improved or unimproved, which may be independently owned and is intended for development, use, and occupancy as an attached or detached residence for a single family. The term

shall refer to the land, if any, which is part of the Unit as well as any improvements thereon. In the case of a structure containing multiple dwellings for independent ownership, each dwelling shall be deemed to be a separate Unit.

“Vendee Member” shall mean and refer to any Person to whom Declarant conveys any portion of the Property.

1.2 Governing Documents.

Nothing in this Section shall preclude any Supplemental Declaration or other Recorded covenants applicable to any portion of the Properties from containing additional restrictions or provisions which are more restrictive than the provisions of this Declaration, and in such case the more restrictive shall control. The Association may, but shall not be required to, enforce any such additional covenants or restrictions affecting any portion of the Properties.

Some Tracts within The Highlands of Spanish Fort may be subject to additional covenants, restrictions, and easements, which the Association or a Subassociation may administer. In such case, if there is a conflict between or among the Governing Documents and any such additional covenants or restrictions, or the governing documents or policies of any such Subassociation, the Governing Documents shall control.

The Governing Documents apply to all Owners and occupants of property within The Highlands of Spanish Fort, as well as to their respective tenants, guests, and invitees. Any lease on a Unit shall provide that the tenant and all occupants of the leased Unit are bound by and obligated to comply with the Governing Documents. The Association may, but shall not be required to, enforce any such additional covenants or restrictions affecting any portion of the properties.

If any court should determine that any provision of this Declaration is invalid, or invalid as applied in a particular instance, such determination shall not affect the validity of other provisions or applications of such provision.

ARTICLE II DEVELOPMENT GUIDELINES

2.1 General.

No structure or thing shall be placed, erected, or installed upon any Tract and no improvements or other work including without limitation staking; clearing, excavation, grading, and other site work; exterior alterations of existing improvements; or planting or removal of landscaping (“Work”) shall take place within The Highlands of Spanish Fort, except in compliance with this Article and the Development Guidelines. The Work subject to this Article II shall not include architectural review of residential units constructed in accordance with Subassociation Covenants approved by Declarant.

This Article shall not apply to Declarant’s activities, nor to activities of the Association during the Class B Control Period.

2.2 Development Review.

By accepting a deed or other instrument conveying any interest in any portion of the Properties, each Owner agrees that no Work within the scope of this Article shall be commenced on such Owner's Tract unless and until the Person or committee having jurisdiction under this Section has given its prior written approval for such Work.

(a) Declarant Authority. Each Owner, by accepting a deed or other instrument conveying any interest in any portion of the Properties, acknowledges that Declarant, as the developer of the Property and as an Owner of portions of the Property as well as other real estate within the vicinity of the Property, has a substantial interest in ensuring that the improvements within the Property enhance Declarant's reputation as a community developer and do not impair Declarant's ability to market, sell, or lease its property. Therefore, each Owner agrees that no Work subject to this Article II shall be commenced on such Owner's Tract unless and until Declarant or its designee has given its prior written approval for such Work, which approval may be granted or withheld in the Declarant's or its designee's sole discretion.

In reviewing and acting upon any request for approval, Declarant or its designee shall be acting solely in Declarant's interest and shall owe no duty to any other Person. Declarant's rights reserved under this Article shall continue so long as Declarant or a Declarant Affiliate owns any portion of the Properties or any real property adjacent to the Properties, unless earlier terminated in a written instrument executed and Recorded by Declarant.

Declarant may, in its sole discretion, designate one or more Persons from time to time to act on its behalf in reviewing applications hereunder. Any such delegation shall be in writing, specifying the scope of responsibilities delegated, and shall be subject to (i) Declarant's right to revoke such delegation at any time and reassume jurisdiction over the matters previously delegated; and (ii) Declarant's right to veto any decision which Declarant determines, in its sole discretion, to be inappropriate or inadvisable for any reason. So long as Declarant has any rights under this Article, the jurisdiction of the foregoing entities shall be limited to such matters as are specifically delegated to it by Declarant.

(b) Association Authority. Upon delegation by Declarant or upon expiration or termination of Declarant's rights under this Article, the Association, acting through two (2) Development Review Committees, shall assume jurisdiction over development matters hereunder and shall have the same rights to delegate said rights as are provided to the Declarant.

The Residential Review Committee shall have jurisdiction over Residential Tracts. The Residential Review Committee, when appointed, shall consist of five persons. Two committee members shall be appointed, and may be removed and replaced, by the directors representing Class A Members, and shall be Owners of Residential Tracts or their representatives. Three committee members shall be appointed, and may be removed and replaced, by the directors representing the Class B Member for so long as the Association has a Class B Member. Upon termination of the Class B Control Period, all committee members shall be appointed, removed or replaced by a majority vote of the Board, provided that at least three members shall be Owners of Residential Tracts or their representatives. Except as provided herein, the members of the committee need not be Members of the Association or representatives of Members.

The Commercial Review Committee shall have jurisdiction over Non-residential Tracts. The Commercial Review Committee, when appointed, shall consist of five persons. Two committee members shall be appointed, and may be removed and replaced, by the directors representing Class A Members, and shall be Owners of Non-residential Tracts, or their representatives. Three committee members shall be appointed, and may be removed and replaced, by the directors representing the Class B Member for so long as the Association has a Class B Member. Upon termination of the Class B Control Period, all committee members shall be appointed, removed or replaced by a majority vote of the Board, provided that at least three members shall be Owners of Non-residential Tracts, or their representatives. Except as provided herein, the members of the committee need not be Members of the Association or representatives of Members.

Unless and until such time as Declarant delegates all or a portion of its reserved rights to the Association or Declarant's rights under this Article terminate, the Association shall have no jurisdiction over development matters.

(c) Fees; Assistance. The Declarant or the Development Review Committees (hereinafter referred to collectively as the "Reviewer") may establish and charge reasonable fees for review of applications hereunder and may require such fees to be paid in full prior to review of any application. Such fees may include the reasonable costs incurred in having any application reviewed by architects, engineers or other persons deemed necessary to perform the review. Declarant and the Association may retain architects, engineers, or other persons as deemed necessary to perform the review. If retained by the Association, the Association may include the compensation of such persons in the Association's annual operating budget as a Common Expense.

2.3 Development Guidelines.

Declarant shall prepare the initial Development Guidelines, which may contain general provisions applicable to all of The Highlands of Spanish Fort as well as specific provisions which may vary according to land use and housing type and from one area of the Properties to another. The Development Guidelines may specify procedures, fees, performance bonds, and such other matters as Declarant shall deem appropriate. The Development Guidelines are intended to provide guidance to Owners and Vendee Members regarding matters of particular concern to the Reviewer in considering applications hereunder. The Development Guidelines are not the exclusive basis for decisions of the Reviewer, and compliance with the Development Guidelines does not guarantee approval of any application.

Declarant shall have sole and full authority to amend the Development Guidelines as long as it or any Declarant Affiliate owns any portion of the Properties or has a right to expand the Properties pursuant to Section 6.1, notwithstanding a delegation of reviewing authority to the Association, unless Declarant also delegates the power to amend to the Association. Upon termination or delegation of Declarant's right to amend, the Development Review Committees appointed by the Board shall have the authority to amend the Development Guidelines with the consent of the Board. Any amendments to the Development Guidelines shall be prospective only and shall not apply to require modifications to or removal of structures previously approved once the approved construction or modification has commenced. There shall be no limitation on

the scope of amendments to the Development Guidelines, and such amendments may remove requirements previously imposed or otherwise make the Development Guidelines less restrictive.

2.4 No Waiver of Future Approvals.

Each Owner acknowledges that the Reviewers will change from time to time and that opinions on aesthetic matters, as well as interpretation and application of the Development Guidelines, may vary accordingly. In addition, each Owner acknowledges that it may not always be possible to identify objectionable features of proposed Work until the Work is completed, in which case it may be unreasonable to require changes to the improvements involved, but the Reviewer may refuse to approve similar proposals in the future. Approval of applications or plans for any Work done or proposed, or in connection with any other matter requiring approval, shall not be deemed to constitute a waiver of the right to withhold approval as to any similar applications, plans, or other matters subsequently or additionally submitted for approval.

2.5 Variances.

The Reviewer may authorize variances from compliance with any of its guidelines and procedures when circumstances such as topography, natural obstructions, hardship, or aesthetic or environmental considerations require, but only in accordance with duly adopted rules and regulations. No variance shall (a) be effective unless in writing; (b) be contrary to this Declaration; or (c) preclude the Reviewer from denying a variance in other circumstances. For purposes of this Section, the inability to obtain approval of any governmental agency, the issuance of any permit, or the terms of any financing shall not be considered a hardship warranting a variance.

2.6 Limitation of Liability.

The standards and procedures established by this Article are intended as a mechanism for maintaining and enhancing the overall aesthetics of the Properties; they do not create any duty to any Person. Review and approval of any application pursuant to this Article is made on the basis of aesthetic considerations only and the Reviewer shall not bear any responsibility for ensuring the structural integrity or soundness of approved construction or modifications, nor for ensuring compliance with building codes and other governmental requirements, nor for ensuring that all dwellings are of comparable quality, value or size or of similar design.

The Reviewer shall have sole and full authority to determine matters of aesthetic judgment and the determination of the Reviewer as to such matters shall be final and shall not be subject to judicial review so long as exercised in accordance with the procedures set forth in this Article.

Declarant, the Association, the Board, any committee, or any member of any of the foregoing, shall not be held liable for soil conditions; drainage or other general site work; any defects in plans revised or approved hereunder; any loss or damage arising out of the action, inaction, integrity, financial condition, or quality of work of any contractor or its subcontractors,

employees, or agents, whether or not such contractor has been approved or featured by Declarant to engage in construction in the Properties; or any injury, damages, or loss arising out of the manner or quality of approved construction on or modifications to any Tract. In all matters, the Board, the Reviewer, and the members of each shall be defended and indemnified by the Association as provided in Section 10.1.

ARTICLE III THE ASSOCIATION AND ITS MEMBERS

3.1 Function of Association.

The Association has been established for the purpose of administering the Properties in accordance with the Governing Documents. Its responsibilities include, but are not limited to:

- (a) management, maintenance, operation and control of the Area of Common Responsibility;
- (b) interpretation and enforcement of the Governing Documents; and
- (c) upon delegation or termination of Declarant's authority under Article II, administering the development review process for the Properties.

3.2 Vendee Member. Every purchaser of a Tract from Declarant who shall subscribe hereto shall be and become a Vendee Member unless and until replaced by a Subassociation Member.

3.3 Voting Rights. The Association shall have two classes of voting membership:

(a) Class A. Class A Members shall be all Vendee Members and all Subassociation Members which have replaced Vendee Members as provided herein. Each such member will be entitled to one vote per ERU assigned to the Tract originally purchased by the Vendee Member.

(b) Class B. The Class B Member shall be Declarant which shall be entitled to cast the number of votes which are contained in the total of all Class A Members, plus one vote, until termination of the Class B Control Period. The Class B membership shall be converted to Class A membership upon the termination of the Class B Control Period.

Declarant may, by Supplemental Declaration, create additional classes of membership for the Owners of Tracts within any additional property made subject to this Declaration pursuant to Article VI, with such rights, privileges and obligations as may be specified in such Supplemental Declaration, in recognition of the different character and intended use of the property subject to such Supplemental Declaration.

(c) If there is more than one Owner of any Tract, the vote for such Tract shall be exercised as the co-Owners determine among themselves and advise the Association's Secretary

in writing prior to the vote being taken. Absent such advice, the Tract's vote shall be suspended if more than one Person seeks to exercise it.

ARTICLE IV ASSOCIATION POWERS AND RESPONSIBILITIES

4.1 Members' Benefits. Each Member shall be entitled to the benefits of this Declaration, which include maintenance and landscaping by the Association of the Area of Common Responsibility and other areas described herein.

