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BYLAWS
OF
THE PROPERTY OWNERS ASSOCIATION OF AZALEA TRACE SUBDIVISION, INC.

JUDGE OF PROBATE

ARTICLE I
Name, Principal Office and Definitions

1.01 Name. The name of the Association shall be The Property Owners Association of Azalea Trace Subdivision, Inc. (hereinafter sometimes referred to as the "Association").

1.02 Principal Office. The principal office of the Association in the State of Alabama shall be located at 400 East Laurel Avenue, Foley, Alabama 36535. The Association may have such other offices, either within or without the State of Alabama, as the Board of Directors may determine or as the affairs of the Association may require.

1.03 Definitions. The words used in these Bylaws shall have the same meaning as set forth in that Declaration of Covenants, Conditions, and Restrictions for Azalea Trace Subdivision (Phase I) (said Declaration, as amended, renewed, or extended from time to time, is hereinafter sometimes referred to as the "Declaration"), unless the context shall prohibit.

ARTICLE II
Association; Membership; Meetings; Quorum; Voting; Proxies

2.01 Membership. The Association shall have two (2) classes of membership, Class "A" and "B", as more fully set forth in the Declaration, the term of which pertaining to membership are specifically incorporated herein by reference.

2.02 Place of Meetings. Meetings of the Association shall be held at the principal office of the Association or at such other suitable place convenient to the Members as may be designated by the Board of Directors either within the Properties or as convenient thereto as possible and practical.

2.03 Annual Meetings. The first meeting of the Members, whether a regular or special meeting, shall be held within one (1) year from the date of incorporation of the Association. Meetings shall be of the Voting Members or their alternates. The next annual meeting shall be set by the Board so as to occur no later than ninety (90) days after the closing of the Association's fiscal year. Subsequent regular annual meetings of the Voting Members shall be held within thirty (30) days of the same day of the same month of each year thereafter at an hour set by the Board. Subject to the foregoing, the annual meeting of the Voting Members shall be held at a date and time as set by the Board of Directors.

2.04 Special Meetings. The President may call special meetings. In addition, it shall be the duty of the President to call a special meeting of the Association if so directed by resolution of majority of a quorum of the Board of Directors or upon a petition signed by Voting Members representing at least ten (10%) percent of the total 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 except as stated in the notice.

2.05 Notice of Meeting. Written or printed notice stating the place, day, and hour of any meeting of the Voting Members shall be delivered, either personally or by mail, to each Voting Member entitled to vote at such meeting, not less than ten (10) nor more than fifty (50) days before the date of such meeting, by or at the direction of the President or the Secretary or the officers or persons calling the meeting.

In the case of a special meeting or when required by statute or these Bylaws, the purpose or purposes for which the meeting is called shall be stated in the notice. No business shall be transacted at a special meeting except as stated in the notice.

If mailed, the notice of a meeting shall be deemed to be delivered when deposited in the United States mail addressed to the Voting Members at his address as it appears on the records of the Association, with postage thereon prepaid.

2.06 Waiver of Notice. Waiver of notice of meeting of the Voting Members shall be deemed the equivalent of proper notice. Any Voting Member may, in writing, waive notice of any such meeting of the Voting Members, either before or after such meeting. Attendance at a meeting by a Voting Member or alternate shall be deemed waiver by such Voting Member of notice of the time, date and place thereof, unless such Voting Member specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting shall also be deemed waiver of notice of all business transacted at such meeting unless object to the calling or convening of the meeting, of which proper notice was not given, is raised before the business is put to a vote.

2.07 Adjournment of Meetings. If any meeting of the Association cannot be held because a quorum is not present, a majority of the Voting Members who are present at such meeting, either in person or by alternate, may adjourn the meeting to a time not less than five (5) nor more than thirty (30) days from the time the original meeting was called. At the reconvened meeting at which a quorum is present any business which might have been transacted at the meeting originally called may be transacted. If a time and place for reconvening the meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for reconvening the meeting after adjournment, notice of the time and place for reconvening the meeting shall be given to Voting Members in the manner prescribed for regular meetings.

The Voting Members present at the duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Voting Members to leave less than a quorum, provided that Voting Members or their alternates representing at least twenty-five (25%) percent of the total votes of the Association remain present, and provided further that any action taken shall be approved by at least a majority of the Members required to constitute a quorum.

