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Inst # 1995-06139

03/09/1995-06139
12:01 PM CERTIFIED
SHELBY COUNTY JUDGE OF PROBATE
045 MCD 119.50

STATE OF ALABAMA)
COUNTY OF Shelby)

DECLARATION OF PROTECTIVE COVENANTS

FOR

RIVER HIGHLANDS

KNOWN ALL MEN BY THESE PRESENTS, that:

WHEREAS, on this 8th day of March, 1995, the undersigned, Aftco Properties, Inc. (hereinafter referred to as the "Developer"), is the owner of all of the following described property:

River Highlands, as recorded in Map Book 19,
Page 111, in the Probate Office of Shelby
County, Alabama (hereinafter referred to as the
"Property").

WHEREAS, the Developer desires to establish and enforce uniform standards of development quality and to provide for the effective preservation of the appearance, value and amenities of real property herein described and for the maintenance and administration of certain areas thereof which benefit all owners of property therein and, to this end, desires to subject said real property, together with such additions thereto as may hereafter be made, to the Protective Covenants, all of which are for the benefit of the said real property and each owner thereof; and

WHEREAS, the Developer has deemed it desirable for the establishment and enforcement of uniform standards of development quality and the effective preservation of the appearance, value and amenities to create a nonprofit corporation (sometimes hereinafter referred to as the "Association") to which should be delegated and assigned the powers of maintaining and administering certain areas thereof which benefit all owners of property therein and enforcing the Protective Covenants and of levying, collecting and depositing such charges and assessments as may be authorized in this Declaration for that purpose; and

WHEREAS, the Developer has incorporated the Association under the laws of the State of Alabama, as a nonprofit corporation, for the purpose of exercising the aforesaid functions.

NOW, THEREFORE, the Developer declares that the real property described in Section 2.01 hereof, and such additions thereto as may hereafter be made pursuant to Section 2.02 hereof, is and shall be held, transferred, sold, conveyed and occupied subject to the Protective Covenants, all of which shall be construed as and deemed to be covenants running with the land and shall be binding on and inure to the benefit of all parties having a right, title or interest in the said real property, as well as its heirs, successors and assigns.

ARTICLE I

DEFINITIONS

The following words, when used in this Declaration (unless the context shall prohibit), shall have the following meanings:

1.01 "Association" shall mean and refer to River Highlands Homeowners' Association, Inc., an Alabama nonprofit corporation, as well as its successors or assigns. This is the Declaration of Protective Covenants to which the Articles of Incorporation (hereinafter referred to as the "Articles") and By-Laws (hereinafter referred to as the "By-Laws") of the Association make reference. Copies of the Articles and By-Laws are attached hereto and made a part hereof as EXHIBITS "A" and "B", respectively.

1.02 "Common Area" shall mean and refer to all real and/or personal property which the Association and/or the Developer owns, leases, or has otherwise acquired for the common use and enjoyment of the members of the Association, and all real and/or personal property within or in the vicinity of the Property (hereinafter defined) in which the Association and/or the Developer has an interest for the common use and enjoyment of the members of the Association, including, without limitation, a right of use (such as but not limited to, easements for surface water collection and retention, and licenses to use recreational facilities). The use of the Common Area shall be restricted to park landscape, entry features, directional graphic system, drainage and retention, landscape medians, security, safety, pedestrian paths, roads, lighting, recreational facilities or any other use to which the Board of Directors of the Association may accede.

Developer agrees that all of the Common Area, fee simple title to which may be owned or held by Developer, shall be conveyed to the Association not later than sixty (60) days after Developer relinquishes control of the Board of Directors pursuant to Article Six of the Articles of the Association.

1.03 "Developer" shall mean and refer to Aftco Properties,

Inc., or its heirs, successors or assigns if such heirs successors or assigns acquire any portion of the Property from the Developer and are designated as successor developers by Aftco Properties, Inc..

1.04 "Institutional Mortgagee" shall mean and refer to any federal or state chartered bank, life insurance company, federal or state savings and loan association or real estate investment trust which holds a first mortgage or other first lien or charge upon any Lot or portion of a Lot or any interest therein which is of record in the Office of the Judge of Probate of Shelby County, Alabama, Bessemer Division.

1.05 "Lot" shall mean and refer, to the individual lots (as defined in the Subdivision Regulations of the City of Hoover Planning and Zoning Commission) as reflected on subdivision plat(s) for the Property as recorded in the Office of the Judge of Probate of Shelby County, Alabama, as the same may be amended from time to time. Any portion of the Property not included in the subdivision plat shall be considered a single Lot.

