

BYLAWS
OF
✓ APPELEGATE TOWNHOUSE ASSOCIATION, INC.

These Bylaws of APPELEGATE TOWNHOUSE ASSOCIATION, INC., are promulgated for the purposes of governing APPELEGATE TOWNHOUSE ASSOCIATION, INC., a not-for-profit corporation, organized under the provisions of the Alabama Non-Profit Corporation Act, Section 10-311, et seq., Code of Alabama 1975, as amended, as an association of members of Applegate Townhome ("Association").

The terms used herein shall have the same meaning attributed to them in the Declaration of Covenants, Conditions and Restrictions of APPELEGATE TOWNHOUSE SUBDIVISION, filed in the Office of the Judge of Probate of Shelby County, Alabama, at Real Volume Real 63, Page 634, et seq., ("Declaration"), to which a copy of the Bylaws is made Exhibit "C". The provisions of these Bylaws are applicable to the Property of the Association and the use and occupancy thereof, and all easements, rights or appurtenances thereto, and all personal property now or hereafter used in connection therewith.

All present and future Owners, mortgagees, lessees and occupants of the Lots in the subdivision and their employees, and any other persons who may use the facilities of the Property in any manner are subject to these Bylaws, the Declaration, the Rules and Regulations and all covenants, agreements, restrictions and easements of record ("title conditions"). The acceptance of a deed or the occupancy of a Lot shall constitute an agreement that these Bylaws and the title conditions, as they may be hereafter amended, are accepted and ratified, and will be complied with.

The address of the office of the Association shall be 1500 Applegate Lane, Alabaster, Alabama 35007.

The fiscal year of the Association shall be January 1 to December 31.

ARTICLE I
MEMBERSHIP AND MEMBERSHIP MEETINGS

Section 1. Qualifications. The Members of the Association shall consist of all of the record Owners ¹⁹⁹³⁻¹⁶⁹⁷⁶ of fee title to any Lot in the Subdivision.

Section 2. Change of Membership. ¹⁹⁹³⁻¹⁶⁹⁷⁶ Members in the

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Association shall be established by the recording in the public records of Shelby County, Alabama, of a deed or other instrument establishing a record title to a Lot in the Subdivision, and the delivery to the Association of a certified copy of such instrument could be required, the Owner designated by such instrument thereby becoming a Member of the Association. The membership of the prior Owner shall be thereby terminated.

Section 3. Voting Rights. The vote for a Lot shall be cast by the Owner thereof, or by his proxy designated in the manner hereinafter provided for. Each Lot Owner is entitled to one vote for each Lot owned.

Section 4. Designation of Voting Representative. In the event a Lot is owned by one (1) person, his right to vote shall be established by the record title to his Lot. If a Lot is owned by more than one (1) person, the person entitled to cast the vote for the Lot shall be designated by a certificate signed by all of the records Owners of the Lot and filed with the secretary of the Association. If a Lot is owned by a corporation, partnership, trust, or other legal entity, the officer or agent thereof entitled to cast the vote for the Lot shall be designated by a certificate of appointment signed by the duly authorized representative of the board of directors or other governing body of such entity and filed with the secretary of the Association. If such a certificate is not filed with the secretary of the Association for a Lot owned by more than one (1) person, or by a corporation, partnership, trust or other legal entity owner a Lot, in advance of any meeting of the membership, the vote of the Lot concerned shall not be considered in determining the requirement for a quorum nor for any purpose requiring the approval of the person entitled to cast the vote for the Lot. Such certificate shall be valid until revoked or until superseded by a subsequent certificate or until a change in the ownership of the Lot concerned is effected. A certificate designating the person entitled to cast the vote of a Lot may be revoked by any Owner thereof. Upon the revocations of a certificate of appointment herein provided for the vote of the Lot concerned shall not be considered in determining the requirement

for a quorum nor for any purpose requiring the approval of the person entitled to cast the vote for the Lot until a new certificate of appointment shall have been duly filed in the manner here provided for.