2.08 Voting. The voting rights of the Members shall be as set forth in the Declaration, and such voting rights provisions are specifically incorporated herein.

2.09 Proxies. Voting Members may not vote by proxy but only in person or through their designated alternates.

2.10 Majority. As used in these Bylaws, the term "majority" shall mean those votes, owners, or other group as the context may indicate totaling more than fifty (50%) percent of the total number.

(32)

2.11 Quorum. Except as otherwise provided in these Bylaws or in the Declaration, the presence in person or by alternate of the Voting Members representing one third (1/3) of the total vote of the Association shall constitute a quorum at all meetings of the Association. Any provision in the Declaration concerning quorums is specifically incorporated herein.

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

2.13 Action Without a Meeting. Any action required by law to be taken at a meeting of the Voting Members, or any action which may be taken at a meeting of the Voting Members, may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by all of the Voting 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 Voting Members.

ARTICLE III
Board of Directors: Number, Powers, Meetings

A. Composition and Selection.

3.01 Governing Body; Composition. The affairs of the Association shall be governed by a Board of Directors, each of whom shall have one vote. Except as provided in Section 3.02

of this Article, the Directors shall be Members or spouses of such Members; provided, however, no person and his or her spouse may serve on the Board at the same time.

3.02 Directors During Declarant Control. The Directors shall be selected by the Declarant acting in its sole discretion and shall serve at the pleasure of the Declarant so long as the Class "B" membership exists, as set forth in the declaration, unless the Declarant shall earlier surrender this right to select Directors. The Directors selected by the Declarant need not be Owners or residents. After the period of Declarant appointment, all Directors must be Members of the Association.

3.03 Veto. This Section 3.03 may not be amended without the express written consent of the Declarant until Declarant no longer owns any land described in Exhibits "A" or "B" or until December 31, 2025, whichever first occurs.

From the termination of the Class "B" membership, the Declarant shall have a veto power over all actions of the Board and the Modification Committees, as is more fully provided in this Section. This power shall expire when the Declarant no longer owns any land described in Exhibits "A" or "B" to the Declaration or December 31, 2018, whichever occurs first, unless earlier surrendered. This veto power shall be exercisable only by Declarant, its successors, and assigns who specifically take this power in a recorded instrument. The veto shall be as follows:

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

(a) Declarant shall have been given written notice of all meetings and proposed actions approved at meetings to the Board of Modification Committees by certified mail, return receipt requested, or by personal delivery at the address it has registered with the Secretary of the Association, as it may change from time to time, which notice complies as to the Board of Directors meetings with Sections 3.09 and 3.11 of Article III, of these Bylaws as to regular and special meetings of the Directors and which notice shall, except in the case of the regular meetings held pursuant to the Bylaws, set forth in reasonably particularity the agenda to be followed at said meeting; and

(b) Declarant shall be given the opportunity at any such meeting to join in or to have its representatives or agents join in discussion from the floor of any prospective action, policy, or program to be implemented by the Board, the Modification Committees, or the Association. Declarant and its representatives or agents shall make its concerns, thoughts, and suggestions known to the members of the Modification Committee or the Association and/or the Board. At such meeting, Declarant shall have and is hereby granted a veto power over any such action, policy or program authorized by the Modification Committees or the Board of Directors and to take by said Committees or Board or the Association or any individual member of the

Association if Board, Committees, or Association approval is necessary for said action. This veto may be exercised by Declarant, its representatives, or agents at any time within ten (10) days following the meeting held pursuant to the terms and provisions hereof. Any veto power shall not extend to the requiring of any action or counteraction on behalf of any Committee, or the Board or the Association.

3.04 Number of Directors. The number of Directors in the Association shall be not less than three (3) nor more than nine (9), as the Board of Directors may from time to time determine by resolution. The initial Board shall consist of three (3) members and are identified in the minutes of the first meeting of the Board. Subject to the provisions of Section 3.02 of Article III, above each Director shall be elected from and represent a separate Subdistrict until such time as there are at least three (3) Districts and/or until such time as otherwise determined by the Board of Directors. Thereafter, each Director shall be elected from and represent a separate District.