4.2 Title to Common Areas. Declarant hereby covenants for itself, its successors and assigns, to convey, or cause to be conveyed, at no charge to the Association, fee simple title or if Declarant so elects, easements for the purposes described in this Declaration to the Common Areas.

4.3 Infrastructure Maintenance. The Association covenants and agrees, for itself, its successors and assigns, as follows:

(a) The Association will accept fee simple title or easements to the Common Areas, as provided in this Declaration;

(b) The Association will preserve and maintain for the common benefit of all its Members the Common Areas, including paying all taxes on the Association's interests therein and operating facilities thereon for the benefit of its Members; and

(c) The Association will maintain and repair for the common benefit of all its Members the Areas of Common Responsibility, including, but not limited to portions of any trail system, the monuments and areas upon which they are located, and landscape medians in or along the Highlands Trace Parkway (with the exception of landscaped entrances to Tracts), together with associated signage, lighting and irrigation, and will pay all utility costs in connection therewith.

(d) The Association may maintain other property which it does not own, including, without limitation, property dedicated to the public, if the Board determines that such maintenance is in the best interest of the Members.

The Association shall not be liable for any damage or injury occurring on or arising out of the condition of property which it does not own except to the extent that it has been negligent in the performance of its maintenance responsibilities.

The costs associated with maintenance, repair, and replacement of the Area of Common Responsibility shall be a Common Expense; provided, the Association may seek reimbursement from the owner(s) of, or other Persons responsible for, certain portions of the Area of Common Responsibility pursuant to this Declaration, a covenant to share costs, other Recorded covenants, or agreements with the owner(s) thereof.

4.4 Control of Association Property.

(a) The Association may enter into leases, licenses, or operating agreements for portions of the Common Area, for such consideration or no consideration as the Board deems appropriate, to permit use of such portions of the Common Area by others for the provision of goods or services for the general benefit or convenience of Members.

(b) Upon Declarant's written request, the Association shall reconvey to Declarant any unimproved portions of the Common Area Declarant originally conveyed to the Association for no consideration, to the extent conveyed by Declarant in error or needed by Declarant to make minor adjustments in property lines.

(c) The Association shall be responsible for management, operation, and control of the Common Area, subject to any covenants and restrictions set forth in the deed or other instrument transferring such property to the Association. The Board may adopt such reasonable rules regulating use of the Common Area and the Area of Common Responsibility as it deems appropriate.

4.5 Compliance and Enforcement.

(a) Every Owner and occupant of a Unit or Tract shall comply with the Governing Documents. The Board may impose sanctions for violation of the Governing Documents in accordance with the procedures set forth in the By-Laws. Such sanctions may include, without limitation:

(i) imposing reasonable monetary fines which shall constitute a lien upon the violator's Unit or Tract. (In the event that any occupant, guest, or invitee of a Unit or Tract violates the Governing Documents and a fine is imposed, the fine shall first be assessed against the violator; provided, if the fine is not paid by the violator within the time period set by the Board, the Owner of such Unit or Tract shall pay the fine upon notice from the Board);

(ii) suspending an Owner's right to vote;

(iii) suspending any Person's right to use Common Area facilities other than as necessary for ingress and egress to the Unit or Tract owned or occupied by such Person;

(iv) suspending any services provided by the Association to an Owner or the Owner's Unit or Tract if the Vendee Member or Subassociation Member is more than 30 days delinquent in paying any assessment or other charge owed to the Association;

(v) exercising self-help or taking action to abate any violation of the Governing Documents in a non-emergency situation;

(vi) requiring an Owner, at its own expense, to remove any structure or improvement on such Owner's Unit or Tract in violation of Article II and to restore the Unit or Tract to its previous condition and, upon failure of the Owner to do so, the Board or its designee

shall have the right to enter the property, remove the violation and restore the property to substantially the same condition as previously existed, at Owner's sole expense, and any such action shall not be deemed a trespass;

(vii) without liability to any Person, precluding any contractor, subcontractor, agent, employee or other invitee of an Owner who fails to comply with the terms and provisions of Article II and the Development Guidelines from continuing or performing any further activities in The Highlands of Spanish Fort; and

(viii) levying Specific Assessments to cover costs incurred by the Association to bring a Unit or Tract into compliance with the Governing Documents.

In addition, the Board may take the following enforcement procedures to ensure compliance with the Governing Documents without the necessity of compliance with the procedures set forth in the By-Laws:

(i) exercising self-help in any emergency situation (specifically including, but not limited to, the towing of vehicles that are in violation of parking rules and regulations), and entry onto any Unit or Tract for such purpose shall not be considered a trespass;

(ii) bringing suit at law or in equity to enjoin any violation or to recover monetary damages or both.

In addition to any other enforcement rights, if an Owner fails properly to perform his or her maintenance responsibility, the Association may Record a notice of violation or perform such maintenance responsibilities and assess all costs incurred by the Association against the Unit or Tract and the Owner as a Specific Assessment. Except in an emergency situation, the Association shall provide the Owner reasonable notice and an opportunity to cure the problem prior to taking such enforcement action.

All remedies set forth in the Governing Documents shall be cumulative of any remedies available at law or in equity. In any action to enforce the Governing Documents, if the Association prevails, it shall be entitled to recover all costs, including, without limitation, attorneys' fees and court costs, reasonably incurred in such action.

(b) The Association's decision to pursue enforcement action in any particular case shall be left to the Board's discretion, except that the Board shall not be arbitrary or capricious in taking enforcement action. Without limiting the generality of the foregoing sentence, the Board may determine that, under the circumstances of a particular case:

(i) the Association's position is not strong enough to justify taking any or further action;

(ii) the covenant, restriction or rule being enforced is, or is likely to be construed as, inconsistent with applicable law;

(iii) although a technical violation may exist or may have occurred, it is not of such a material nature as to be objectionable to a reasonable person or to justify expending the Association's resources; or

(iv) it is not in the Association's best interest, based upon hardship, expense, or other reasonable criteria, to pursue enforcement action.

Such a decision shall not be construed a waiver of the Association's right to enforce such provision at a later time under other circumstances or preclude the Association from enforcing any other covenant, restriction, or rule, nor shall it preclude any Owner from taking action at law or in equity to enforce the Governing Documents.

The Association, by contract or other agreement, may enforce applicable city and county ordinances and permit the City of Spanish Fort and/or Baldwin County, Alabama to enforce ordinances within The Highlands of Spanish Fort for the benefit of the Association and its Members.

4.6 Implied Rights; Board Authority.

The Association may exercise any right or privilege given to it expressly by the Governing Documents, or reasonably implied from or reasonably necessary to effectuate any such right or privilege. All rights and powers of the Association may be exercised by the Board without a vote of the membership except where applicable law or the By-Laws of the Association specifically require a vote of the membership.

4.7 Relationships with Other Properties.

The Association may enter into contractual agreements or covenants to share costs with any neighboring property to contribute funds for, among other things, shared or mutually beneficial property or services and/or a higher level of Common Area maintenance.

4.8 Required Insurance. The Association, acting through its Board or its duly authorized agent, shall obtain and continue in effect the following types of insurance, if reasonably available, or if not reasonably available, the most nearly equivalent coverages as are reasonably available:

(a) Blanket property insurance covering "risks of direct physical loss" on a "special form" basis (or comparable coverage by whatever name denominated) for all insurable improvements on the Common Areas and within the Area of Common Responsibility to the extent that the Association has assumed responsibility in the event of a casualty, regardless of ownership. If such coverage is not generally available at reasonable cost, then "broad form" coverage may be substituted. All property insurance policies obtained by the Association shall have policy limits sufficient to cover the full replacement cost of the insured improvements under current building ordinances and codes;

(b) Commercial general liability insurance on the Area of Common Responsibility, insuring the Association and its Members for damage or injury caused by the negligence of the Association or any of its Members, employees, agents, or contractors while acting on its behalf. If generally available at reasonable cost, such coverage (including primary and any umbrella

coverage) shall have a limit of at least Two Million dollars (\$2,000,000.00) per occurrence with respect to bodily injury, personal injury, and property damage; provided, should additional coverage and higher limits be available at reasonable cost which a reasonably prudent person would obtain, the Association shall obtain such additional coverages or limits;

(c) Workers' compensation insurance and employers' liability insurance, if and to the extent required by law;

(d) Directors' and officers' liability coverage;

(e) Commercial crime insurance, including fidelity insurance covering all Persons responsible for handling Association funds in an amount determined in the Board's business judgment but not less than an amount equal to one-hundred fifty percent (150%) of the estimated annual budget of Association plus reserves on hand. Fidelity insurance policies shall contain a waiver of all defenses based upon the exclusion of Persons serving without compensation; and

(f) Such additional insurance as the Board, in the exercise of its business judgment, determines advisable.

Premiums for all insurance on the Area of Common Responsibility shall be Common Expenses, unless the Board reasonably determines that other treatment of the premiums is more appropriate.

Notwithstanding the foregoing, the requirements of this Section 4.8 shall not apply so long as there is a Class B Member.

ARTICLE V COVENANTS FOR ASSESSMENTS

5.1 Personal Obligation. Each Vendee Member, by accepting title to a Tract subject to this Declaration, hereby covenants and agrees to pay to the Association, for the purposes set forth in this Declaration:

(a) Base Assessments or charges;

(b) Special assessments; and

(c) Specific assessments.

All such assessments shall be fixed, established and collected as hereinafter provided, and shall be and remain the personal obligation of each Vendee Member until such Vendee Member shall be relieved of such obligation as herein provided.

5.2 Base Assessments. The Base Assessments or charges required under this Declaration shall be used exclusively for the payment of Common Expenses, including, but not

limited to the improvement, landscaping, lighting and any other associated utilities, signage, repair, maintenance and irrigation (as needed) of the Common Areas and Areas of Common Responsibility, reserve accounts for capital improvements, the payment of any taxes assessed against the Association's interest in the Common Areas, and payment of insurance with respect to the Common Areas;

5.3 Limitations on Base Assessments. The initial Base Assessments for each Tract in the Property shall be determined annually, in advance, and shall not exceed the maximum amount determined as follows:

(a) The maximum Base Assessment for the first fiscal year in which Common Expenses are incurred shall be \$5.00 per ERU and each fiscal year thereafter shall be as determined by the Board of Directors of the Association, provided the maximum Base Assessment for any fiscal year in excess of five percent (5%) more than the assessment for the prior fiscal year shall not be permitted without the consent of seventy-five percent (75%) of the Class A Members of the Association.

5.4 Preparation of Budget. At least 60 days before the beginning of each fiscal year, the Board shall prepare a budget of the estimated Common Expenses of the Association for the coming year, to be allocated among all Tracts. Each budget shall also reflect the sources and estimated amounts of funds to cover such expenses, which may include any surplus to be applied from prior years, any income expected from sources other than assessments levied against the Tracts, and the amount estimated to be generated through the levy of assessments against the Tracts.

The estimated expenses in each budget shall include, in addition to any operating reserves, a reasonable contribution to a reserve fund for repair and replacement of any capital items to be maintained as a Common Expense. In determining the amount of such reserve contribution, the Board shall take into account the number and nature of replaceable assets, the expected life of each, the expected repair or replacement cost, and the contribution required to fund the projected need by annual contributions over the expected useful life of the asset.

5.5 Calculation of Base Assessments. Upon determining the total amount of income required to be generated through the levy of Base Assessments, the Association shall allocate such amount among the Tracts subject to assessment pursuant to Section 5.1 based on each Tract's pro rata share of ERUs in accordance with the formula set forth on Exhibit D and shall assess such amount to each such Tract as a Base Assessment.

Declarant may, but shall not be obligated to, reduce the Base Assessment rate per ERU for any fiscal year by payment of a subsidy, which may be either a contribution, an advance against future assessments due from Declarant, or a loan, in Declarant's discretion. Any such subsidy shall be disclosed as a line item in the income portion of the budget. Payment of such subsidy in any year shall not obligate Declarant to continue payment of such subsidy in future years, unless otherwise provided in a written agreement between the Association and Declarant.