1.06 "Owner" shall mean and refer to one or more persons or entities who or which have fee simple title to any Lot, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

1.07 "Property" shall mean and refer to all real property which is presently or may hereafter be subject to this Declaration pursuant to Article II hereof.

ARTICLE II

PROPERTY SUBJECT TO THIS DECLARATION, ADDITIONS THERETO, DELETIONS THEREFROM

2.01 Legal Description. The real property which presently is and shall be held, transferred, sold, conveyed and occupied subject to this Declaration is located in Shelby County Alabama, and as described in the Plat of River Highlands, prepared by Carr & Associates, Inc. and recorded in the Office of the Judge of Probate of Shelby County, Alabama, in Map Book ____ at page _____.

2.02 Additions to Property. Upon the approval in writing of the Association, the owner of any property who desires to subject it to this Declaration, may file a Supplementary Declaration to that effect in the Office of the Judge of Probate of Shelby County, Alabama. Such Supplementary Declaration may contain such complementary additions to and modifications of the Protective Covenants as the Association shall determine to be necessary or proper to reflect the different character, if any, of the additional

property, provided they are not inconsistent with the general plan of this Declaration.

2.03 Withdrawals of Property. The Developer may at any time or from time to time withdraw portions of the Property from this Declaration, provided only that the withdrawal of such portions of the Property shall not, without the joinder or consent of the Owners of Lots constituting over one-half (1/2) of the then existing acreage of the Property, increase by more than one-fourth (1/4) the share of Association expenses payable by the Owners of Lots which would remain subject hereto after such withdrawal. The withdrawal of Property as aforesaid shall be evidenced by filing in the Office of the Judge of Probate of Shelby County, Alabama, a Supplementary Declaration setting forth the portions of the Property to be so withdrawn.

2.04 Platting and Subdivision of the Property. The Developer shall be entitled at any time and from time to time, to subdivide, plat and/or re-plat all or any part of the Property, and to file subdivision restrictions and/or amendments thereto with respect to any undeveloped portion or portions of the Property. No Lot may be subdivided or re-surveyed without the express written consent of the Developer or without the unanimous written consent of all of the Owners of the Lots which are a part of the Property.

ARTICLE III EASEMENTS

3.01 Owner's Easement With Respect to Common Areas. Every Owner shall have a right and easement of enjoyment in and to all Common Areas subject to the limitations set forth in Section 3.05 of this Declaration.

3.02 Owner's Mutual Reciprocal, Non-Exclusive, Easement for Ingress and Egress and/or Utilities, Other Services and Drainage. In the event that all of the Owners shall agree, they may elect to create, by having all affected Owners file a declaration in the Office of the Judge of Probate of Shelby County, Alabama, one or more mutual, reciprocal, non-exclusive easement(s) in favor of each Owner, in common with all other Owners, and their respective tenants, employees, guests, invitees, licensees, agents and contractors under, through and over such portions of the Property as are designated therein in order to: (1) permit vehicular and pedestrian traffic over, through and across such areas designated therein as may from time to time be paved and intended and designated for such purposes and use, and (2) install, maintain, use, repair and replace wires, pipes, conduits, utility lines, sewer and storm drainage lines and other services located or to be located on the Property. The use of each such easement may be made subject

to such terms and restrictions as the Owners may agree and set forth in such declaration. In the event that all of the Owners shall agree, they may elect to have the Association maintain any such easement or easements.

3.03 Additional Easements and Uses. For so long as the Developer owns any Lot, the Developer, and, thereafter, the Association, on its own behalf and on behalf of all Owners, who hereby appoint the Developer and/or the Association, as the case may be, irrevocably, as their attorney-in-fact for such purposes, shall have the right to grant such additional electric, telephone, water, sanitary sewer, landscaping, irrigation, security, maintenance, drainage, gas, cable television and/or other utility, recreational or service easements or facilities (subject to applicable restrictions), in any portion of the Property, and to grant access easements or relocate any existing access easements in any portion of the Property, as the Developer or the Association shall deem necessary or desirable for the proper operation and maintenance of the Property, or any portion thereof, or for the general welfare of the Owners, or for the purpose of carrying out any provisions of this Declaration, provided (a) such new easements or relocation of existing easements will not, in the opinion of the Board of Directors of the Association, unreasonably interfere with any Owner's enjoyment of the portion of the Property owned by such Owner, (b) any required work is done at the sole cost and expense of the Association, and after completing such work, the Association will restore any portion of the Property which was affected to the same or as good a condition as existed immediately before the commencement of such work, and (c) following the completion of such work, the Association shall cause a survey to be made of the easement showing its location on the Property and cause the same to be recorded in the Office of the Judge of Probate of Shelby County, Alabama. Such right of the Developer and/or the Association shall also include the right to provide for such simultaneous or concurrent usage of any presently existing or additional easements for such purposes, not infringing upon their stated purposes, as it may deem necessary or desirable, including, but not limited to, their use for the recreational purposes of the Owners, their respective tenants, employees, guests, invitees, licensees and agents.