3.05 Nomination of Directors. Except with respect to Directors selected by the Declarant, nominations for election to the Board of Directors shall be made by a Nominating Committee. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two (2) or more Members of the Association with at least one from each Subdistrict. The Nominating Committee shall be appointed by the Board of Directors not less than thirty (30) days prior to each annual meeting of the Voting Members to serve from the close of such annual meeting until the close of the next annual meeting, and such appointment shall be announced at each such annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but in no event less than the number of vacancies or terms to be filled. Nominations shall be permitted from the floor. All candidates shall have a reasonable opportunity to communicate their qualifications to the Members and to solicit votes.

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

(a) Within thirty (30) days after the time Class "A" Members other than the Declarant own at least thirty (30%) of the lots located within the property described in Exhibit "A" or whenever the Declarant earlier determines, the Association shall call a special meeting to be held at which Voting Members other than the Declarant shall elect one of the Directors who shall be an at-large Director. The Director so elected shall not be subject to removal by the Declarant acting alone and shall be elected for the shortest term available.

Within thirty (30) days after the time Class "A" Members other than the Declarant own at least fifty (50%) percent of the Units permitted in the Master Land Use Plan for the property described in Exhibit "A" or whenever the Declarant earlier determines, the Association shall call

a special meeting to be held at which Voting Members other than the Declarant shall elect two (2) of the Directors both of whom shall be at-large Directors. The Directors so elected shall not be subject to removal by the Declarant acting alone and shall be elected for the shortest term available.

(b) At the first meeting of the membership after the termination of the Class "B" membership at each annual meeting of the membership thereafter Directors shall be elected. There shall be one (1) Director elected from and representing each District. Separate slates shall be proposed for candidates specifying those representing each District and only those Voting Members in a District shall vote on the representatives for that District.

The initial terms of the Directors shall be fixed at the time of their election as they among themselves shall determine. So long as there are three (3) Directors, the term of one (1) Director shall be fixed at one (1) year and the term of two (2) Directors shall be fixed at two (2) years. So long as there are four (4) or more Directors, there shall be concurrent terms for no less than two (2) members. At the expiration of the initial term of office of each respective member of the Board of Directors, a successor shall be elected to serve for a term of two (2) years. The members of the Board of Directors shall hold office until their respective successors shall have been elected by the Association.

3.07 Removal of Directors and Vacancies. Directors may be removed by a vote of a majority of the Voting Members present at a meeting called for that purpose for cause or no cause. Any Director whose removal is sought will be given notice prior to any meeting called for that purpose. A Director who was elected solely by the votes of Voting Members other than the Declarant may be removed from office prior to the expiration of his or her term by the votes of a majority of Voting Members other than the Declarant.

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 shall serve for the unexpired term of the predecessor.

3.08 Voting Procedure for Directors. The first election of the Board shall be conducted at the first meeting of the Association. At such election, the Voting Members may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. Votes shall be cast as provided in Section 3.07. The persons receiving the largest number of votes shall be elected.

B. Meetings.

3.09 Organization Meetings. The first meeting of the members of the Board of Directors following each annual meeting of the membership shall be held within ten (10) days thereafter at such time and place as shall be fixed by the Board.

3.10 Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by a majority of the Directors; but at least four (4) such meetings shall be held during each fiscal year with at least one (1) per quarter. Notice of the time and place of the meeting shall be communicated to Directors not less than four (4) days prior to the meeting; provided, however, notice of a meeting need not be given to any Director who has signed a waiver of notice or written consent to holding of the meeting.

3.11 Special Meetings. Special meetings of the Board of Directors shall be held when called by written notice signed by the President, Vice President, or Secretary of the Association, or by any two (2) directors. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice shall be given to each Director by one of the following methods: (a) by personal delivery; (b) by written notice by first class mail postage prepaid; (c) by telephone communication, either directly to the Director or to a person at the Director's office or home who would reasonably be expected to communicate such notice promptly to the Director; or (4) by telegram, charges prepaid. All such notices shall be given at the Director's telephone number or sent to the Director's address as shown on the records of the Association. Notices sent by first class mail shall be deposited into a United States mailbox at least seven (7) days before the time set for the meeting. Notices given by personal delivery, telephone, or telegraph shall be delivered, telephoned, or given to the telegraph company at least ninety-six (96) hours before the time set for the meeting.