Section 5. Annual Meeting. Annual meetings of Members shall be held at the office of the Association, as such time and date in the month of March of each year as the Board shall designate. The annual meeting shall be held for the purpose of electing directors and transacting any other business authorized to be transacted by the Members.

Section 6. Special Meetings. Special meetings of the Members may be called by the Board, the president of the Association, or by Members of the Association holding twenty percent (20%) of the votes entitled to be cast at meetings of the Members of the Association, for the purpose of considering the acting upon any matters of interest to the Association and its Members, and taking any other action not inconsistent with these Bylaws and the Articles of Incorporation.

Section 7. Notice of Meetings. Notice of all meetings of the Members stating the date, time, place and object for which the meeting is called shall be mailed to each Member not less than thirty (30) nor more than sixty (60) days prior to the date of such meeting. Such notice shall be deemed to be delivered when deposited in the United States mail addressed to the Member at his address as it appears on the records of the Association, postage prepaid.

Section 8. Voting in Person or by Proxy. A Member may vote in person or by proxy executed in writing by the Member or his duly authorized attorney-in-fact. No proxy shall be valid except for the particular meeting designated therein, and no proxy shall be honored unless filed with the secretary of the Association before the appointed time of the meeting.

Section 9. Quorum. At a meeting of Members, a quorum shall consist of persons entitled to cast a majority of the votes of the entire membership. As used in these Bylaws the term "majority" means thirty percent (30%) of the votes.

Section 10. Vote Required to Transact Business. When a quorum is present at any meeting, the holders of a majority of the voting rights present in person or represented by written proxy shall decide any questions brought before the meeting, unless the question is one upon which, by express provision of the Declaration, a different number is required, in which case the express provision shall govern and control the decision in question.

Section 11. Consents. Any action which may be taken by a vote of the Members may also be taken by written consent to such action signed by the Members required to take such action if such Members were present and voting.

Section 12. Adjourned Meetings. If any meeting of Members cannot be organized because a quorum has not attended, the Members who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum is present.

Section 13. The Order of Business. The order of business at annual meetings of Members and, as far as practical, at all other meetings shall be:

- (a) Call to order,
- (b) Calling of the roll and certifying of proxies,
- (c) Proof of notice of meeting or waiver of notice,
- (d) Reading and disposal of any unapproved minutes,
- (e) Reports of officers,
- (f) Reports of committees,
- (g) Election of directors,
- (h) Unfinished business,
- (i) New business, and
- (j) Adjournment.

ARTICLE II BOARD OF DIRECTORS

Section 1. Membership. The affairs of the Association shall be governed by a Board of Directors composed of such number, not less than three (3) persons, nor more than eight (8) who are members of the Association, as shall from time to time be determined and fixed by majority vote at any annual meeting of the members.

Section 2. Election and Term of Office. At the first annual meeting the members of the Association shall elect Directors such that the terms of office of at least one-third (1/3) of the Directors shall expire one year from the date of election, the term

of office of at least one-third (1/3) of the Directors shall expire two years from the date of election and the term of office of the remaining Directors shall expire three (3) years from the date of election. At each annual meeting thereof, Directors shall be elected to replace the Directors whose term of office has expired.

Section 3. Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a Director by a vote of the Association shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum; and each person elected shall be a Director until a successor is elected at the next annual meeting of the Association.

Section 4. Removal of Directors. At any regular or special meeting duly called, any one or more of the Directors may be removed with or without cause by a majority of the Owners and a successor may then and there be elected to fill the vacancy thus created. Any Director whose removal has been proposed by the Owners shall be given an opportunity to be heard at the meeting.

Section 5. Organization Meeting. The first meeting of a newly elected Board of Directors shall be held within ten (10) days of election at such place as shall be fixed by the Directors at the meeting at which such Directors were elected, and no notice shall be necessary to the newly elected Directors in order to legally constitute such meeting, providing a majority of the whole Board shall be present.