3.04 Utility Easements. The Developer, or any utility authorized by it, reserves an easement across the back of each lot and side line easements as shown on the recorded plat of the existing development, for the purpose of constructing, maintaining, and repairing utility lines and equipments and for water mains and storm drains and other general use facilities; provided, however, that said easement area shall be maintained by the lot owners, except for those obligations of public authorities or utility companies.

3.05 Limitation. Any easements which may be created pursuant to this Article shall be appurtenant to and the benefits and burdens thereof shall pass along with the title to every Lot and are further subject to the following limitations:

(a) All provisions of this Declaration and the Articles and By-Laws of the Association;

(b) All rules and regulations governing the use and enjoyment of the Common Areas which have been or may hereafter be adopted by the Association; and

(c) All restrictions contained on any and all plats of all or any part of the Common Areas or any other part or parts of the Property.

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

ARTICLE IV

COVENANTS FOR MAINTENANCE ASSESSMENTS

4.01 Affirmative Covenant to Pay Assessments. Each Owner, by acceptance of a deed or other instrument of conveyance for a Lot, whether or not it shall be so expressed in any such deed or other instrument, including any purchaser at a judicial sale, shall be obligated and hereby covenants and agrees to pay to the Association, in the manner set forth herein, all Assessments determined in accordance with the provisions of this Declaration. However, Lots owned by the Developer shall not be subject to any assessment by the Association, be it annual, special, or individual assessments.

4.02 Purpose of Assessments. The Assessments levied by the Association shall be used exclusively for the preservation of the appearance, value and amenities of the Property, and in particular for the improvement, preservation, maintenance and administration of the Common Areas and of any easement in favor of the Association, and for the establishment of reserves therefore, as well as for such other purposes as are properly undertaken by the Association.

4.03 Annual Assessments. The Association shall levy Annual Assessments in such amounts as are necessary to meet the Common Expenses (as defined in Article V below) and such other recurring or projected expenses as the Board may deem appropriate. The Assessment year for the Annual Assessment need not be the calendar year.

4.04 Special Assessments. In addition to the Annual

Assessments specified in Section 4.03 above, the Association may at any time levy one or more Special Assessments for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, or expected or unexpected repair to or replacement of any of the Common Areas, including any fixtures and personal property related thereto.

4.05 Duties of the Board of Directors. The Board of Directors of the Association shall fix the amount of all Assessments, the date of commencement for each Assessment; and the due date of such Assessment, on a per Lot basis, at least thirty (30) days in advance of any such commencement date, and shall at that time, prepare a roster of the Lots and Assessments applicable thereto, which roster shall be kept in the office of the Association and shall be open to inspection by any Owner. Written notice of the amount of the Assessment, the commencement and due dates shall be sent to every Owner subject thereto not later than seven (7) days after fixing the date of commencement.

4.06 Date of Commencement and Due Date for Assessments. The liability of a Lot for any Assessment shall commence on the date or dates (which shall be the first day of a month) fixed by the Board in the resolution authorizing such Assessment. The due date of any such Assessment (which may be different from the commencement date) shall also be fixed in the resolution authorizing such Assessment (but which need not be the first day of a month). Such Assessments shall be payable in advance in monthly, quarterly, semi-annual or annual installments, as so fixed in the resolution authorizing the Assessment.

4.07 Allocation of Assessment. The Board shall allocate a portion of each Assessment to each Lot in the proportion that each Lot bears to the total number of Lots within the Property (to the nearest one-thousandth).

4.08 Certificates Concerning Assessments. The Association shall, upon demand at any time, furnish to any Owner liable for any Assessment or his designee a certificate in writing signed by an officer of the Association, setting forth whether said Assessment has been paid. Such certificate shall be conclusive evidence of payment of any Assessment therein stated to have been paid.

4.09 Liability of Owners for Assessments.

(a) No Owner may exempt himself from liability for any Assessment levied against his Lot by waiver of the use or enjoyment of any of the Common Areas, or by abandonment of the Lot or in any other manner except as provided in paragraph 4.01 above or in subparagraph (b) below.