3.12 Waiver of Notice. The transactions of any meetings of the Board of Directors, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if (1) a quorum is present, and (b) either before or after the meeting each of the Directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purposes of the meeting. Notice of a meeting shall also be deemed given to any Director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

3.13 Quorum of Board of Directors. At all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the votes 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. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of Directors, if any action taken is

approved by at least a majority of the required quorum for that meeting. If any meeting of the Board cannot be held because a quorum is not present, a majority of the Directors who are present at such meeting may adjourn the meeting to a time not less than five (5) nor more than thirty (30) days from the time the original meeting was called. At the reconvened meeting at which a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

3.14 Compensation. No Director shall receive any compensation from the Association for acting as such unless approved by Voting Members representing a majority of the total vote of the Association at a regular or special meeting of the Association.

3.15 Conduct of Meeting. The President shall preside over all meetings of the Board of Directors, and the Secretary shall keep a minute book of the Board of Directors, recording therein all resolutions adopted by the Board of Directors and a record of all transactions and proceedings occurring at such meetings.

3.16 Open Meetings. Subject to the provisions of 3.17 of this Article, all meetings of the Board shall be open to all Members, but Members other than Directors may not participate in any discussion or deliberation unless expressly so authorized by a majority of a quorum of the Board.

3.17 Action Without a Formal Meeting. Any action to be taken at a meeting of the Directors or any action that may be taken at a meeting of the Directors may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Directors, and such consent shall have the same force and effect as a unanimous vote. An explanation of the action taken shall be posted at a prominent place or places within the Common Area within three (3) days after the written consents of all the Board members have been obtained.

C. Powers and Duties.

3.18 Powers. The Board of Directors shall be responsible for the affairs of the Association and shall have all of the powers and duties necessary for the administration of the Association's affairs and, as provided by law, may do all acts and things as are not by the Declaration, Articles, or these Bylaws directed to be done and exercised exclusively by the Members.

The Board of Directors shall delegate to one of its members the authority to act on behalf of the Board of Directors on all matters relating to the duties of the Managing Agent or Manager, if any, which might arise between meetings of the Board of Directors.

In addition to the duties imposed by these Bylaws or by any resolution of the Association that may be hereafter adopted, the Board of Directors shall have the power to take and be responsible for the following actions, by way of explanation, but no limitation:

(a) Preparation and adoption of an annual budget in which there shall be established the contribution of each Owner to the Common Expenses;

(b) Making assessments to defray the Common Expenses, establishing the means and methods of collecting such assessments, and establishing the period of the installment payments of the annual assessment, provided, unless otherwise determined by the Board of Directors, the annual assessment for each Unit's proportionate share of the Common Expenses shall be payable in equal monthly installments, each such installment to be due and payable in advance on the first day of each month for said month;

(c) Providing for the operation, care, upkeep, and maintenance of all of the Area of Common Responsibility.;

(d) Designating, hiring, and dismissing the personnel necessary for the maintenance, operation, repair and replacement of the Association, its property, and the Area of Common Responsibility and, where appropriate, providing for the compensation of such personnel and for the purchase of equipment, supplies, and material to be used by such personnel in the performance of their duties;

(e) Collecting the assessments, depositing the proceeds thereof in a bank depository which it shall approve, and using the proceeds to administer the Association; the reserve fund may be deposited, in the Directors' best business judgment, in depositories other than banks.;

(f) Making and amending rules and regulations:

(g) Opening of bank accounts on behalf of the Association and designating the signatories required;

(h) Making or contracting for the making of repairs, additions, and improvements to or alterations of the Common Area in accordance with the other major provisions of Declarant and these Bylaws after damage or destruction by fire or other casualty;

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

(j) Obtaining and carrying insurance against casualties and liabilities, as provided in the Declaration, and paying the premium cost thereof;

(k) Paying the cost of all services rendered to the Association or its Members and not chargeable to Owners;