Section 6. 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 two such meetings shall be held during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each Director, personally or by mail, telephone or telegraph, at least three (3) days prior to the day named for such meeting.

Section 7. Special Meetings. Special meetings of the Board of Directors may be called by the President on three (3) days notice to each Director, given personally or by mail, telephone or telegraph, which notice shall state the time, place (as hereinabove provided) and purpose of the meeting. Special meetings of the

Board of Directors shall be called by the President or Secretary in like manner and on like notice on the written request of at least three (3) Directors.

Section 8. Waiver of Notice. No notice of a Board meeting shall be required if the Directors meet by unanimous written consent. The Directors may, but resolution duly adopted, establish regular monthly, quarter-annual or semi-annual meetings. If such resolution is adopted, no notice of such regular meetings of the Board shall be required. Any required notice may be waived in writing signed by the person entitled to such notice whether before or after the time stated therein.

Section 9. Quorum. A quorum at a Director's meeting shall consist of a majority of the entire Board. The acts approved by a majority of those present at a meeting at which a quorum is present, shall constitute the act of the Board, except when approval by a greater number of Directors is required by statute or by the Declaration, Articles or these Bylaws.

Section 10. Adjourned Meetings. If at any meeting of the Board there is less than a quorum present, the majority of those present may adjourn the meeting from time to time until a quorum is present. At any adjourned meeting any business that might have been transacted at the meeting as originally called, may be transacted without further notice.

Section 11. Joinder in Meeting by Approval of Minutes. The joinder of a Director in any action taken at a meeting in which such Director is absent shall be evidenced by affixing his signature to the minutes of that meeting, and the same shall constitute the presence of such Director for the purpose of determining a quorum.

Section 12. Presiding Officer. The presiding officer of a Directors' meeting shall be chairman of the Board, if such an officer has been elected; otherwise, the President of the Association shall preside. In the absence of the presiding officer, the Directors present shall designate one of their number to preside.

ARTICLE III
OFFICERS

Section 1. Officers. The executive officers of the Association shall be a President, Vice President, Treasurer, and Secretary, each of whom shall be elected at the annual meeting of the Board of Directors. Any two (2) or more of said offices may be held by one person except that the President shall not also be the Secretary or an Assistant Secretary of the Association. The Board may elect more than one Vice President. The Board may appoint such other officers and agents that it may deem necessary, who shall hold office at the pleasure of the Board and have such authority and perform such duties as from time to time may be prescribed by said Board.

Section 2. Qualifications. No person shall be entitled to hold office except a Lot Owner.

Section 3. Term. The officers of the Association shall hold office until their successors are chosen and qualify in their stead. Any officer elected or appointed by the Board may be removed at any time by the affirmative vote of three-fourths (3/4) of the voting members present at any meeting of members of the Association.

Section 4. The President. The President shall be the chief executive officer of the Association; he shall preside at all meetings of the members and directors; shall appoint any necessary committees from among the members; shall be an ex-officio member of all standing committees; shall have general management of the business of the Association, and shall see that all orders and resolutions of the Board are carried into effect.

Section 5. The Secretary.

(a) The Secretary shall keep the minutes of the members' meetings and of the Board of Directors' meetings in one or more books provided for that purpose. Resolutions shall be maintained in one such minute book.

(b) The Secretary shall see that all notices are duly given in accordance with the provision of these Bylaws or as required by law.

(c) The Secretary shall be custodian of the corporate

records of the seal of the corporation, and shall affix the seal to instrument requiring it when duly signed.

(d) The Secretary shall keep a register of the post office address of each member, which shall be furnished to the Secretary by such member.

(e) In general, the Secretary shall perform all duties incident to the Office of the Secretary and such other duties as may be assigned to him by the President or by the Board of Directors.

Section 6. The Treasurer.