(b) In the event that the Association elects to make certain Common Areas available for use by Owners on an optional

basis, then any assessment for Common Expenses attributable to such Common Area shall be assessed against and allocated among the Owners who affirmatively elect to use such Common Area in the manner prescribed by the Board of Directors of the Association and those Owners who do not affirmatively elect to use such Common Area shall not be liable for any assessment for Common Expenses attributable to such Common Area. Unless otherwise agreed to in writing, an Owner may elect to discontinue his use of those Common Areas made available to Owners on an optional basis at any time by delivery of written notice to the Association in which event the Owner shall have no liability for any further liability for assessments for Common Expenses with respect to such Common Areas effective on the first day of the first calendar month commencing not less than thirty (30) days after deliver of such notice.

4.10 Effect of Non-Payment of Assessments: The Lien, the Personal Obligation; Remedies of the Association.

(a) If any Assessment or other charge or lien provided for herein is not paid in full on the due date set by the Board, then such Assessment charge or lien shall become delinquent on the thirtieth day thereafter, and together with interest thereon and cost of collection thereof as are hereinafter provided, thereupon become a continuing lien on the Lot encumbered thereby, and also the personal obligation of its Owner, his heirs, and his or its successors and/or assigns. The personal obligation of any Owner to pay such Assessment, however, shall remain his or its personal obligation and shall not pass to any successors or assigns unless expressly assumed by them.

(b) If any Assessment is not paid within thirty (30) days after the delinquency date, the Assessment shall bear interest from the date of delinquency at the highest interest rate allowed by law, and the Association may bring an action against the Owner personally obligated to pay the same and/or commence the foreclosure of the aforesaid lien against the Lot in like manner as a foreclosure of a mortgage on real property under the laws of the State of Alabama, and there shall be added to the amount of such Assessment the costs of preparing and filing the complaint in such action, and in the event a judgment is obtained, such judgment shall include the aforesaid interest on the Assessment as above provided and reasonable attorneys' fees to be fixed by the court, together with the costs of the action. The lien granted to the Association shall further secure such advances for taxes and payments on account of superior mortgages, liens or encumbrances which may be required to be advanced by the Association in order to preserve and protect its lien. Any person (except an Institutional Mortgagee) who shall acquire, by whatever means, any interest in the ownership of any Lot, or who may be given or acquire a mortgage, lien or other encumbrance thereon, is hereby placed on notice of the lien granted to the Association and shall acquire his interest in any Lot expressly subject to any such lien of the Association.

(c) The lien herein granted to the Association shall be perfected by recording a Claim of Lien in the Office of the Judge of Probate of Shelby County Alabama, stating the description of the Lot encumbered thereby,, the name of its Owner, the amount due and the date when due. The lien shall continue in effect until all sums secured by it, as herein provided, shall have been fully paid. Such Claim of Lien shall include only Assessments which are due and payable when the Claim of Lien is recorded, plus interest, late charges, costs, attorneys' fees and advances to pay taxes, prior encumbrances and other proper charges together with interest thereon, all as provided herein. Such Claim of Lien shall be signed and verified by an officer or agent of the Association. Upon full payment of all sums secured by such Claim of Lien, the same shall be satisfied of record. No sale or other transfer of a Lot shall relieve any Owner from liability for any Assessment due before such sale or transfer, nor from the lien of any such Assessment. The written opinion of an officer of the Association that any lien is subordinate to any given mortgage shall be deemed to be dispositive of that issue.

(d) The lien of any Assessments shall be subordinate to the lien of any Institutional Mortgagee bearing a recording date in the Office of the Judge of Probate of Shelby County, Alabama, prior to the date of recording the Association's Claim of Lien. Where an Institutional Mortgagee obtains title to a Lot as a result of foreclosure of its mortgage or where any Institutional Mortgagee or its designee accepts a deed to a Lot in lieu of foreclosure, such acquiror of title, its successors and assigns, shall not be liable for any Assessment pertaining to such Lot or chargeable to the former Owner which became due prior to the acquisition of title to such Lot, unless such delinquent Assessment was secured by a Claim of Lien recorded prior to the recordation of the Institutional Mortgagee's mortgage. Such unpaid Assessments shall be instead collectible from all Owners, including such acquiror, its successors and assigns. Nothing herein contained shall be construed as releasing the party liable for such delinquent assessments from the payment thereof or liability for the enforcement or collection thereof by means other than foreclosure.