(l) Keeping books with detailed accounts of the receipts and expenditures affecting the Association and its administration, specifying the maintenance and repair expenses and any other expenses incurred. The said books and vouchers accrediting the entries thereupon shall be available for examination by the Owners and mortgagees, their duly authorized agents, accountants, or attorneys, during general business hours or working days at the time and in a manner that shall be set and announced by the Board of Directors for the general knowledge of the owners. All books and records shall be kept in accordance with generally accepted accounting practices;

(m) Make available to any prospective purchaser of a Residential Unit, any Owner of a Residential Unit, any first mortgage, and the holders, insurers, and guarantors of a first mortgage of any Residential Unit, current copies of the Declaration, the Articles of Incorporation, the Bylaws, rules governing the Residential Unit and, as it may apply, the Land Segment, or any Subdistrict, or other residential association, and all other books, records, and financial statements of the Association; and

(n) Permit utility suppliers to use portions of the Common Area reasonably necessary to the ongoing development or operation of the Properties.

3.19 Management Agent.

(a) The Board of Directors may employ for the Association a professional management agent or agents at a compensation established by the Board of Directors to perform such duties and services as the Board of Directors shall authorize. The Board of Directors may delegate to the managing agent or manager, subject to the Board's supervision, all of the powers granted to the Board of Directors by these Bylaws, other than the powers set forth in subparagraph (a), (b), (f), (g) and (i) of Section 3.13 of this Article. The Declarant, or an affiliate of the Declarant, may be employed as managing agent or manager.

(b) No management contract may have a term in excess of one (1) year and must permit termination by either party without cause and without termination fee on ninety (90) days' or less written notice.

3.20 Accounts and Reports. The following management standards of performance will be followed unless the Board by resolution specifically determines otherwise:

(a) Accrual accounting, as defined by generally accepted accounting principals, shall be employed;

(b) Accounting and controls should conform with established AICPA guidelines and principals, which require, without limitation, (i) a segregation of accounting duties, (ii) disbursements by check requiring two (2) signatures, and (iii) cash disbursements limited to amounts of Twenty-five Dollars ($25.00) and under;

(c) Cash accounts of the Association shall not be commingled with any other accounts;

(d) No remuneration shall be accepted by the Managing Agent from vendors, independent contractors, or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise; anything of value received shall benefit the Association;

(e) Any financial or other interest which the Managing Agent may have in any firm providing goods or services to the Association shall be disclosed promptly to the Board of Directors; and

(f) Commencing at the end of the month in which the first Residential Unit is sold and closed, quarterly financial reports shall be prepared for the Association containing:

(i) An Income Statement reflecting all income and expense activity for the preceding three (3) months on an accrual basis;

(ii) An Account Activity Statement reflecting all receipt and disbursement activity for the preceding three (3) months on an accrual basis;

(iii) An Account Status Report reflecting the status of all accounts in an "actual" versus "approved" budget format with a Budget Report reflecting any actual or pending obligations which are in excess of budgeted amounts by an amount exceeding the operating expenses or ten (10%) percent of a major budget category (as distinct from a specific line item in an expended chart of accounts);

(iv) A Balance Sheet of an accounting date which is the last day of the month closest in time to three (3) months from the date of closing of the first sale of a Residential Unit in the project, and an Operating Statement for the period from the date of the first closing to be said accounting date, which shall be distributed within sixty (60) days after the accounting date;

(v) A Balance Sheet as of the last day of the Association's fiscal year and an Operating Statement for said fiscal year, which shall be distributed within ninety (90) days after the close of a fiscal year;

(vi) A Delinquency Report listing all owners who have been delinquent during the preceding three (3) month period in paying the monthly installments of assessments and who remain delinquent at the time of the report and describing the status of any action to collect such installments which remain delinquent (a monthly installment of the assessment shall be considered to be delinquent on the fifteenth (15th) day of each month); and

(vii) An Annual Report consisting of at least the following shall be distributed within one hundred twenty (120) days after the close of the fiscal year: (1) a balance sheet as of the end of the fiscal year; (2) an operating (income) statement for the fiscal year; and (3) a statement of changes in financial position for the fiscal year. Ordinarily, the Annual Report referred to above shall be prepared by an independent accountant for any fiscal year in which the gross income to the Association exceeds Seventy-five Thousand Dollars ($75,000.00). If said report is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Association that the statements were prepared without audit from the books and records of the Association.