5.6 Intentionally Omitted.

5.7 Notice of Budget and Assessment; Right to Disapprove. The Board shall send a copy of the final budget, together with notice of the amount of the Base Assessment to be levied pursuant to such budget, to each Vendee Member or Subassociation Member at least 30 days prior to the effective date of such budget. Subject to the limitations contained herein, the Common Expense budget shall automatically become effective unless disapproved at a meeting by Members representing 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 any budget except, in the case of the Common Expense budget, on petition of the Members as provided for special meetings in the By-Laws. Any such petition must be presented to the Board within 10 days after delivery of the budget and notice of any assessment.

If any proposed budget is disapproved or the Board fails for any reason to determine the budget for any year, then the budget most recently in effect shall continue in effect until a new budget is determined, provided that the Board may add to said budget Common Expenses related to Areas of Common Responsibility and other duties and obligations imposed on the Association since the budget most recently in effect was approved.

5.8 Budget Revisions. The Board may revise the budget and adjust the assessments levied pursuant thereto from time to time during the year, subject to the same notice requirements and the right of the Members to disapprove the revised budget as set forth above.

5.9 Special Assessments.

In addition to other authorized assessments, the Association may levy Special Assessments to cover unbudgeted expenses or expenses in excess of those budgeted. Any 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 entitled to cast more than 50% of the total votes in each class of membership allocated to Tracts 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.

5.10 Specific Assessments.

The Association shall have the power to levy Specific Assessments against a particular Tract or Tracts as follows:

(a) to cover costs incurred in bringing the Tract into compliance with the Governing Documents, or costs incurred as a consequence of the conduct of the Owner, Vendee Member or Subassociation Member or occupants of the Tract, their agents, contractors, employees, licensees, invitees, or guests; provided, the Board shall give the Vendee Member or

Subassociation Member prior written notice and an opportunity for a hearing, in accordance with the By-Laws, before levying any Specific Assessment under this subsection (a);

(b) to cover costs incurred or expected to be incurred by the Association to set up, clean up, provide additional security, utilities or other services in connection with any festival or other special events sponsored by the Owners or tenants of any Tract or group of Tracts, upon the Board's determination, in the exercise of its business judgment, that such services are necessary or appropriate; and

5.11 Authority to Assess Owners; Time of Payment.

Declarant hereby establishes and the Association is hereby authorized to levy assessments as provided for in this Article and elsewhere in the Governing Documents. The obligation to pay assessments shall commence as to each Tract on the first day of the month following: (a) the last day of the fiscal year in which the Tract 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 levied on each Tract shall be adjusted according to the number of months remaining in the fiscal year at the time assessments commence on the Tract.

Assessments shall be paid in such manner and on such dates as the Board may establish. The Board may require advance payment of assessments at closing of the transfer of title to a Tract and impose special requirements for Vendee Members or Subassociation Members with a history of delinquent payment. If the Board so elects, assessments may be paid in two or more installments. Unless the Board otherwise provides, the Base Assessment shall be due and payable in advance on the first day of each fiscal year. If any Vendee Members or Subassociation Members are delinquent in paying any assessments or other charges levied on its Tract, the Board may require the outstanding balance on all assessments to be paid in full immediately.

5.12 Obligation for Assessments.

Each Vendee Member, 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 all assessments authorized in the Governing Documents. All assessments, together with interest (computed from its due date at a rate of 18% per annum or such higher rate as the Board may establish, subject to the limitations of Alabama law), late charges as determined by Board resolution, costs, and reasonable attorneys' fees, shall be the personal obligation of each Vendee Member and a lien upon each Tract until paid in full.

The Board's failure to fix assessment amounts or rates or to deliver or mail each Vendee Member an assessment notice shall not be deemed a waiver, modification, or a release of any Vendee Member from the obligation to pay assessments. In such event, each Vendee Member shall continue to pay Base Assessments on the same basis as during the last year for which an assessment was made, if any, until a new budget becomes effective and a new assessment is levied pursuant thereto. Any such budget may include as an expense item any shortfall in amounts previously collected.

No Vendee Member may exempt himself from liability for assessments by non-use of Areas of Common Responsibility, abandonment of his or her Tract, or any other means. The obligation to pay assessments is a separate and independent covenant on the part of each Vendee Member. 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.

Upon written request, the Association shall furnish to any Vendee Member 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.

5.13 Relief from Assessments. A Vendee Member may be relieved of its obligation to pay assessments provided herein by providing a substitute Vendee Member or Subassociation Member to whom such obligations shall be delegated, subject to the following conditions:

(a) Vendee Member shall assign said duties and the substitute Member shall accept the assignment of such duties by written instrument executed by both parties and recorded in the Baldwin County, Alabama real estate records.

(b) Such substitute Member must be acceptable to Declarant in its sole discretion. In determining whether a substitute Member is acceptable, Declarant may consider, among other things, whether said substitute Member owns a Unit or Tract or has a vested interest in the area it will represent, is of good repute, and has satisfactory financial strength and net worth to pay assessments levied by the Association. A Subassociation Member is hereby declared to be acceptable as a substitute Member for the Tract under its jurisdiction if it has the power to assess every Tract or Unit located therein for assessments, including the obligations set forth in this Declaration, and is governed by Subassociation Covenants as provided by Section 7.1 hereof. Each Vendee Member that conveys Units to Owners within a Tract shall form a Subassociation to be its substitute Member, unless Declarant consents to allow more than one Member for said Tract as indicated by a written instrument recorded in the Baldwin County, Alabama real estate records.

(c) Said delegation of duties shall be effective as of January 1 following the delivery of said recorded assignment and assumption agreement to Declarant.

5.14 Lien for Assessments.

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

Sale or transfer of any Unit or Tract shall not affect the assessment lien or relieve such Unit or Tract from the lien for any subsequent assessments. However, the sale or transfer of any Unit or Tract pursuant to foreclosure of the first Mortgage shall extinguish the lien only with respect to said Unit or Tract, as the case may be, as to any installments of such assessments due prior to the Mortgagee's foreclosure. The subsequent Owner to the foreclosed Unit or Tract shall not be personally liable for assessments on such Unit or Tract due prior to such acquisition of title. Such unpaid assessments shall be deemed to be Common Expenses collectible from Owners of all Units or Tracts subject to assessment under Section 5.1, including such acquirer, its successors and assigns.

5.15 Exempt Property.

The following property shall be exempt from payment of Base Assessments and Special Assessments:

- (a) All Common Areas and such portions of the property owned by Declarant as are included in the Area of Common Responsibility;
- (b) Any property dedicated to the public and accepted by any governmental authority or public utility or utilized by a governmental authority or public utility;
- (c) Any Tract used by a house of worship recognized as such under the Internal Revenue Code; and
- (d) Any Tract owned by Declarant or a Declarant Affiliate, and held for sale or utilized as a real estate sales office, design center, or other purposes for the promotion and sale of the Properties;

In addition, Declarant and/or the Association shall have the right, but not the obligation, to grant exemptions to certain Persons qualifying for tax exempt status under Section 501(c) of the Internal Revenue Code so long as such Persons own property subject to this Declaration for purposes listed in Section 501(c).

ARTICLE VI ADDITIONAL PROPERTY

6.1 Expansion by Declarant.

Declarant may, from time to time, subject to the provisions of this Declaration, add additional property by a Supplemental Declaration describing the property being subjected. A

Supplemental Declaration Recorded pursuant to this Section shall not require the consent of any person except the owner of such property, if other than Declarant.

Declarant's right to expand the Properties pursuant to this Section shall expire 20 years after this Declaration is Recorded. Until then, Declarant may transfer or assign this right to any Person who is the Owner of any portion of the Property. Any such transfer shall be memorialized in a Recorded instrument executed by Declarant.

Nothing in this Declaration shall be construed to require Declarant or any successor to subject additional property to this Declaration.

6.2 Expansion by the Association.

The Association may also subject property to the provisions of this Declaration by a Supplemental Declaration. Any such Supplemental Declaration shall require the affirmative vote of Members representing more than 50% of the Class A votes of the Association represented at a meeting duly called for such purpose and the consent of the owner of the property. In addition, so long as Declarant owns property subject to this Declaration or which may become subject to this Declaration, Declarant's consent shall be necessary. The Supplemental Declaration shall be signed by the President and Secretary of the Association, by the Owner of the property, and by Declarant, if Declarant's consent is necessary.

6.3 Additional Covenants and Easements.

Declarant may subject any portion of the Properties to additional covenants and easements. Such additional covenants and easements may be set forth either in a Supplemental Declaration subjecting such property to this Declaration or in a separate Supplemental Declaration referencing property previously subjected to this Declaration. If the property is owned by someone other than Declarant, then the consent of the Owner(s) shall be necessary and shall be evidenced by their execution of the Supplemental Declaration. Any such Supplemental Declaration may supplement, create exceptions to, or otherwise modify the terms of this Declaration as it applies to the subject property in order to reflect the different character and intended use of such property.

6.4 Effect of Filing Supplemental Declaration.

A Supplemental Declaration shall be effective upon Recording unless otherwise specified. Any property subjected to this Declaration shall be assigned voting rights in the Association and assessment liability in accordance with the provisions of this Declaration.

**ARTICLE VII
ADDITIONAL RIGHTS RESERVED TO DECLARANT**

7.1 Approval of Subassociation Covenants.

Prior to the sale or lease of any Unit or other portion of a Tract, each Vendee Member shall submit Subassociation Covenants to Declarant for Declarant's prior written approval (any of the rights contained in this Section 7.1 shall accrue to the Association after expiration of the Class B Control Period). Any attempted recordation without such consent shall result in such instrument being void and of no force and effect unless subsequently approved by written consent signed and Recorded by Declarant. Said Subassociation Covenants shall include, but not be limited to, the following provisions:

(a) Restrictive Covenants, Rules and Restrictions. The restrictive covenants, rules, and restrictions shall provide for the use of the Units and the Tract common area in a manner consistent with the scheme of development described in the Development Guidelines for the Tract approved by the Declarant, and the Governing Documents.

(b) Development and Landscape. The Subassociation Covenants shall provide for the review by the Vendee Member, Subassociation or their designees of any improvements or landscaping on the Tract to assure compliance with the Development Guidelines, and the Governing Documents.

(c) Maintenance. The Subassociation Covenants shall provide that each Tract or Unit be maintained in a manner consistent with the Governing Documents and provide appropriate remedies for failure to do so.

(d) Assessments. The Subassociation Covenants shall provide that each Tract or Unit shall be subject to assessments similar to the Base Assessments, Special Assessments, and Specific Assessments described herein, and provide remedies for the collection of said assessments, including the right to file liens against individual Tracts or Units. Said assessments shall specifically include the right to assess Tract or Units Owners for the purpose of enforcing the rights of the Declarant and the Association against any Tract, Unit, Vendee Member, Subassociation Member or Owner as provided in this Declaration, or in any rules, restrictions, or guidelines authorized by this Declaration.

(e) Other. Prior to recording of the Subassociation Covenants, Declarant may specify that other reasonable provisions be included in the Subassociation Covenants as it deems necessary for the benefit of The Highlands of Spanish Fort and for the purpose of insuring that each Tract is developed in accordance with the Development Guidelines approved for said Tract.

(f) Declarant Enforcement. The Subassociation Covenants shall provide that in the event that the Subassociation fails to enforce the provisions of the Subassociation Covenants required hereby (i.e. restrictive covenants, rules and regulations, architectural and landscape review, maintenance, and assessments) after thirty (30) days written notice from the Declarant (or the Association after the Class B Control Period), the Declarant (or the Association after the Class B Control Period) shall have the authority to enforce said provisions and to take such actions on behalf of the Subassociation as may be required to enforce said provisions. Said authority shall include, but not be limited to, the right to specially assess Tract or Unit Owners for the purpose of paying assessments due from the Vendee Member or the Subassociation Member to the Association.

(g) Amendments. The Subassociation Covenants shall not be modified or amended in any manner that materially affects the provisions described in this Section 7.1 without the prior written consent of the Declarant.