(e) Any person who acquires an interest in a Lot, except an Institutional Mortgagee as specifically provided above, including, but not limited to,, persons acquiring title by operation of law or at a judicial sale, shall not be entitled to occupancy of the Lot or the use or enjoyment of the Common Areas until such time as all unpaid Assessments due and owing by the former Owner have been paid in full. Any party who has a contract to purchase a Lot, or who proposes to make a loan secured by a mortgage on a Lot, may, by written request, inquire of the Association whether the Lot is subject to any Assessments and the due date of any such Assessments and the amount of interest due on any delinquent Assessments and an authorized representative of such Association shall give the requesting party a written response, providing all such information,

within ten days of the Association's receipt of such inquiry and such response shall be binding upon the Association. If the response is incorrect or if the Association does not make such response within said ten-day period, any such assessment shall not be an obligation of such purchaser or a lien on the Lot, but shall continue to be a personal obligation of the Owner of the Lot.

(f) The Association shall have the right to assign its Claim of Lien, and any other lien rights provided for in this Article; for the recovery of any unpaid Assessments to the Developer, to any Owner or group of Owners or to any third party.

4.11 Exempt Property. The Board of Directors shall have the right to exempt any portion of the Property from the assessments, charge and lien created herein provided that such part of the Property exempted is used (and as long as it is used) for any of the following purposes:

(a) As an easement or other interest therein dedicated and accepted by the local public authority and devoted to public use;

(b) As Common Area as defined in Section 1.02 hereof;

(c) As Property exempted from ad valorem taxation by the laws of the State of Alabama, to the extent agreed to by the Association.

(d) Lots owned by the Developer shall be exempt from the payment of assessments as stated in paragraph 4.01.

ARTICLE V

COMMON EXPENSES

The following are certain expenses with respect to the Common Areas which are hereby declared to be Common Expenses which the Association is obligated to collect by Assessment and which Owners are obligated to pay as provided in Article IV hereof. The enumeration below of these expenses shall in no way limit the Association from considering other expenses incurred in managing the Association or any part of the Common Areas and/or the Property as expenses subject to collection by Assessment.

5.01 Maintenance and Repairs of Common Areas. The cost and expense to keep and maintain the Common Areas in good and substantial repair and in a clean, attractive, and sanitary condition.

5.02 Management. The cost and expense of such (i) employees or agents, including professional management agents, accountants and

attorneys, and (ii) materials, supplies and equipment as may be needed to provide for the management, supervision and maintenance of the Common Areas.

5.03 Fidelity and Directors' Insurance. Fidelity and Directors' Insurance covering all directors, officers and employees of the Association and all managing agents who handle Association funds, if any.

5.04 Enforcement Declaration and Rules and Regulations. All fees, costs and expenses, including attorneys' fees through all appellate levels, in connection with the Association's duty to enforce all of the Protective Covenants and other terms contained in or imposed by this Declaration, and all rules and regulations adopted pursuant to the Articles, the By-Laws or this Declaration.

ARTICLE VI ARCHITECTURAL REVIEW COMMITTEE AND PLAN APPROVAL

6.01 Architectural Review Board.

(a) The architectural review and control functions of the Association shall be administered and performed by the Architectural Review Committee (hereinafter referred to as the "ARC") which shall consist of not more than three (3) members who may or may not be members of the association, each of whom will be designated and may be removed at any time by the Developer, until such time as Developer relinquishes in writing the authority to appoint members to the ARC to the Association. At such time as Developer no longer owns any Lot in the Development, or upon Developer's written notice to the Association that it no longer desires the right to exercise the right to appoint and remove members of the ARC, then the Board of Directors of the Association shall have the right to appoint and terminate, with or without cause, all members of the ARC.

(b) The vote or written consent of a majority of the members of the ARC shall be the Act of the ARC; provided that a majority of the members of the ARC may delegate the right to act for and on behalf of the ARC to one or more of its members.

(c) Subject to the provisions of subparagraph (a) above, the remaining members of the ARC shall have full authority to elect a successor to the ARC upon the death or resignation of a member of the ARC. Subject also to the provisions of subparagraph (a) above, the Owners of a majority of the Lots shall have the power, through a duly recorded written instrument, to remove a member from the ARC and to elect a member of the ARC to fill any vacancy in the ARC created by such removal or otherwise.

6.02 Necessity of Architectural Review and Approval. The authority to review and approve plans and specifications as provided herein is a right and not an obligation. Owners (and their respective contractors) shall have the sole obligation to oversee and construct dwellings in accordance with the restrictions hereof and the plans and specifications approved by the ARC. No structure shall be commenced, erected, placed, moved on to or permitted to remain on any lot, nor shall any existing structure upon any lot be altered in any way which materially changes the exterior appearance thereof, nor shall any new use be commenced on any lot, unless plans and specifications (including a description of any proposed new use) thereof shall have been submitted to and approved in writing by the Committee. Such plans and specifications shall be in such form and shall contain such information as may be required by the Developer or by the Committee, but in any event shall include: (1) site plan of the lot showing the nature, exterior color scheme, kind, shape, height, materials, and locations with respect to the particular lot, including proposed front, rear, and side setbacks and free spaces, if any are proposed, of all structures, the location thereof with reference to structures on adjoining portions of the property, and the number and locations of all parking spaces and driveways on the lot, (2) a drainage plan, including a construction drainage plan for silt control, and (3) a plan for landscaping. The ARC shall have the authority to require modifications and changes in plans and specifications if it deems the same necessary.