(a) The Treasurer shall keep full and accurate accounts of all financial records of the Association including receipts and disbursements in books belonging to the Association, and shall deposit all monies and other valuable effects in the name of and to the credit of the Association in such depositories as may be designated by the Board of Directors or these Bylaws. The Treasurer shall keep a detailed, accurate account for each Lot, setting forth any shares of Common Area Expenses or Limited Common Area Expenses or other charges due, the due dates thereof, the present balance due, and any interest in common Area Surplus or Limited Common Area Surplus; and he shall perform all other duties incident to the Office of Treasurer. The records, books of account, and the vouchers authorizing payments, shall be available for examination by members of the Association at reasonable time.

(b) The Treasurer shall disburse the funds of the Association as ordered by the Board, taking proper vouchers for such disbursements, and shall render to the President and Directors at the regular meetings of the Board, an account of all his transactions as Treasurer, and of the financial condition of the corporation.

Section 7. The Vice President. The Vice President shall be vested with all the powers and required to perform all the duties of the President in his absence, and such other duties as may be prescribed by the Board of Directors.

Section 8. Vacancies. If any office becomes vacant by reason of death, resignation, disqualification or otherwise, the remaining

for such quarter, but failure to send or to receive such quarterly statement shall not relieve a Lot Owner of his obligation to pay his quarterly Assessments on or before the first day of each quarter. If the Board of Directors shall not approve an estimated annual budget or shall fail to determine new quarterly Assessments for any year, or shall be delayed in doing so, each Lot Owner shall continue to pay each quarter the amount of his quarterly Assessment as last determined. Each Lot Owner shall pay his quarterly Assessment on or before the first day of each quarter to the manager or managing agent or as may be otherwise directed by the Board. No Lot Owner shall be relieved of his obligation to pay his Assessment by abandoning or not using his Lot or the Common Area Elements. In the event of any failure by a Lot Owner to pay his quarterly Assessment in a timely manner as herein provided for the Board may accelerate all remaining quarterly Assessments due for the balance of the term covered by the annual budget, and the same shall thereupon become immediately due and payable.

Section 4. Proration of Assessments. For the first fiscal year, the annual budget shall be as approved by the first Board of Directors. If such first year, or any succeeding year, shall be less than a full year, then the quarterly Assessment for each Lot Owner for the Common Area Expenses shall be proportional to the number of months and days in such period covered by such budget. Commencing with the date of closing of his Lot by each Lot Owner, he shall pay his Assessment for the following quarter or fraction of a quarter, which Assessment shall be in proportion to his ownership interest in the Common Area Elements and the number of months and days remaining of the period covered by the current annual budget, and which Assessment shall be as computed by the Board of Directors.

Section 5. Annual Statements. Within ninety (90) days after the end of each year covered by an annual budget, or as soon thereafter as shall be practicable, the Board of Directors shall cause to be furnished to each Lot Owner a statement for such year so ended, showing the receipts and expenditures and such other information as the Board may deem desirable.

contribution required shall be as fixed by the Board and shall constitute a component of the annual Assessment for the Common Area Expenses of the Association. A copy of the capital budget shall be distributed to each Member in the same manner as the operating budget.

(b) Operating Budget. The Board of Directors shall cause to be prepared an estimated operating budget for each fiscal year of the Association. Such budget shall take into account the estimated expenses and cash requirements for the year, including salaries, wages, payroll taxes, supplies, materials, parts, services, maintenance, repairs replacements, landscaping, insurance, fuel, power and other expenses (as distinguished from individual mortgage payments real estate charged to the separate Lot Owners on an individual or separate basis rather than on a common basis). The operating budget shall also take into account the estimated net available cash income for the year, if any, and shall also provide for amounts required to make up for any deficit in any prior year and a general reserve for contingencies for the year. To the extent that the Assessments and other cash income collected from the Lot Owners during the preceding year shall be more or less than the expenditures for such preceding year, the surplus or deficit, as the case may be, shall also be taken into account.