7.2 Withdrawal of Property.

Declarant reserves the right to amend this Declaration, so long as it has a right to annex property pursuant to Article VI for the purpose of removing any portion of the Properties which have not yet been improved with structures from the coverage of this Declaration, provided such withdrawal does not reduce the total number of ERUs then subject to the Declaration by more than 10 percent. Such amendment shall not require the consent of any Person other than the Owner(s) of the property to be withdrawn, if not Declarant. If the property is Common Area, the Association shall consent to such withdrawal.

7.3 Right to Develop.

Declarant and its employees, agents, and designees shall have a right of access and use and an easement over and upon all the Common Area for the purpose of making, constructing, and installing such improvements to the Common Area as it deems appropriate in its sole discretion.

7.4 Right to Transfer or Assign Declarant Rights.

Any or all of Declarant's special rights and obligations set forth in this Declaration or the By-Laws may be transferred in whole or in part to other Persons; provided, the transfer shall not reduce an obligation nor enlarge a right beyond that which Declarant has under this Declaration or the By-Laws. No such transfer or assignment shall be effective unless it is in a Recorded instrument signed by Declarant. The foregoing sentence shall not preclude Declarant from permitting other Persons to exercise, on a one time or limited basis, any right reserved to Declarant in this Declaration where Declarant does not intend to transfer such right in its entirety, and in such case it shall not be necessary to Record an assignment unless necessary to evidence Declarant's consent to such exercise.

7.5 Exclusive Rights To Use Name of Development.

No Member shall use the name "The Highlands of Spanish Fort" or any derivative of such name or in logo or depiction in any printed or promotional material without Declarant's prior written consent. However, Members may use the name "The Highlands of Spanish Fort" in printed or promotional matter where such term is used solely to specify that particular property is located within The Highlands of Spanish Fort and the Association shall be entitled to use the words "The Highlands of Spanish Fort" in its name.

**ARTICLE VIII
EASEMENTS**

8.1 Easements in Common Area.

Declarant grants to each Owner a nonexclusive right and easement of use, access, and enjoyment in and to the Common Area, subject to the Board's right to:

- (a) adopt rules regulating use and enjoyment of the Common Area, including rules limiting the number of guests who may use the Common Area;
- (b) dedicate or transfer all or any part of the Common Area, subject to such approval requirements as may be set forth in this Declaration;
- (c) mortgage, pledge, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred.

Any Owner may extend his or her right of use and enjoyment to the members of his or her family, lessees, and social invitees, as applicable, subject to reasonable regulation by the Board. An Owner who leases his or her Unit shall be deemed to have assigned all such rights to the lessee of such Unit for the period of the lease.

8.2 Easements for Utilities, Etc.

(a) Installation and Maintenance. Declarant reserves for itself, so long as Declarant owns any portion of the Property, and grants to the Association and all utility providers, perpetual non-exclusive easements throughout the Properties (but not through a structure) to the extent reasonably necessary for the purpose of:

(i) installing utilities and infrastructure to serve the Properties, cable and other systems for sending and receiving data and/or other electronic signals, security and similar systems, walkways, pathways and trails, drainage systems, street lights, and signage on property which Declarant owns or within public rights-of-way or easements reserved for such purpose on Recorded plats;

(ii) inspecting, maintaining, repairing, and replacing the utilities, infrastructure, and other improvements described in Section 8.2(a)(i); and

(iii) access to read utility meters.

Notwithstanding the above, Declarant reserves the right to deny access to any utility or service provider, to the extent permitted by law, or to condition such access on negotiated terms.

(b) Specific Easements. Declarant also reserves for itself the non-exclusive right and power to grant and Record such specific easements as may be necessary, in the sole discretion of Declarant, in connection with the orderly development of any property described in Exhibit A and additional property subjected to this Declaration. The Owner of any property to be burdened by any easement granted pursuant to this subsection (b) shall be given written notice in advance

of the grant. The location of the easement shall be subject to the written approval of the Owner of the burdened property, which approval shall not unreasonably be withheld, delayed, or conditioned.

(c) Minimal Interference. All work associated with the exercise of the easements described in subsections (a) and (b) of this Section shall be performed in such a manner as to minimize interference with the use and enjoyment of the property burdened by the easement. Upon completion of the work, the Person exercising the easement shall restore the property, to the extent reasonably possible, to its condition prior to the commencement of the work. The exercise of these easements shall not extend to permitting entry into the structures on any Tract or Unit, nor shall it unreasonably interfere with the use of any Tract or Unit and, except in an emergency, entry onto any Tract or Unit shall be made only after reasonable notice to the Owner or occupant.

8.3 Easements to Serve Additional Property.

Declarant hereby reserves for itself and its duly authorized agents, successors, assigns, and mortgagees, an easement over the Common Areas for the purposes of enjoyment, use, access, and development of any property added to the Declaration by Supplemental Declaration. This easement includes, but is not limited to, a right of ingress and egress over the Common Areas 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 Areas as a result of their respective actions in connection with development of such property. Declarant further agrees that if the easement is exercised for permanent access to such property and such property or any portion thereof benefitting from such easement is not made subject to this Declaration, Declarant, its successors or assigns shall enter into a reasonable agreement with the Association to share the cost of any maintenance which the Association provides to or along any roadway providing access to such property.

ARTICLE IX INTENTIONALLY OMITTED

ARTICLE X INDEMNIFICATION

10.1 Indemnification.

Notwithstanding the duty of the Association to maintain the Common Areas, the Association shall not be liable for injury or damage caused by any latent condition in any portion thereof, nor for injury caused by the elements, Owners, Vendee Members, Subassociation Members, or other Persons, nor shall any officer or director of the Association be liable to any Owner, Vendee Member, Subassociation Member or other Person for injury or damage caused by such officer or director in the performance of his or her duties, unless the same shall be due to the willful misfeasance or malfeasance of such officer or director. Each officer and director of the Association shall be indemnified by the Association against all expenses and liabilities, including attorneys' fees reasonably incurred in connection with any proceeding to which he or she may be a party or in which he or she may become involved by reason of his or her having been an officer or director of the Association, or any settlement, whether or not such person is an officer or director of the Association at the time such expense and liabilities are incurred except in such cases where the officer or director is adjudged guilty of willful misfeasance or malfeasance in the performance of his or her duties. In the event of any such settlement, indemnification shall apply only when the Board of Directors of the Association approves such settlement and reimbursement as being in the best interest of the Association.

ARTICLE XI DISPUTE RESOLUTION AND LIMITATION ON LITIGATION

11.1 Agreement to Encourage Resolution of Disputes Without Litigation.

(a) Declarant, the Association, Vendee Members, Subassociation Members and their officers, directors, and committee members; all Persons subject to this Declaration; and any Person not otherwise subject to this Declaration who agrees to submit to this Article (collectively, "Bound Parties"), agree that it is in the best interest of all concerned to encourage the amicable resolution of disputes involving the Properties without the emotional and financial costs of litigation. Accordingly, each Bound Party agrees not to file suit in any court with respect to a Claim described in Section 11.1(b), unless and until it has first submitted such Claim to the alternative dispute resolution procedures set forth in Section 11.2 in a good faith effort to resolve such Claim.

(b) As used in this Article, the term "Claim" shall refer to any claim, grievance or dispute arising out of or relating to

(i) the interpretation, application, or enforcement of the Governing Documents;

(ii) the rights, obligations, and duties of any Bound Party under the Governing Documents; or

(iii) the design or construction of improvements within the Properties, other than matters of aesthetic judgment under Article II, which shall not be subject to review;

except that the following shall not be considered "Claims" unless all parties to the matter otherwise agree to submit the matter to the procedures set forth in Section 11.2:

(i) any suit by the Association to collect Assessments or other amounts due from any Member;

(ii) any suit by the Association to obtain a temporary restraining order (or emergency equitable relief) and such ancillary relief as the court may deem necessary in order to maintain the status quo and preserve the Association's ability to enforce the provisions of Article II of this Declaration (relating to creation and maintenance of Development Guidelines);

(iii) any suit between Members, which does not include Declarant or the Association as a party, if such suit asserts a Claim which would constitute a cause of action independent of the Governing Documents;

(iv) any suit in which any indispensable party is not a Bound Party; and

(v) any suit as to which any applicable statute of limitations would expire within 180 days of giving the Notice required by Section 11.2(a), unless the party or parties against whom the Claim is made agree to toll the statute of limitations as to such Claim for such period as may reasonably be necessary to comply with this Article.

(vi) any suit related to the enforcement of Declarant's rights with respect to Subassociation Covenants as provided in Section 7.1 hereof.

11.2 Dispute Resolution Procedures.

(a) Notice. The Bound Party asserting a Claim ("Claimant") against another Bound Party ("Respondent") shall give written notice (the "Notice") to each Respondent and to the Board stating plainly and concisely:

(i) the nature of the Claim, including the Persons involved and the Respondent's role in the Claim;

(ii) the legal basis of the Claim (*i.e.*, the specific authority out of which the Claim arises);

(iii) the Claimant's proposed resolution or remedy; and

(iv) the Claimant's desire to meet with the Respondent to discuss in good faith ways to resolve the Claim.

(b) Negotiation. The Claimant and Respondent shall make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation. If requested in writing, accompanied by a copy of the Notice, the Board may appoint a representative to assist the parties in negotiating a resolution of the Claim.

(c) Mediation. If the parties have not resolved the Claim through negotiation within 30 days of the date of the Notice described in Section 11.2(a) (or within such other period as the parties may agree upon), the Claimant shall have 30 additional days to submit the Claim to mediation with an entity designated by the Association (if the Association is not a party to the Claim) or to an independent agency providing dispute resolution services in the Baldwin County, Alabama area.

If the Claimant does not submit the Claim to mediation within such time, or does not appear for the mediation when scheduled, the Claimant shall be deemed to have waived the Claim, and the Respondent shall be relieved of any and all liability to the Claimant (but not third parties) on account of such Claim.

If the Parties do not settle the Claim within 30 days after submission of the matter to mediation, or within such time as determined reasonable by the mediator, the mediator shall issue a notice of termination of the mediation proceedings indicating that the parties are at an impasse and the date that mediation was terminated. The Claimant shall thereafter be entitled to file suit or to initiate administrative proceedings on the Claim, as appropriate.

Each Party shall bear its own costs of the mediation, including attorneys' fees, and each Party shall share equally all fees charged by the mediator.

(d) Settlement. Any settlement of the Claim through negotiation or mediation shall be documented in writing and signed by the parties. If any party thereafter fails to abide by the terms of such agreement, then any other party may file suit or initiate administrative proceedings to enforce such agreement without the need to again comply with the procedures set forth in this Section. In such event, the party taking action to enforce the agreement or award shall, upon prevailing, be entitled to recover from the non-complying party (or if more than one non-complying party, from all such parties in equal proportions) all costs incurred in enforcing such agreement or award, including, without limitation, attorneys' fees and court costs.

11.3 Initiation of Litigation by Association.

In addition to compliance with the foregoing alternative dispute resolution procedures, if applicable, the Association shall not initiate any judicial or administrative proceeding unless first approved by a vote of Members entitled to cast 75% of the total Class A, except that no such approval shall be required for actions or proceedings:

- (a) initiated during the Class B Control Period;
- (b) initiated to enforce the provisions of this Declaration, including collection of assessments and foreclosure of liens;
- (c) initiated to challenge *ad valorem* taxation or condemnation proceedings;

(d) initiated against any contractor, vendor, or supplier of goods or services arising out of a contract for services or supplies; or

(e) to defend claims filed against the Association or to assert counterclaims in proceedings instituted against it.

This Section shall not be amended unless such amendment is approved by the same percentage of votes necessary to institute proceedings.

ARTICLE XII MORTGAGEE PROVISIONS

The following provisions are for the benefit of holders, insurers, and guarantors of first Mortgages on Tracts in the Properties. The provisions of this Article apply to both this Declaration and to the By-Laws, notwithstanding any other provisions contained therein.