6.03 The Committee shall be directed to encourage the development of traditionally designed homes.

6.04 Construction may not be started before receipt of a Letter of Approval from the Committee, a copy of which must be signed by the builder, or owner, and returned to the Committee for retention.

6.05 The plans submitted to the Committee shall be retained by the committee. Said plans should be delivered to the offices of Aftco Properties, Inc., 972 Montclair Road, Suite B, Birmingham, Alabama 35213.

6.06 If any structure or improvement shall be altered, erected, placed or maintained upon any lot, or any new use commenced on any lot, otherwise than in accordance with plans and specifications approved by the Committee pursuant to the provisions of this Article VI, such alteration, erection, maintenance or use shall be deemed to have been undertaken in violation of this covenant, and without the approval required herein, and, upon written notice from the Committee, any such structure or improvement so altered, erected, placed or maintained upon any lot in violation hereof shall be removed or realtered, and any such use shall be terminated, so as to extinguish such

violation.

If fifteen (15) days after the notice of such a violation the owner of the lot upon which such violation exists shall not have taken reasonable steps toward the removal or termination of the same, the Developer shall have the right, through its agents and employees, to enter upon such lot and to take such steps as may be necessary to extinguish violation and the cost thereof shall be a binding, personal obligation of such owner as well as a lien (enforceable in the same manner as a mortgage) upon the lot in question. The lien provided in this covenant shall not be valid as against a bona fide purchaser (or bona fide mortgagee) of the lot in question unless a suit to enforce said lien shall have been filed in a court of record in Shelby county prior to the recordation among the Land Record of Shelby County of the deed (or mortgage) conveying the lot in question to such purchaser (or subjecting the same to such mortgage).

6.07 Any agent of the Developer or the Committee may at any reasonable time or times enter upon and inspect any lot and any improvements thereon for the purpose of ascertaining whether the maintenance of such lot and the maintenance, construction, or alteration of structures and improvements thereon are in compliance with the provisions hereof; and neither the Developer nor the Committee nor any such agent shall be deemed to have committed a trespass or other wrongful act by reason of such entry or inspection.

6.08 Neither the Committee nor any architect or agent thereof nor the Developer shall be responsible to check for any defects in any plans or specifications submitted, revised or approved in accordance with the foregoing provisions, or for any structural or other defects in any work done according to such plans and specifications. It is specifically understood and agreed that any approval given by the Committee as provided herein specifically understood and agreed that any approval given by the Committee as provided herein shall not be deemed warranty, either expressed or implied, or approval by the Committee of the structural integrity or soundness of any structure to be erected upon any lot in the subdivision.

6.09 Each and every covenant and restriction contained herein shall be considered to be an independent and separate covenant and agreement, and in the event any one or more of said covenants or restrictions shall, for any reason, be held to be invalid or unenforceable, all remaining covenants and restrictions shall nevertheless remain in full force and effect.

6.10 The Committee shall have the right to construe and interpret the provisions hereof, and in absence of an adjudication by a court of competent jurisdiction to the contrary, its construction or interpretation shall be final and

binding as to all persons or property benefitted or bound by the provisions hereof.

6.11 The general covenants, restrictions, and easements herein shall not be taken as permitting any action or thing prohibited by the applicable zoning laws, or the laws, rules or regulations of any governmental authority, or by specific restrictions imposed by any deed. In the event of conflict, the most restrictive provision of such laws, rules, regulations, deeds, or the general covenants, restrictions, and easements shall be taken to govern and control.

6.12 The grantee of any lot subject to the coverage of these general covenants, restrictions, and easements, by acceptance of the deed or other instrument conveying an interest in or title to, or the execution of a contract for the purchase thereof, whether from the Developer or a subsequent owner of such lot, shall accept such deed or other contract upon and subject to each and all of these general covenants, restrictions, and easements herein contained.

6.13 Each and every lot owner and future owner, in accepting a deed or contract for any lot subject to these general covenants, restrictions, and easements, agrees to indemnify and defend the developer against and hold the Developer harmless from any damage caused by such lot owner, or the contractor, agent or employees of such lot owner, to roads, streets, gutters, walkways, or other aspects of public ways, including all surfacing thereon, or to water drainage or storm sewer lines.