3.21 Borrowing. The Board of Directors shall have the power to borrow money for the purpose of repair or restoration of the Common Area and facilities without the approval of the Voting Members of the Association; provided, however, the Board shall obtain Voting Members' approval in the same manner provided in Section 10.03 of the Article X of the Declaration for the special assessments in the event that the proposed borrowing is for the purpose of modifying, improving, or adding amenities, and the total amount of such borrowing exceeds or would exceed five (5%) percent of the budgeted gross expenses of the Association for that fiscal year.

3.22 Rights of the Association. With respect to the Common Areas or other Association responsibilities owed, and in accordance with the Articles of Incorporation and Bylaws of the Association, the Association shall have the right to contract with any person for the performance of various duties and functions. Without limiting the foregoing, this right shall entitle the Association to enter into common management, operational, and other agreement with trusts, condominiums, cooperatives, or neighborhood and other homeowners or residents associations, both within and without the Properties. Such agreements shall require the consent of two-thirds (2/3) of all Directors of the Association.

3.23 Hearing Procedure. The Board shall not impose a fine or suspend voting rights unless and until the following procedure is followed:

(a) Demand. Written demand to cease and desist from an alleged violation shall be served upon the alleged violator specifying:

(i) The alleged violation;

(ii) The action required to abate the violation; and

(iii) A time period, not less than ten (10) days, during which the violation may be abated without further sanction, if such violation is a continuing one, or a statement that any further violation of the same rule may result in the imposition of a sanction after notice and hearing if the violation is not continuing.

(b) Notice. At any time within twelve (12) months of such demand, if the violation continues past the period allowed in the demand for abatement without penalty or if the same rule is subsequently violated, the Board or its delegate shall serve the violator with written notice of a hearing to be held by the Covenants Committee (as described in Section 5.02 of Article V hereof) in executive session. The notice shall contain:

(i) The nature of the alleged violation;

(ii) The time and place of the hearing, which time shall not be less than ten (10) days from the giving of the notice;

(iii) An invitation to attend the hearing and produce any statement, evidence, and witness on his or her behalf; and

(iv) The proposed sanction to be imposed.

(c) Hearing. The hearing shall be held in executive session pursuant to this notice affording the Member a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of notice and the invitation to be heard shall be placed in the minutes of the meeting, and Section 9.03 of Article IX of the Declaration shall be complied with. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, Director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and sanction, if any, imposed.

(d) Appeal. Following a hearing before the Covenants Committee, the violator shall have the right to appeal the decision to the Board of Directors. To perfect this right, a

written notice of appeal must be received by the Manager, President, or Secretary of the Association within thirty (30) days after the hearing date.

ARTICLE IV
Officers

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

4.02 **Election, Term of Office and Vacancies**. The officers of the Association shall be elected annually by the Board of Directors at the first meeting of the Board of Directors following each annual meeting of the Voting Members, as herein set forth in Article III. A vacancy in any office arising because of death, resignation, removal, or otherwise may be filled by the Board of Directors for the unexpired portion of the term.

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

4.04 **Powers and Duties**. The officers of the Association shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as may from time to time be specifically conferred or imposed by the Board of Directors. The President shall be the chief executive officer of the Association. The Treasurer shall have the primary responsibility for the preparation of the budget as provided for in the Declaration and may delegate all or part of the preparation and notification duties to a finance committee, management agent, or both.

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

4.06 **Agreements, Contracts, Deeds, Leases, Checks, Etc.** All agreements, contracts, deeds, leases, checks, and other instruments of the Association shall be executed by at least two (2) officers or by the President and Treasurer or by such other person or persons as may be designated by resolution of the Board of Directors.

ARTICLE V
Committees

5.01 General. Committees to perform such tasks and to serve for such periods as may be designated by a resolution adopted by a majority of the Directors present at a meeting at which a quorum is present are hereby authorized. Such committees shall perform such duties and have such powers as maybe provided in the resolution. Each committee shall be composed as required by law and 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.

5.02 Covenants Committee. The Board of Directors may appoint a Covenants Committee consisting of at least five (5) and no more than seven (7) members. Acting in accordance with the provisions of the Declaration, these Bylaws, and resolutions the Board may adopt, the Covenants Committee shall the hearing tribunal of the Association.