12.1 No Priority.

No provision of this Declaration or the By-Laws gives or shall be construed as giving any Owner or other party priority over any rights of the first Mortgagee of any Unit or Tract in the case of distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of the Common Area.

12.2 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 Unit or Tract.

12.3 Failure of Mortgagee to Respond.

Any Mortgagee 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 30 days of the date of the Association's request, provided such request is delivered to the Mortgagee by certified or registered mail, return receipt requested.

ARTICLE XIII CHANGES IN OWNERSHIP OR USE OF TRACTS

13.1 Changes in Ownership.

Any Owner desiring to sell or otherwise transfer title to its Tract shall give the Board at least seven-days prior written notice of the name and address of the purchaser or transferee, the date of such transfer of title, and such other information as the Board may reasonably require. In addition, any Owner selling or transferring title to its Tract shall forward any notice or assessment invoice to the purchaser or transferee of the Tract until such notice is received by the Association.

ARTICLE XIV

DEDICATION OF COMMON AREA

14.3 Transfer or Dedication of Common Area.

The Association, acting through the Board, may dedicate portions of the Common Area to the City of Spanish Fort, Baldwin County, Alabama, or to any other local, state, or federal governmental or quasi-governmental entity or to any organization which is tax-exempt under the provisions of Section 501(c)(3) or Section 501(c)(4) of the Internal Revenue Code.

ARTICLE XV AMENDMENT OF DECLARATION

15.1 By Declarant.

In addition to specific amendment rights granted elsewhere in this Declaration, until termination of the Class B Control Period, or so long as Declarant or any Declarant Affiliate owns any portion of the Property, Declarant may unilaterally amend this Declaration for any purpose; provided, such amendment may not materially adversely affect title to a Tract without the consent of the Tract Owner or materially alter the assessment allocation formula without the consent of Members representing at least 50% of the Class A votes in the Association. Thereafter, Declarant may unilaterally amend this Declaration if such amendment is necessary (a) to bring any provision into compliance with any applicable governmental statute, rule, regulation, or judicial determination; (b) to enable any reputable title insurance company to issue title insurance coverage on the Tracts; or (c) to satisfy the requirements of any local, state or federal governmental agency.

15.2 By Members.

Except as otherwise specifically provided above and elsewhere in this Declaration, this Declaration may be amended only by the affirmative vote or written consent, or any combination thereof, of Members representing at least 50% of the total Class A votes in the Association, and the consent of Declarant, so long as Declarant or any Declarant Affiliate owns any property subject to this Declaration or which may become subject to this Declaration in accordance with Section 6.1.

Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall be at least the prescribed percentage of affirmative votes required for action to be taken under that clause.

15.3 Validity and Effective Date.

No amendment may remove, revoke, or modify any right or privilege of Declarant or the Class B Member without the written consent of the Declarant or the Class B Member, respectively (or the assignee of such right or privilege).

If a Member consents to any amendment to this Declaration or the By-Laws, it will be conclusively presumed that such Member has the authority to consent, and no contrary provision in any Mortgage or contract between the Member and a third party will affect the validity of such amendment.

Any amendment shall become effective upon Recording, unless a later effective date is specified in the amendment. Any procedural challenge to an amendment must be made within six months of its Recordation or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of this Declaration.

ARTICLE XVI GENERAL PROVISIONS

16.1 Effective Date. The Effective Date of this Declaration shall be the date of execution by Declarant.

16.2 Severability. Invalidation of any one of these covenants, by judgment or court order, shall in no way affect any other provisions, which shall remain in full force and effect.

16.3 Notices. Any notice sent or required to be sent to any Member or to the Association under the provisions of this Declaration shall be deemed to have been properly given when mailed, postage prepaid, to the last known address shown on the books of the Association for such addressee at the time of mailing.

16.4 Duration. This Declaration shall inure to the benefit of and be enforceable by the Association, Declarant, or any Member, their respective heirs, successors and assigns, for a period of twenty (20) years from the Effective Date, after which time it shall be automatically extended for successive periods of ten (10) years, unless an instrument signed by the holders of not less than ninety percent (90%) of the votes has been executed, amending or abrogating this Declaration; provided, however, that no such amendment or change shall be effective unless made and executed at least six (6) months in advance of the effective date of such change, and unless written notice of the proposed amendment is sent to every member at least ninety (90) days in advance of any action taken.

16.5 Waiver. No provision hereof shall have been deemed abrogated or waived by reason of any failure to enforce the same, regardless of the number of violations or breaches which may occur.

16.6 Conflicts. In the event of any irreconcilable conflict between this Declaration and the By-Laws or Articles of Incorporation, the provisions of this Declaration shall control. In the event of any irreconcilable conflict between the Articles of Incorporation of the Association, and the Bylaws of the Association, the provisions of the Articles of Incorporation shall control.

16.7 Gender and Number. All pronouns used herein shall be deemed to include the masculine, the feminine and non-personal entities, as well as the singular and plural wherever the context provides or permits.

16.8 Exhibits.

Exhibits A and D attached to this Declaration are incorporated by this reference and amendment of such exhibits shall be governed by this Declaration. All other exhibits are attached for informational purposes and may be amended as provided therein or in the provisions of this Declaration which refer to such exhibits.

16.9 Form of Subscription. The Subassociation Members may subscribe to this Declaration by executing the Subscription Agreement, a sample of which is attached as Exhibit E (Subscription Agreement – Subassociation).

[Signature Page Follows]

IN WITNESS WHEREOF, International Paper Realty Corporation has caused this Declaration to be executed and delivered as of the 25th day of October, 2007.

As to Declarant, signed, sealed
and delivered in the presences of:

Cody K. Hagen
Witness

INTERNATIONAL PAPER REALTY
CORPORATION

Allen Moore

By: Allen Moore

As: President

Attest: Olivia D. Phew
Assistant Secretary

[CORPORATE SEAL]

STATE OF North Carolina
COUNTY OF Mecklenburg

I, the undersigned Notary Public in and for said County in said State, do hereby certify that Allen Moore, whose name as President of International Paper Realty Corporation, a Delaware corporation, is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that being informed of the contents of said instrument, as such officer, and with full authority, he/she executed same for and as the of said corporation.

Given under my hand and official seal on this the 25th day of October, 2007.

DIANA CORNELIUS

Diana Cornelius

NOTARY PUBLIC

My Commission Expires: February 27, 2012

My Commission Expires February 27, 2012

LIST OF EXHIBITS

- Exhibit A: The Property
- Exhibit B: Articles of Incorporation
- Exhibit C: Bylaws
- Exhibit D: Formula for Determining Liability for Assessments and Voting Rights
- Exhibit E: Subscription Agreement - Subassociation

EXHIBIT A

Legal Descriptions

TOWNSHIP 3 SOUTH, RANGE 2 EAST

Section 35

That part of the East half of the Southwest Quarter and the Southeast Quarter lying South of Bromley Road

TOWNSHIP 3 SOUTH, RANGE 2 EAST

Section 34

Southwest Quarter of Northeast Quarter; That part of the Northeast Quarter of Southwest Quarter lying North of Bromley Road; The West half of the Southeast Quarter, LESS AND EXCEPT that parcel conveyed by instrument recorded in Real Property Book 32, page 924.

TOWNSHIP 4 SOUTH, RANGE 2 EAST

Section 1

Entire Section

Section 2

Entire Section EXCEPT (1) the East half of the Southwest Quarter; and (2) that part of the Southwest Quarter of Northeast Quarter described as follows: Begin at the Southwest corner of the Northeast Quarter of said Section 2; thence in a northerly direction along the West boundary of said Northeast Quarter of Section 2, a distance of 1,000.0 feet; thence turning an angle of 90° 05' to the right in an easterly direction 750.0 feet to the Point of Beginning of boundary of tract of land herein excepted; thence continuing in an easterly direction along a projection of the last described course 208.71 feet; thence turning an angle of 90° 00" to the right in a southerly direction 208.71 feet; thence turning an angle of 90° 00' to the right in a westerly direction 208.71 feet; thence turning an angle of 90° 00' to the right in a northerly direction 208.71 feet to Point of Beginning.

Section 3

Southeast Quarter of Northeast Quarter; Northwest Quarter of Northwest Quarter; South half of Section

Section 4

Northeast Quarter lying East of the center line of Bay Minette Creek; Northeast Quarter of Southeast Quarter

Section 10

That part of the Northeast Quarter lying East of Jimmy Faulkner Drive.

Section 11

Entire Section

Section 12

Entire Section EXCEPT the East half of Southeast Quarter

Section 13

West half of Northeast Quarter; Northwest Quarter; West half of Southwest Quarter; Southeast Quarter of Southwest Quarter; Southwest Quarter of Southeast Quarter, less and except all South of Sibley Creek

TOWNSHIP 2 SOUTH, RANGE 3 EAST

Section 32

North half of Southwest Quarter; Southwest Quarter of the Southwest Quarter; Northwest Quarter of the Southeast Quarter; South half of the Northeast Quarter of the Northwest Quarter, and the Southeast Quarter of the Northwest Quarter, less and except all East of Bay Minette Creek

TOWNSHIP 3 SOUTH, RANGE 2 EAST

Section 12

Northeast Quarter of the Southeast Quarter; Southeast Quarter of the Southeast Quarter; East half of the East half of the Northwest Quarter of the Southeast Quarter and the East half of the East half of the Southwest Quarter of the Southeast Quarter

Section 13

East half; Southeast Quarter of the Southwest Quarter and the Southwest Quarter of the Southwest Quarter, LESS AND EXCEPT the following described parcel of land in the Northwest Quarter of Northeast Quarter of Section 13; Starting at the Northwest corner of Northeast Quarter of said Section running thence East 8.50 chains for a

beginning corner, thence South 11.50 chains to a stake, thence East 4.35 chains to a corner, thence North 11.50 chains to a corner, thence West 4.35 chains to the Place of Beginning, said exception containing five acres, more or less

Section 14

West half of the Southeast Quarter, less and except all North of petroleum pipeline

Section 22

Southeast Quarter

Section 23

Entire Section

Section 24

Entire Section

Section 25

North half

Section 25

North half of the Southeast Quarter and the South half of the Southeast Quarter

Section 26

North half and all that part of the Northwest Quarter of the Southwest Quarter lying North of Bay Minette Creek

Section 27

Northeast Quarter; all of the North half of the Southeast Quarter which lies North and West of Bay Minette Creek; all of the Southwest Quarter of the Southeast Quarter which lies North and West of Bay Minette Creek

Section 35

East half of the Northeast Quarter; that part of the East half of the Southwest Quarter and that part of the Southeast Quarter lying North of Bromley Road, LESS AND EXCEPT those parcels conveyed to the Baldwin County Commission by Statutory Warranty Deeds dated October 12, 2005, recorded October 21, 2005 as Instrument Number 931293 and as Instrument Number 931294.

Section 36

South half of the Northeast Quarter; Southeast Quarter of the Northwest Quarter; the West half of the Northwest Quarter and the South half

Section 36

Northeast Quarter of the Northeast Quarter

TOWNSHIP 3 SOUTH, RANGE 3 EAST

Section 5

Northeast Quarter; Northwest Quarter of the Northwest Quarter; South half of the Northwest Quarter and the South half

Section 7

Southeast Quarter; Northeast Quarter of the Southeast Quarter of the Northeast Quarter

Section 8

Entire Section

Section 9

Northeast Quarter, lying West of the right-of-way of U.S. Highway 31, also being Alabama State Highway 59.