6.14 Enforcement. If a determination is made by the Association that any of the aforementioned restrictions are being or have been violated upon any Lot, then the Association shall so notify the Owner in writing, specifying the violation. If within thirty (30) days from such notification, the Association shall make a second determination that sufficient progress has not been made to remedy the violation, the Association may itself, direct such actions to be taken as shall be necessary or appropriate to remedy such violation. The Owner shall be liable for the cost and expense of all such actions and the Association may treat all such costs and expenses therefore as a charge which shall become a lien of the Association on the affected Lot enforceable in the manner specified in Article IV hereof.

ARTICLE VII

EXCLUSIVE RESIDENTIAL USE AND IMPROVEMENTS

7.01 Use Restrictions.

(a) All lots in the tract shall be known and described as residential lots and shall be used for single-family residential purposes.

(b) No structure shall be erected, altered, placed or permitted to remain on any residential building lot other than detached single-family dwellings not to exceed two and one-half stories.

(c) Notwithstanding anything to the contrary herein, the undersigned or their assigns, shall be permitted to construct and maintain on one lot only a structure and related facilities designed and used as a sales center for the marketing of real estate including the lots subject to these covenants and adjoining land and improvements thereon owned by the undersigned or their assigns.

(d) No more than a single-family unit shall occupy any dwelling house.

(e) It shall be the responsibility of each lot owner to prevent development or occurrence of any unclean, unsightly or unkept conditions of buildings or grounds on such lot which shall tend to decrease the beauty of the specific area or of the neighborhood as a whole.

(f) No animals, birds, or reptiles shall be kept or be possessed in River Highlands by any person owning a lot, except for commonly accepted household pets. (Pit Bulls are not considered commonly accepted household pets.) Any such pet shall be kept by any homeowner within the limitations of the lot and residence thereon, and no pet shall be permitted to leave said lot or residence without being controlled at all times by the owner. No kennels will be allowed.

(g) No noxious or offensive trade or activity shall be carried on upon any lot nor shall anything be done thereon which may be or become an annoyance or nuisance to the neighborhood.

(h) No oil drilling, oil development operation, oil refining, quarrying or mining operations of any kind shall be permitted upon, or in any lot, nor shall oil wells, tanks, tunnels, mineral excavations or shafts be permitted upon or in any lot. No derrick or other structure designed for use in boring oil or natural gas shall be erected, maintained or permitted upon any lot.

7.02 Building Setbacks. All single-family residences shall comply with the following setback requirements. No residence shall be constructed closer than:

1. Minimum front line setback to be 35 feet.
2. Minimum side-line setback to be 10 feet.
3. Minimum rear lot line setback to be 30 feet.
4. Request for variance for items 1, 2 or 3 will be presented to the Developer only if aforesaid requirements cannot be met because of the topography of a particular lot.

7.03 Size Limitations. The property shall be used exclusively for single-family residences; for lots 34-38: 1-story houses shall have a minimum of 2200 square feet heated area; 1 1/2-story houses shall have a minimum of 2400 square feet of heated area with a minimum of 1650 square feet heated area on the first floor; 2-story houses shall have a minimum of 2600 square feet of heated area with a minimum of 1300 square feet of heated area on the first floor (basement footage and garages shall not be included). For lots 1-33 and for lots 39-45, 1-story houses shall have a minimum of 2000 square feet heated area; 1 1/2-story houses shall have a minimum of 2250 square feet of heated area with a minimum of 1550 square feet heated area on the first floor; 2-story houses shall have a minimum of 2400 square feet of heated area with a minimum of 1200 square feet of heated area on the first floor (basement footage and garages shall not be included).

7.04 Construction Materials. No aluminum siding shall be permitted to be installed on the exterior of any structure or residential building constructed on a lot.

7.05 Construction of Improvements. When the construction of any building is once begun, work thereon must be prosecuted diligently and continuously and must be completed within twelve (12) months.

7.06 Garages. Garage doors shall not be permitted on the front of homes except on approval of the Committee.

7.07 Carports. Carports will be allowed only with special approval by the Committee.

7.06 Vehicular access. No vehicular access will be permitted from any lot to public roads outside the boundaries of the subdivision except by roads constructed by the Developer.

ARTICLE VIII

GENERAL REQUIREMENTS

8.01 Satellite Dishes. No satellite dish shall be permitted on any lot except as approved in writing by the Architectural Review Committee.