Section 3. Assessments. The estimated annual budget each fiscal year shall be approved by the Board of Directors, and copies thereof shall be furnished by the Board to each Lot Owner thirty (30) days prior to the annual meeting. On or before the first day of the first quarter and of each succeeding quarter of the year covered by the annual budget each Lot Owner shall pay, as his respective quarterly assessment for the Common Area Expenses, one quarter of his annual assessment as set by the Board of Directors to cover Common Area Expenses for such year as shown by the annual budget. The Assessments of the Common Area Expenses shall be as set forth in the Declaration. The Board of Directors may cause to be sent to each Lot Owner on or before the first day of each quarter a statement of the quarterly assessment of such Lot Owner

Directors, by a majority vote, may choose a successor or successors who shall hold such office until a successor is elected at the next annual meeting.

Section 9. Resignations. Any officer may resign his office at any time. Such resignation shall be made in writing, and shall take effect at the time of its receipt by the Association, unless some time be fixed in the resignation, and then from that date. The acceptance of a resignation shall not be required to make it effective.

Section 10. Compensation. The officers of the Association shall receive no compensation as officers.

ARTICLE IV ASSESSMENTS

Section 1. Accounting Records. The Board of Directors shall provide for the maintenance of accounting records for the Association, such records to be maintained in accordance with generally accepted accounting principles.

Section 2. Annual Budget. The Board of Directors shall cause to be prepared an estimated annual budget for each fiscal year of the Association, which budget shall take into account both the capital budget and the operating budget for the ensuing year, which together shall constitute the Common Area Expenses constituting an Assessment against each Lot and Lot Owner as provided for in the Declaration and elsewhere. The capital and operating budgets shall be established as follows:

(a) Capital Budget. The Board of Directors shall cause to be prepared an estimated capital budget for each fiscal year of the Association. Such budget shall take into account the number and nature of the replaceable assets comprising the Common Area, the expected life of each such asset, and expected repair and/or replacement cost, and all other information required to establish the capital repair and replacement reserve fund provided for in the Declaration for the ensuing year. The Board shall set the required capital contribution, if any, in an amount sufficient to meet the projected capital needs of the Association, as shown on the capital budget with respect to both amount and timing, by equal annual assessments over the period of the budget. The capital

Section 6. Accounts. The Board of Directors shall cause to be kept a separate account record for each Lot Owner showing the Assessments charged to and paid by such Lot Owner, and the status of his account from time to time. Upon ten (10) days notice to the Board of Directors any Lot Owner shall be furnished a statement of his account setting forth the amount of any unpaid Assessments or other charges due and owing from such Lot Owner. A Lot Owner shall make no more than one such request per month.

Section 7. Supplemental Budget and Assessments. If during the course of any year, it shall appear to the Board of Directors that the quarterly Assessments, determined in accordance with the estimated annual budget for such year, are insufficient or inadequate to cover the estimated Common Area Expenses for the remainder of such year, then the Boar shall prepare and approve a supplemental budget covering the estimated deficiency for the remainder of such year, copies of which supplemental budget shall be furnished to each Lot Owner, and thereupon a supplemental Assessment shall be made to each Lot Owner for his proportionate share of each supplemental budget.

Section 8. Payment of Assessments. It shall be the duty of every Lot Owner to pay his proportionate share of the Common Area Expenses assessed in the manner therein provided. If any Lot Owner shall fail or refuse to make any such payments when due, the Association and the Board of Directors shall have the authority to exercise and enforce any and all rights and remedies as provided for in the Declaration or these Bylaws, r otherwise available at law or in equity, for the collection of all unpaid Assessments.

Section 9. Records. The Board of Directors shall cause to be kept detailed and accurate records in chronological order of the receipts and expenditures affecting the Common Area Elements, specifying and itemizing the expenses incurred, and such records and the vouchers authorizing the payments of such expenses shall be available for examination by the Lot Owners or their authorized representatives at convenient hours of week days. Such payment vouchers may be approved in such manner as the Board of Directors may determine.