Section 17

North half of the Northeast Quarter; Southeast Quarter of the Northeast Quarter; Southwest Quarter of the Northeast Quarter; North half of the Northwest Quarter; Southwest Quarter of the Northwest Quarter and the Southwest Quarter

Section 18

Entire Section

Section 19

West half of the West half EXCEPT that parcel starting at the half Section post on the West boundary line of Section 19, Township 3 South, Range 3 East, run East 10 chains; thence North 4 chains for a beginning corner; thence North 10 chains to a stake; thence East 10 chains to a stake; thence South 10 chains to a stake; thence West 10

chains to the Place of Beginning, containing 10 acres, more or less; Said excepted parcel is more particularly described by survey by Geographic Solutions Surveying, L.L.C. as follows: Less and Except the following parcel: Commence at the SW corner of the of the NW1/4 of section 19, T-3-S, R-3-E, Baldwin County, AL.; thence N89°42'46"E a distance of 290.14 feet to a point; thence N00°01'48"E, a distance of 185.43 feet to a SET 5/8" CAPPED REBAR at a painted possession corner; thence N06°58'42"W along painted possession line a distance of 708.28 feet to a SET 5/8" CAPPED REBAR at a painted possession corner; thence S82°30'34"E along a painted possession line a distance of 1049.11 feet to a SET 5/8" CAPPED REBAR at a painted possession corner; S07°26'05"E along a painted possession line a distance of 560.02 feet to a fence corner post; thence S89°23'18"W along a painted possession line a distance of 1026.63 feet to the POINT OF BEGINNING, said parcel containing 14.81 acres

East half of the West half; North half of the Northeast Quarter; South half of the Northeast Quarter and the Southeast Quarter

Section 20

West half of the West half

2652 JPB Tract

Beginning at an iron pipe being the Southwest corner of Section 4, Township 3 South, Range 3 East, Baldwin County, Alabama; thence run North 00 degrees 19 minutes 12 seconds West, 3300.00 feet to a point; thence run North 90 degrees 00 minutes 00 seconds East, 1339.00 feet to a point; thence run South 00 degrees 19 minutes 12 seconds East, 660.00 feet to a point; thence run North 89 degrees 54 minutes 35 seconds East, 1339.01 feet to a point; thence run South 00 degrees 11 minutes 37 seconds West, 1322.81 feet to a point; thence run south 89 degrees 31 minutes 19 seconds East 916.18 feet to a point; thence run South 01 degrees 37 minutes 34 seconds West, 596.18 feet to a point; thence run North 88 degrees 16 minutes 08 seconds East, 778.90 feet to a point on the West right-of-way line of U.S. Hwy No. 31; thence run South 15 degrees 19 minutes 24 seconds East along said West right-of-way line of U.S. Hwy No. 31, 100.00 feet to a point; thence run South 88 degrees 16 minutes 08 seconds West, 168.00 feet to a point; thence run South 00 degrees 53 minutes 33 seconds East, 220.17 feet to a point; thence run South 89 degrees 51 minutes 07 seconds West, 182.60 feet to a point; thence run South 00 degrees 09 minutes 10 seconds East, 417.09 feet to a point; thence run North 90 degrees 00 minutes 00 seconds West, 4017.02 feet to the point of beginning.

2654

PARCEL A: Beginning at the Southwest corner of the Northeast Quarter of the Southwest Quarter of Section 34, Township 3 South, Range 2 East, Baldwin County, Alabama; thence run North 01°33'25" West, 167.80 feet to the newly acquired South right-of-way of Bromley Road as recorded in Instrument No. 931294, in the Office of the

Judge of Probate, Baldwin County, Alabama; thence run North 89°36'40" East along said South right-of-way of Bromley Road, 148.07 feet to a point; thence run Northeasterly along said South right-of-way of Bromley Road and a curve to the left having a radius of 840.00 feet, a delta angle of 21° 15' 13", a chord of which bears North 78° 59' 04" East a distance of 309.81 feet, an arc distance of 311.59 feet to a point; thence run North 68° 21'27" East along said South right-of-way of Bromley Road, 202.42 feet to a point; thence run Southeasterly along said South right-of-way of Bromley Road and a curve to the right having a radius of 760.00 feet, a delta angle of 54° 05' 23", a chord of which bears South 84°35'52" East a distance of 691.13 feet, an arc distance of 717.47 feet to a point; thence run South 01° 42' 49" East leaving said South right of way of Bromley Road, 235.54 feet to a point; thence run South 89° 54' 36" West, 1330.87 feet to the point of beginning; containing 8.17 acres, more or less.

PARCEL B: The Southeast Quarter of the Southwest Quarter of Section 34, Township 3 South, Range 2 East, Baldwin County, Alabama.

PARCEL C: The West Half of the Northwest Quarter of the Northeast Quarter of Section 3, Township 4 South, Range 2 East, Baldwin County, Alabama.

PARCEL D: The Northeast Quarter of the Northwest Quarter of Section 3, Township 4 South, Range 2 East, Baldwin County, Alabama.

PARCEL E: The Southeast Quarter of the Northwest Quarter of Section 3, Township 4 South, Range 2 East, Baldwin County, Alabama. Said tracts of land contain 141.5 acres, more or less

EXHIBIT B

ARTICLES OF INCORPORATION

(See pages following)

THE HIGHLANDS OF SPANISH FORT PROPERTY OWNERS ASSOCIATION, INC.
(an Alabama Nonprofit Corporation)

ARTICLES OF INCORPORATION

The undersigned Incorporator hereby forms a nonprofit corporation under the laws of the State of Alabama, and adopts the following Articles of Incorporation:

ARTICLE I
NAME

The name of the corporation is THE HIGHLANDS OF SPANISH FORT PROPERTY OWNERS ASSOCIATION, INC., hereinafter referred to as the "Association." The address of the Association is The Highlands of Spanish Fort Property Owners Association, Inc., c/o International Paper Realty Corporation, Attn: Brian Dangler, 6400 Poplar Avenue, Tower 1, 8th Floor, Memphis, Tennessee 38197.

ARTICLE II
DURATION

The corporate existence will begin upon the filing of these Articles of Incorporation with the Office of the Judge of Probate, Montgomery County, Alabama. This Association shall have perpetual existence unless sooner dissolved in accordance with the provisions herein contained or in accordance with the laws of the State of Alabama.

ARTICLES III
PURPOSES

The Association does not contemplate pecuniary gain or profit to its members. The Association's specific purposes are to provide for the maintenance and preservation of that certain tract of property in Baldwin County, Alabama containing approximately 11,076 acres, more or less (the "Property"), for the mutual advantage and benefit of the members of this Association, who shall be owners of lots within the Property. To promote the health, safety and welfare of the owners of lots in the Property and any additions thereto as may hereafter be brought within the jurisdiction of this Association, the Association shall have and exercise the following authority and powers:

(a) To exercise all of the powers and privileges and to perform all of the duties and obligations of the Association as set forth in the Declaration of Covenants, Conditions and Restrictions for The Highlands of Spanish Fort recorded in the Office of the Judge of Probate, Baldwin County, Alabama ("Restrictions") which are hereby incorporated herein by reference.

(b) To fix, levy, collect and enforce payment by any lawful means all charges and assessments, pursuant to the terms of the Restrictions or as the Board of Directors may determine are necessary. To pay all expenses in connection therewith and all office and other expenses

incident to the conduct of the business of the Association, including all licenses, taxes or governmental charges levied or imposed against the property of the Association.

(c) To acquire, by gift, purchase or otherwise, own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use or otherwise dispose of real or personal property in connection with the affairs of the Association.

(d) To borrow money and to mortgage, pledge or hypothecate any and all of its real or personal property as security for money borrowed or debts incurred.

(e) To dedicate, sell or transfer all or any part of any common areas to any public agency, authority or utility for such purposes, subject to the procedure as established in the Restrictions and such conditions as may be agreed to by the members.

(f) To participate in mergers and consolidations with other nonprofit corporations organized for similar purposes.

(g) To act as purchasing agent for goods and services for the Association and for the benefit of the members.

(h) To have and to exercise any and all powers, rights and privileges which a corporation organized under the Alabama Nonprofit Corporation Act, by law, may now or hereafter have or exercise.

ARTICLE IV MEMBERSHIP

The Association shall have two classes of voting membership, which shall be Class A and Class B. Class A may contain multiple members ("Class A Members"). Each Class A Member shall be any natural person, a corporation, a limited liability company, a partnership, a trustee, or any other legal entity to whom the Class B Member conveys any portion of the Property. Additionally, a Class A Member will be entitled to one vote per unit of development capacity, which shall be equivalent to that required for a single residential dwelling, assigned to such portion of the Property that the Class A Member originally purchased from Class B Member.

Class B shall contain one (1) member ("Class B Member"). The Class B Member shall be International Paper Realty Corporation, a Delaware corporation, which executed and recorded the Restrictions as the "Declarant". The Class B Member shall be entitled to cast the number of votes which are equal to the total votes of all Class A Members, plus one vote, until termination of the "Class B Control Period", as defined hereinafter.

The Class B Control Period is the period of time during which the Class B Member is entitled to vote, which shall terminate upon the happening of the earlier of the following: (a) when the Class B Member shall no longer own any of the Property; (b) on a date that is twenty (20) years from the date of recording the Restrictions; or (c) when, in its sole discretion, the

Class B Member so determines. The Class B membership shall be converted to Class A membership upon the termination of the Class B Control Period.

The Class B Member reserves the right to execute and record an additional instrument which subjects additional property to the Restrictions or imposes additional restrictions and obligations on the land described in the Restrictions ("Supplemental Declaration"). Under such reserved right, the Class B Member may, by Supplemental Declaration, create additional classes of membership for the "Owners" of "Tracts", both of which as defined hereinafter, within any additional property made subject to the Restrictions, with such rights, privileges and obligations as may be specified in such Supplemental Declaration, in recognition of the different character and intended use of the property subject to such Supplemental Declaration.

An Owner is any natural person, a corporation, a limited liability company, a partnership, a trustee, or any other legal entity which holds the record title to any Tract or "Unit", as defined hereinafter, but excludes in all cases any party holding an interest in a Tract merely as security for the performance of an obligation. A Tract is any portion of the Property previously or hereafter conveyed by the Class B Member to a Class A Member or any subdivided portion of a Tract that does not qualify as a Unit. A Unit is a portion of the Property, whether improved or unimproved, which may be independently owned and is intended for development, use, and occupancy as an attached or detached residence for a single family. Each Class A Member is considered an Owner of any portion of a Tract not subdivided into Units, and, upon the subdivision of any portion of said Tract, an Owner of said Units until sold to a third party.

If there is more than one Owner of any Tract, the vote for such Tract shall be exercised as the co-Owners determine among themselves and advise the Association's Secretary in writing prior to the vote being taken. Absent such written notice, the Tract's vote shall be suspended if more than one Person seeks to exercise it.

ARTICLE V BOARD OF DIRECTORS

The affairs of the Association shall be managed by a Board of Directors (the "Board of Directors"), and a Director does not have to be a member of the Association. The number of Directors of the Association shall not be less than three (3) nor more than seven (7). Initially the Board of Directors shall consist of three (3) Directors (the "Class B Control Period Board"). Within ninety (90) days after the termination of Class B membership, the number of Directors shall be increased to seven (7) (the "Post-termination Board"). The term "Board of Directors" shall include the Class B Control Period Board and the Post-termination Board, as appropriate. The term "Class B Control Period Board" shall mean the initial Class B Control Period Board and any intervening Class B Control Period Boards elected prior to the election of the Post-termination Board.

The name and address of the persons who are to act in the initial capacity of Director until the selection and qualification of their successors are:

<u>Name</u>	<u>Address</u>
Brian J. Dangler	6400 Poplar Avenue Tower 1, 8 th Floor Memphis, Tennessee 38197
Tom F. Connor	6400 Poplar Avenue Tower 1, 8 th Floor Memphis, Tennessee 38197
Jackie W. Rozier	6400 Poplar Avenue Tower 2, 4 th Floor Memphis, Tennessee 38197

The initial terms of the Directors shall be fixed at the time of their election as they may among themselves determine, but no term shall be longer than three (3) years. The initial Directors may serve successive terms. Members of the Board of Directors shall hold office until their respective successors have been elected.