5.03 Subdistrict Committees. In addition to other committees as provided in 5.01 of this Article V, there shall be a Subdistrict Committee for each of the Subdistricts contained in the Properties. Each Subdistrict Committee shall consist of three (3) members; provided, however, by vote of at least fifty (50%) percent of the residents of the Subdistrict this number may be increased to five (5). The Subdistrict Committees shall be appointed and elected in the manner provided for Directors in Sections 3.02 and 3.05 of Article III. Any Director elected from a Subdistrict shall be an ex officio member of the Committee. It shall be the responsibility of the Subdistrict Committee to determine the nature and extent of services, if any, to be provided to the Subdistrict by the Association in addition to those provided to all Members of the Association in accordance with the Declaration. A Subdistrict Committee may advise the Board of any other issue, but shall not have the authority to bind the Board of Directors.

In the conduct of its duties and responsibilities, each Subdistrict Committee shall be subject to and comply with Sections 3.06, 3.07, 3.08, 3.09, 3.10, 3.11, 3.12, 3.13, 3.14, 3.15, 3.16, and 3.17 of Article III of these Bylaws. Each Committee shall elect a chairman from among its members who shall preside at its meetings and who shall be responsible for transmitting any and all communications to the Board of Directors and shall be the Voting Member.

ARTICLE VI
Miscellaneous

6.01 Fiscal Year. The initial fiscal year of the Association shall be set by resolution of the Board of Directors.

6.02 Parliamentary Rules. Except as may be modified by Board resolution establishing modified procedures, Robert's Rules of Order (current edition) shall govern the conduct of Association proceedings when not in conflict with Alabama law, the Articles of Incorporation, the Declaration, or these Bylaws.

6.03 Conflicts. If there are conflicts or inconsistences between the provisions of Alabama law, the Articles of Incorporation, the Declaration, and these Bylaws, the provision of Alabama law, the Declaration, the Articles of Incorporation, and the Bylaws (in that order) shall prevail.

6.04 Books and Records.

(a) Inspection by Members and Mortgagees. The Declaration and Bylaws, membership register, books of account, and minutes of meetings of the Members, the Board, the committees shall be made available for inspection and copying by any mortgagee, Member of the Association, or by his or her duly appointed representative at any reasonable time and for a purpose reasonably related to his or her interest as a Member at the office of the Association or at such other place within the Properties as the Board shall prescribe.

(b) Rules of Inspection. The Board shall establish reasonable rules with respect to:

(i) Notice to be given to the custodian of the records;

(ii) Hours and days of the week when such an inspection may be made; and

(iii) Payment of the cost of reproducing copies of documents requested.

(c) 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 physical properties owned or controlled by the Association. The right of inspection by a Director includes the right to make extracts and a copy of relevant documents at the expense of the Association.

6.05 Notices. Unless otherwise provided in these Bylaws, all notices, demands, bills, statements, or other communications under these Bylaws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by registered or certified mail, return receipt requested, first class postage prepaid:

(a) If to a Member, at the address which the Member has designated in writing and filed with the Secretary, or, if no such address has been designated, at the address of the Residential Unit of such owner; or

(b) If to the Association, the Board of Directors, or the Managing Agent, at the principal office of the Association or the Managing Agent, if any, or at such other address as shall be designated by the notice in writing to the Owners pursuant to this Section.

6.06 Amendment Prior to the sale of the first Residential Unit, Declarant may amend these Bylaws. After such sale, the Declarant may amend these Bylaws so long as it still owns property described in Exhibit "B" to the Declaration for development as part of the Properties and so long as the amendment has no adverse effect upon any right of any Member. Thereafter and otherwise, these Bylaws may be amended only by the affirmative vote (in person or by alternate) or written consent of Voting Members representing seventy-five (57%) percent of the total votes of the Association, including seventy-five (75%) percent of Members other than the Declarant. However, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under the clause. Any amendment must be recorded in the Probate Records of Baldwin County, Alabama.

(a) Amendments hereto may be made at any time and unilaterally by Declarant to comply with the procedures and requirements of any National secondary lender or governmental agency, department, lender or instrumentality including but not limited to FHA, VA, FmEA and VA.

END