Section 10. Liens. The Board of Directors may cause the Association to discharge any mechanic's lien or other encumbrance which, in the opinion of the Board, may constitute a lien against the property, the Common Area Elements, or any Lot, and the Association shall thereupon have a lien in such amount, together with the amount of any costs and attorneys fees incurred in connection therewith, on each Lot responsible for the payment thereof in accordance with the provisions of the Declaration and the Board of Directors shall thereupon perfect any such lien by recording an appropriate claim of lien prepared and filed for record in accordance with the provisions of said Declaration.

ARTICLE V
MORTGAGES

Section 1. Notice to Board of Directors. A Lot Owner who mortgages his Lot shall notify the Secretary of the Association who shall maintain a record of such information.

Section 2. Notice of Unpaid Common Charges. The Board of Directors, whenever so requested in writing by a mortgagee of a Lot, shall promptly report any then unpaid Assessments due from, or any other default by, the Owner of a mortgaged lot as provided for in the Declaration.

Section 3. Examination of Books. The holder of a mortgage on any Lot shall have the same right to examine the books and records of the Association afforded a Lot Owner.

ARTICLE VI
USE AND OCCUPANCY RESTRICTIONS

The use of the Lots and the Property shall be in accordance with the terms of the Declaration, and the Rules and Regulations from time to time established by the Board.

ARTICLE VII
RULES AND REGULATIONS

Section 1. Authority and Enforcement. The Board of Directors shall have the authority to make and to enforce reasonable Rules and Regulations governing the conduct, use, and enjoyment of the Common Area Elements, provided that copies of all such Rules and Regulations be furnished to all Owners. The Board shall have the power to impose reasonable fines which shall constitute a lien upon the Lot and to suspend an Owner's right to use the Common Area

Elements and to vote for violation of any duty imposed under the Declaration, these Bylaws or any Rules and Regulations duly adopted hereunder.

Section 2. Procedure. The Board shall not impose a fine, suspend voting or infringe upon any other rights of a Member or other occupant for violation of rules 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 sanction after notice and hearing if the violation is not continuing.

(b) Notice. Within ninety (90) days 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 shall serve the violator with written notice of a hearing to be held by the Board in session. The notice shall contain: (i) the nature of the alleged violation; (ii) the time and place of the hearing, which time shall be not less than ten (10) days from the giving of the notice; (iii) an invitation to attend the hearing and produce any, statement, evidence and witnesses 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. 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 or director who delivered such notice. The notice requirement shall be deemed satisfied if a violator appears at the meeting. The

minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed.

ARTICLE VIII MISCELLANEOUS

Section 1. Seal. The seal of the Association shall be circular in form and shall contain the name of the Association and the year of its creation. Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

Section 2. Fiscal Year. The fiscal year of the Association shall be that period from January 1 to December 31.

Section 3. Bank Accounts. The Board of Directors may, from time to time, by resolution authorize the maintenance of one or more deposit accounts by the Association. All checks, drafts, or other orders for the payment of money issued in the name for the Association shall be signed by such officer or officers, agent or agents of the Association, and in such manner as shall be determined from time to time by resolution of the Board of Directors.

Section 4. Notice. Whenever any notice or demand is required to be given by these Bylaws the same shall be given in the manner provided for in the Declaration.

Section 5. Waiver of Notice. Whenever any notice whatsoever is required to be given under the provisions of any law, or under the provisions for the Articles of Incorporation, these Bylaws or the Declaration, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether signed before or after the time stated therein, shall be deemed equivalent thereto.

Section 6. Conflict. In the event of any conflict between the provisions of these Bylaws and the Declaration, the Declaration shall govern.

ARTICLE IX AMENDMENTS

These Bylaws may be amended or modified from time to time by the vote of a majority of the Board of Directors, any amendment to be set forth in writing, signed by the Secretary of the Board of Directors and recorded in the Shelby County Probate Office. Upon

recording each such amendment shall be effective.

The foregoing were adopted as the Bylaws of Applegate Townhouse Association, Inc., an Alabama not-for-profit corporation, at the meeting of the Board of Directors on _____, 19____.

Secretary

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