ARTICLE VI REMOVAL OF DIRECTORS

Any Director elected solely by the votes of the Class A Members may be removed from office prior to expiration of his or her term by the votes of the majority of the Class A Members. Directors serving on the Class B Control Period Board may only be removed by the Class B Member. Any Director serving on the Post-termination Board appointed by the Class B Member may be removed from office only by the votes of Class A Members who are entitled to vote seventy-five percent (75%) of the votes of the Association.

In the event of death or resignation of a Director, his or her successor shall be selected by a majority of the remaining Directors, and such successor shall serve for the unexpired term of his or her predecessor.

ARTICLE VII DIRECTOR COMPENSATION

No Director shall receive compensation for any service he or she may render to the Association; however, any Director may be reimbursed for his or her actual expenses incurred in the performance of his or her duties.

**ARTICLE VIII
REGISTERED OFFICE AND AGENT**

The address of the initial registered office of the Association is 2000 Interstate Park Dr., Suite 204, Montgomery, Alabama 36109. The name of the initial Registered Agent of the Association at that address is The Corporation Company.

**ARTICLE IX
OFFICERS**

Subject to the direction of the Board of Directors, the affairs of this Association shall be administered by its Officers, as designated in the Bylaws of this Association. The Officers shall be elected annually by the Board of Directors. The names and addresses of the Officers who shall serve until the first annual meeting of the Board of Directors are as follows:

<u>Office</u>	<u>Name</u>	<u>Address</u>
President	Brian J. Dangler	6400 Poplar Avenue Tower 1, 8 th Floor Memphis, Tennessee 38197
Vice-President	Elizabeth Keith	6400 Poplar Avenue Tower 1, 8 th Floor Memphis, Tennessee 38197
Secretary	Jackie W. Rozier	6400 Poplar Avenue Tower 2, 4 th Floor Memphis, Tennessee 38197
Treasurer	Tom F. Connor	6400 Poplar Avenue Tower 1, 8 th Floor Memphis, Tennessee 38197

**ARTICLE X
BYLAWS**

The Bylaws of this Association shall be adopted by the first Board of Directors and recorded among the public records of Montgomery County, Alabama. The Bylaws may be altered, amended, modified or repealed in a manner provided for in the Bylaws.

ARTICLE XI AMENDMENTS

The Association reserves the right to amend or repeal any of the provisions contained in these Articles or any amendments hereto with the approval of two-thirds (2/3) of the Association membership. No amendment shall conflict with the Restrictions.

ARTICLE XII SUPREMACY

These Articles and the Bylaws are subject to the Restrictions and in the event of a conflict, the Restrictions shall govern. In the event of a conflict between these Articles and the Bylaws, these Articles shall govern.

ARTICLE XIII INDEMNIFICATION

The Association shall indemnify and hold harmless any and all of its present or former directors and officers to the full extent permitted by law, as further described herein. Said indemnification shall include, but not be limited to all expenses and liabilities, including attorneys' fees reasonably incurred in connection with any proceeding to which he or she may be a party or in which he or she may become involved by reason of his or her having been an officer or director of the Association, or any settlement, whether or not such person is an officer or director of the Association at the time such expense and liabilities are incurred except in such cases where the officer or director is adjudged guilty of willful misfeasance or malfeasance in the performance of his or her duties. In the event of any such settlement, indemnification shall apply only when the Board of Directors of the Association approves such settlement and reimbursement as being in the best interest of the Association. The foregoing right of indemnification shall not affect any other rights to which any director or officer may be entitled as a matter of law or which he or she may be lawfully granted.

ARTICLE XIV INCORPORATOR

The name and address of the incorporator of the Association is:

International Paper Realty Corporation
6400 Poplar Avenue
Tower 1, 8th Floor
Memphis, Tennessee 38197

[Signature Page Follows]

IN WITNESS WHEREOF, I have subscribed my name this 25th day of October, 2007.

International Paper Realty Corporation

Allen Moore
By: Allen Moore
As: President

Attest: Deborah D. Dumas
Assistant Secretary

STATE OF North Carolina
COUNTY OF Mecklenburg

I, the undersigned Notary Public in and for said County in said State, do hereby certify that Allen Moore, whose name as President of International Paper Realty Corporation, a Delaware corporation, is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that being informed of the contents of said instrument, as such officer, and with full authority, he executed same for and as the of said corporation.

Given under my hand and official seal on this the 25th day of October, 2007.

DIANA CORNELIUS
Diana Cornelius
NOTARY PUBLIC
My Commission Expires: February 27, 2012

My Commission Expires February 27, 2012

STATE OF ALABAMA
MONTGOMERY CO.
CERTIFY THIS INSTRUMENT
WAS FILED ON

2007 NOV -2 AM 11:18

ROSE MCKINNEY, JR.
JUDGE OF PROBATE

EXHIBIT C

BYLAWS

(see pages following)

**BYLAWS OF
THE HIGHLANDS OF SPANISH FORT
PROPERTY OWNERS ASSOCIATION, INC.**

ARTICLE I

Name, Address, Membership and Definitions

Section 1.01. Name. The name of the Association shall be THE HIGHLANDS OF SPANISH FORT PROPERTY OWNERS ASSOCIATION, INC. (hereinafter referred to as the "Association").

Section 1.02. Address. The address and principal office of the Association shall be The Highlands of Spanish Fort Property Owners Association, Inc., c/o International Paper Realty Corporation, Attn: Brian Dangler, 6400 Poplar Avenue, Tower 1, 8th Floor, Memphis, Tennessee 38197.

Section 1.03. Membership. The Association shall have two classes of membership: Class A and Class B each of which is more fully described in the Declaration of Covenants, Conditions and Restrictions for The Highlands of Spanish Fort between International Paper Realty Corporation and the Association, recorded in the Office of the Judge of Probate, Baldwin County, Alabama (hereinafter referred to as the "Declaration"), the terms of which are specifically incorporated herein by reference.

Section 1.04. Definitions. The words used in these Bylaws shall, unless the contrary clearly appears from the context, have the same meanings as the definitions set forth in the Declaration.

ARTICLE II

Meetings of the Association

Section 2.01. The first annual meeting of the Association shall be held during October, and each subsequent regular annual meeting of the Association shall be held during the month of October of each year thereafter.

Section 2.02. Attendance. Meetings of the Association shall be attended by the duly authorized representative of the Members.

Section 2.03. Special Meetings. Special meetings of the Association may be called at any time by the President or by the Board of Directors or by the holders of no less than fifty (50%) percent of the votes of the Association. The notice of any special meeting shall state the date, time and place of such meeting and the purpose thereof; no business shall be transacted at a special meeting unless described in such notice.

Section 2.04. Notice of Meetings. Written or printed notice of each meeting of the Association shall be given by, or at the direction of, the Secretary or person authorized to call the meeting, by personal delivery or by mailing a copy of such notice, postage prepaid at least thirty

(30) days, but not more than fifty (50) days, before such meeting, to each Member entitled to vote at such meeting. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of such meeting. If mailed, the notice shall be deemed to be delivered when deposited in the United States mail addressed to the Member at his or her address as it appears on the Association's records, with postage prepaid. Notice may be waived, and attendance at a meeting by a Member shall be deemed waiver by such voting member of the requirements of notice, unless such Member specifically objects to lack of proper notice at such meeting.

Section 2.05. Quorum. Except as otherwise provided in these Bylaws or in the Declaration, the presence in person or by proxy of the Members representing one-tenth (1/10) of the votes of each class of membership shall constitute a quorum; provided, however, that so long as there is a Class B Member, a quorum shall not be deemed to exist without the presence of the representative of the Class B membership.

In the absence of a quorum at a meeting, the Members entitled to vote at such meeting shall have the power to do the following:

a) adjourn the meeting to another time within thirty (30) days after the adjourned meeting by announcing the time and place of the following meeting at the adjourned meeting; in this event no additional notice shall be required, or

b) adjourn the meeting and later schedule a subsequent meeting within forty-five (45) days after the adjourned meeting; in this event, the subsequent meeting will be subject to the

initial notice requirements and the notice must state that the subsequent meeting is being held due to lack of quorum.

In either event, the quorum requirement for the subsequent meeting shall be one-half (1/2) of the quorum requirement for the adjourned meeting. The reducing quorum requirement may take place multiple times for multiple subsequent meetings (reducing by fifty percent (50%) each time subject to the minimum quorum requirement referred to below), provided all notice requirements and time periods in this paragraph for re-scheduling said meetings are complied with, until a meeting is held at which a quorum is present. In no event shall the quorum requirement be reduced beyond ten percent (10%) of the total number of votes of the Members.

Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, provided that any action taken is approved by at least a majority of the votes required to constitute a quorum.

Section 2.06. Proxies. Any Member entitled to vote may do so by written proxy duly executed by the Member, setting forth the meeting at which the proxy is valid. To be valid, a proxy must be dated and filed with the Secretary prior to the opening of the meeting for which it is to be used. Proxies may be filed by personal delivery to the Secretary, by U. S. Mail, or by telefax transmission to the office of the Association or the Association's property manager with confirmation of receipt. A proxy may be revoked only by written notice delivered to an officer of the Association prior to exercise of such proxy, except that attendance at the meeting of the

Member who has given a proxy shall automatically invalidate the proxy for that meeting unless otherwise expressly stated in the proxy. A proxy holder may not appoint a substitute proxy holder unless expressly authorized to do so in the proxy.

Section 2.07. Action without a Meeting. Any action required by law to be taken at a meeting of the Association, or any action which may be taken at a meeting of the Association, may be taken without a meeting if the consent in writing setting forth the action so taken shall be signed by all of the 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: Selection; Term of Office

Section 3.01. Number. The affairs of the Association shall be managed by a Board of Directors (hereinafter referred to as the "Board" or the "Board of Directors"). Initially the Board shall consist of three (3) members (hereinafter referred to as the "Class B Control Period Board"). Within ninety (90) days after the termination of Class B membership, the number of directors shall be increased to seven (7) (hereinafter referred to as the "Post-termination Board"). The terms "Board" and "Board of Directors" shall include the Class B Control Period Board and the Post-termination Board, as appropriate. The term "Class B Control Period Board" shall mean the initial Class B Control Period Board and any intervening Class B Control Period Boards elected prior to the election of the Post-termination Board.

Section 3.02. Election of Directors. The Class B Control Period Board shall be elected by the Class B Member. The Post-termination Board shall be elected by a majority of the Class A Members.

Section 3.03. Term of Office. Notwithstanding any other provision contained herein, the initial terms of the directors shall be fixed at the time of their election as they may among themselves determine, but no term shall be longer than three years. The initial directors may serve successive terms. Members of the Board of Directors shall hold office until their respective successors have been elected.

Section 3.04. Removal. Any director elected solely by the votes of Members other than the Class B Member may be removed from office prior to expiration of his or her term by the votes of the majority of those Members other than the Class B Member. Directors serving on the Class B Control Period Board may only be removed by the Class B Member. Any director serving on the Post-termination Board appointed by the Class B Member may be removed only by the votes of Members entitled to vote seventy-five (75%) percent of the votes of the Association.

Section 3.05. In the event of death or resignation of a director, his or her successor shall be selected by a majority of the remaining members of the Board, and such successor shall serve for the unexpired term of his or her predecessor.

Section 3.06. Compensation. No director shall receive compensation for any service he or she may render to the Association; however, any director may be reimbursed for his or her actual expenses incurred in the performance of his or her duties.

Section 3.07. Action Taken Without a Meeting. The directors shall have the right to take any action in the absence of a meeting, which action they could take at a meeting, by obtaining the written approval of all of the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

ARTICLE IV

Meetings of Directors

Section 4.01. Regular Meetings. Regular meetings of the Post Termination Board shall be held monthly without notice, at such place and hour, as may be fixed from time to time by resolution of such Board. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

Section 4.02. Special Meetings. Special meetings of the Board of Directors shall be held when called by the President, or by any two directors. Written notice thereof, giving the time, date, place and purpose of such meeting shall be delivered personally or mailed to the directors not less than five (5) days prior to the date of such meeting.

Section 4.03. Quorum. At all meetings of the Board of Directors, the majority of the directors shall constitute a quorum for the transaction of business, and the vote of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the Board of Directors.

ARTICLE V

Powers and Duties of the Board of Directors

Section 5.01. Powers. The Board of Directors shall be responsible for the affairs of the Association, and shall have all the powers necessary therefor, including, but not limited to, the following:

- (a) To adopt and publish rules and regulations governing the use of Common Areas and other properties maintained by the Association;
- (b) To exercise for the Association all powers, duties and authority vested in or delegated in the Association and not reserved to the membership or others by provisions of these Bylaws, the Articles of Incorporation, or the Declaration;
- (c) To declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three consecutive regular meetings of the Board, unless such absence shall have been excused by a majority of the Board;
- (d) To employ a manager, independent contractor, or such other employees as the Board deems necessary, prescribe their duties, fix their compensation, and require of them such security or fidelity bonds as it may deem expedient;

(e) To make or contract for the making of repairs, additions and improvements to or alterations of the Common Areas and any other properties owned, operated or maintained by the Association, in accordance with other provisions of the Declaration and these Bylaws, after destruction by fire or other casualty;

(f) To enforce by legal means the provisions of the Declaration, these Bylaws and the rules and regulations adopted hereunder; and

(g) To permit utility suppliers to use portions of the Common Areas reasonably necessary to the ongoing development or operation of the Property.

Section 5.02. Duties. It shall be the duty of the Board of Directors:

(a) To cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof at each annual meeting of the Association, or at any special meeting when such is requested as provided in these Bylaws;

(b) To supervise all officers, agents and employees of this Association, and to see that their duties are properly performed;

(c) To prepare and adopt an annual budget for the common expenses;

(d) To fix the amount of annual assessments to defray the common expenses, establishing the means and methods of collecting such assessments, and to send written notices of each assessment to every Member subject thereto at least thirty (30) days in advance of such annual assessment;

(e) To provide for the operation, care, upkeep and maintenance of the Common Areas, and any other properties owned, operated or maintained by the Association;

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

(g) To procure and maintain adequate liability and hazard insurance on all properties owned, operated or maintained by the Association;

(h) To collect all assessments, deposit the proceeds thereof in a bank depository which it shall approve, and use the proceeds to administer the Association;

(i) To make and amend rules and regulations; and

(j) To open bank accounts on behalf of the Association and designate the signatories required.

ARTICLE VI

Officers and Their Duties

Section 6.01. Officers. The officers of the Association shall be a president, a vice president, a secretary and a treasurer, and such other officers as the Board may from time to time by resolution create.

Section 6.02. Election of Officers. The officers of the Association shall be elected annually by the Board of Directors at its meeting held prior to each annual meeting of the Members.

Section 6.03. Term. The officers of the Association shall hold office for one year unless any such officer shall sooner resign, be removed or otherwise disqualified to serve.

Section 6.04. Resignation and Removal. Any officer may be removed from office, with or without cause, by the Board. Any officer may resign at any time upon giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of 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.

Section 6.05. Execution of Documents. All agreements, contracts, deeds, leases and other instruments of the Association shall be executed by at least two (2) officers, except that checks drawn on Association accounts may be executed, if authorized by proper resolution, by either the Treasurer or the President.

Section 6.06. Multiple Offices. No person shall simultaneously hold more than any one office, except in the case of special offices created by the Board pursuant to the authority as set forth in this Article.

Section 6.07. Duties. The duties of the officers are as follows:

(a) President. The President shall preside at all meetings of the Association and Board; shall see that orders and resolutions of the Board are carried out; and shall be one of the signatories on all notes, leases, mortgages, deeds and other written instruments, other than

checks, which may be signed by either the President or the Treasurer, if the Board shall by resolution so provide.

(b) Vice President. The Vice President shall act in the place and stead of the President in the event of his or her absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him or her by the Board.

(c) Secretary. The Secretary shall record the votes and keep the minutes of the proceedings of the Board and the Association; keep the corporate seal of the Association and affix it on all papers requiring such seal; serve notice of meetings of the Board and Members; keep current records showing the names of members of the Association, together with their addresses, and shall perform such other duties as may be required by the Board.

(d) Treasurer. The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; provided, however, that a resolution of the Board of Directors shall not be necessary for disbursements made in the ordinary course of business conducted within the limits of the budget approved by the Board; he or she shall, unless signed by the President, sign all checks of the Association and all promissory notes of the Association; keep proper books of account; and shall prepare an annual budget and statement of income and expenditures to be presented at the regular annual meeting of the Association.

ARTICLE VII

Committees

Committees to perform such tasks and to serve for such periods as may be designated by resolution adopted by the Board of Directors are hereby authorized. Such committees may

include a "Transition Committee", which committee shall be responsible for taking, or causing to be taken, any actions deemed necessary or desirable to ensure a smooth transition at the time the Class B membership terminates. 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, or provisions of these Bylaws or the Declaration.

ARTICLE VIII

Books and Records

Section 8.01. Inspection by Members and Mortgagees. The Declaration, membership register, books of account, minutes of meetings and other records and papers of the Association shall be available for inspection and copying by any Member, and by any holder, insurer or guarantor of any first mortgage, at all times during reasonable business hours, or under other reasonable circumstances.

Section 8.02. Rules for Inspection. The Board shall establish reasonable rules with respect to:

- (a) Notice to be given to the custodian of the records;
- (b) Hours and days of the week when such inspections may be made: and
- (c) Payment of the costs of reproducing copies of documents requested.

Section 8.03. Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and the

Common Areas and any other properties owned, operated or maintained by the Association. The right of inspection of a Director includes the right to make extracts and copies of relevant documents at the expense of the Association.

Section 8.04. Upon written request, any Member shall be entitled to receive a financial statement showing the statement of operations and the balance sheet of the Association for the immediately preceding fiscal year.

ARTICLE IX

Assessments

As more fully provided in the Declaration, each Member is obligated to pay to the Association annual and special assessments. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the rate of interest charged on judgments in the State of Alabama, and the Association may bring an action at law against the Member personally obligated to pay the same; and interest, costs and reasonable attorneys' fees of any such action shall be added to the amount of such assessment. No Member may waive or otherwise escape liability for the assessment provided herein by non-use of the Common Areas, or otherwise.

ARTICLE X

Corporate Seal

The Association may have a seal in circular form having within its circumference the words: Highlands Property Owners Association, Inc.

ARTICLE XI

Amendments

These Bylaws may be amended, at a regular or special meeting of the Association, by a vote of the majority of a quorum present; provided, however, that so long as there is a Class B Member, no such amendment shall be effective without the consent of the Class B Member.

ARTICLE XII

Miscellaneous

Section 12.01. The fiscal year of the Association shall begin on the 1st day of January and end on the 31st day of December of each year.

Section 12.02. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles of Incorporation shall control. In the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

EXHIBIT D

Formula for Determining Liability for Assessments and Voting Rights

1. **Determination of Equivalent Residential Units Per Tract.** Assessment obligations and voting rights for Tracts shall be based upon the number of "Equivalent Residential Units" assigned to a particular Tract relative to all other Tracts subject to assessment. Each Tract shall be assigned "Equivalent Residential Units" based upon the land use classification into which it falls as determined by the current Master Plan, as it may be modified from time to time to reflect actual use. In the event that the land use classification for a particular Tract is not clear, the Board's determination of land use classification shall be controlling; provided, the land use classification of a Tract hereunder shall not be changed once established unless there has been a change in the predominant use of the Tract.

Land use classifications are as follows:

- A. Single Family Detached Housing: This is the base residential entitlement to which all other land uses were compared. The trade-offs were calculated per dwelling unit.
- B. Multi-Family: This category includes apartments, condominiums, and townhouses. The trip generation was calculated for apartments, which is the use with the highest trip generation potential of the uses. Trade-offs were calculated per dwelling unit.
- C. Commercial/Village Center: This category includes retail sites, personal services, office use as well as other similar uses.

Because of the wide variety of possible uses in the project have been condensed into the above-described land uses, it is likely that more detailed analyses of a proposed land use may be performed in the future. This analysis should be based on ITE Trip Generation or other generally accepted engineering reference.

Adjusted trip general rates were used to equate possible uses to an Equivalent (single family detached) Residential Unit (ERU). The result is a set of equivalencies which will allow single family units to be converted to other uses. The ERU is an expression of the number of units of the desired land use which are equal to one single family detached housing unit. The ERU rates are:

Single Family Detached Housing	1 Dwelling Unit per ERU
Multi-Family Housing	1.603 Dwelling Units per ERU
Commercial/Village Center	400 Square Feet per ERU

In order to facilitate the simple trade off of uses, a table has been prepared where the desired uses can be looked up to determine if the resulting ERUs are the same as the approved land

uses. More detailed analysis of a proposed land use could be performed to derive a more exact conversion ratio. Any future analyses should consider the effect of internal capture, where appropriate (for example, if a private golf course is constructed instead of a public golf course, the internal capture should be reviewed in order to recognize 25 percent or more of the golf course traffic would come from within the project).

NOTES:

- A. Future conversions of land uses presented in the following land use summary are based on the conversion ratios listed above and have been deployed using the 7th Edition ITE Trip Generation Manual.
- B. Land use by individual tract, parcel, or site will include golf, residential, and/or non-residential development in accordance with the entitlement summary.

2. **Calculation of Assessments and Votes.** The Base Assessment and any Special Assessment for Common Expenses shall be determined for each Tract by multiplying the total amount of the assessment by a fraction, the numerator of which is the number of Equivalent Residential Units assigned to the particular Tract and the denominator of which is the total number of Equivalent Residential Units assigned to all Tracts subject to such assessment. The votes attributable to each Tract shall be equal to the number of Equivalent Residential Units assigned to the Tract.

3. **Computation by Declarant.** The land use classification and number of Equivalent Residential Units assigned to each Tract, and the percentage of assessments to be levied on each Tract subject to assessment shall be computed at least annually by the Board as of a date which is not less than 60 days prior to the beginning of each fiscal year. If the use of the Tract changes during the fiscal year, the Board shall be authorized to adjust the assessment against the Tract effective with such change in use, but the Board need not reallocate assessments against all Tracts to take into account such change until the budget is redetermined. Notice of the percentages for each Tract (including a summary of the computations) shall be sent to each Member together with the notice of the assessment.

In the event that additional real property is made subject to this Declaration between annual cutoff dates for computation of Equivalent Residential Units, the Board shall re-compute the assessment and voting percentages for each Tract and send notice of such re-computed percentages to each Member; provided, no adjustments shall be made in any assessments previously levied to reflect such re-computation.

EXHIBIT E

SUBSCRIPTION AGREEMENT

The undersigned Vendee of the Highlands Tract _____ (ID # _____) being a portion of the property described in the Declaration of Covenants, Conditions and Restrictions for The Highlands of Spanish Fort ("HSF") by International Paper Realty Corporation ("IPRC") and relating to The Highlands of Spanish Fort Property Owners Association, Inc. (the "Association"), dated _____ (the "Agreement"), does hereby join the Association and subscribe to and agree to be bound by the Agreement.

The undersigned Vendee does hereby further acknowledge that it shall be obligated to perform the obligations and make the payments required of it under the Agreement for the term thereof, unless and until it shall, with the approval and consent of IPRC and the Association, delegate its responsibilities and obligations hereunder to a Subassociation Member, which shall subscribe to the Agreement and accept such responsibilities.

As to the Vendee, signed, sealed and delivered this _____ day of _____, 2007, in the presence of:

VENDEE:

Notary Public

As to IPRC, signed, sealed and delivered this _____ day of _____, 2007, in the presence of:

**APPROVED: INTERNATIONAL PAPER
REALTY CORPORATION**

By:

E. Wayne Plummer
Vice President

Notary Public

As to the Association, signed, sealed and
delivered this ____ day of _____
2007, in the presence of:

Notary Public

**APPROVED: THE HIGHLANDS OF
SPANISH FORT PROPERTY OWNERS
ASSOCIATION, INC.**

By: _____

Name: _____

Title: _____