8.02 Landscaping and Maintenance. No weeds, underbrush or other unsightly growth shall be permitted to grow or remain upon any part of the Property and no refuse pile or unsightly objects shall be allowed to be placed or suffered to remain upon any part of the Property, including vacant parcels. The undersigned (or its assigns) reserves the right (after ten (10) days' notice to the owner) to enter any residential lot during normal working hours for the purpose of mowing, removing, cleaning or cutting underbrush, weeds or other unsightly growth and trash which, in the sole opinion of the undersigned, detracts from the overall beauty and safety of the subdivision and may charge the owner a reasonable cost of such services, which charge shall constitute a lien upon such lot enforceable by appropriate proceeding at law or equity. This provision shall not apply to the undersigned or its assigns during the sales and development period, such sales period to extend until the last lot is sold by the undersigned.

8.03 Trash. No trash, garbage or other refuse shall be dumped, stored or accumulated on any lot. Trash, garbage or other waste shall not be kept on any lot except in sanitary containers or garbage compactor units. Garbage containers, if any, shall be kept in a clean and sanitary condition, and shall be so placed or screened by shrubbery or other appropriate material approved in writing by the Architectural Review Committee (hereinafter referred to as the "Committee:") as not to be visible from any road within sight distance of the lot at any time except during refuse collection. No outside burning of wood, leaves, trash, garbage or household refuse shall be permitted, except during the construction period.

8.04 Temporary Structures. Except for the construction and development activities of the Developer or builder, no structure of a temporary character, or trailer, basement, tent or shack shall be used at any time as a residence. There shall be no occupancy of any dwelling until the interior and exterior of the dwelling is complete and a certificate, or other satisfactory evidence, of completion is received by and approved by the Committee.

8.05 Fences and Hedges.

(a) No fence, wall, tree, shrub, or bush shall be erected or planted in such a way as to prevent any pedestrian or operator of a motor vehicle from having clear, open and safe scope of vision at any intersection, corner, or other adjoining of streets, or as to

obstruct passage on public right of way. Height of shrubbery near intersections is not to exceed forty-two inches (42").

(b) No fence, wall (above the grade of the lot), or hedges may be installed in front of a residence. Walls and fences on the property are to be approved in writing by the Committee, its successors, or assigns, prior to installation. No clothes lines are permitted.

8.06 Utilities. All lot owners shall be responsible for the installation of all utilities used on any lot up to the lot line, and all costs related thereto shall be borne by the lot owner. Each lot owner shall also be responsible for the drainage of all surface waters on each lot so as not to increase the natural drainage across neighboring lots. Each lot owner is also responsible for drainage and silt control during the construction of his residence.

8.07 Signs. No signs, billboards, posters or other advertising matter or displays of any kind shall be permitted anywhere except as provided herein. The Developer or the Committee may, at its discretion, adopt and promulgate rules and regulations relating to signs which may be employed.

8.08 HVAC Equipment.

(a) Outside air conditioning units may not be located in the front yard, only on the side or rear as required. All outside air conditioning units on corner lots must be located in the rear of the house. All side units must be concealed from view with appropriate shrubbery.

(b) No plumbing or heating vent shall be placed on the front of the house, only on the side or rear as required.

8.09 Storage of Boats, Trailers and other vehicles. Storage of boats, boat trailers, house trailers, campers, recreational vehicles or similar equipment or vehicles in the open on any lot, as well as parking on the streets, shall be prohibited.

ARTICLE IX

MEMBERSHIP AND VOTING RIGHTS IN THE ASSOCIATION

9.01 Membership. Every Owner, including the Developer, shall, for so long as it is an owner, at all times be a member of the Association. Membership shall be appurtenant to, and may not be separated from, ownership of any Lot. Membership shall attach automatically upon the acceptance of delivery of the instrument of transfer of such ownership interest, provided that such instrument is promptly recorded in the Office of the Judge of Probate of

Shelby County, Alabama, and a true copy of such recorded instrument is promptly delivered to the Association. Membership shall terminate automatically upon the tendering of delivery of an instrument of transfer of such ownership interest (provided such tender is accepted), or upon such ownership interest being divested in some other manner.

9.02 Voting. Subject to the restrictions hereinafter set forth, each member shall be entitled to one (1) vote for each Lot in which he holds the interest required for membership. When one or more persons hold such interest, all such persons may be members, and the vote(s) for such Property shall be exercised in the manner set forth in the By-Laws, but in no event shall more than one vote be cast with respect to any one Lot. There shall be no fractional voting. The votes of an Owner of more than one Lot cannot be divided for any issue and must be voted as a whole. Except where otherwise required under the provisions of this Declaration, the Articles or the By-Laws, the affirmative vote of Owners who own a majority of the total Lots of the Property that are represented at any meeting of members duly called, and at which a quorum is present,, shall be binding upon the members. Voting may take place by proxy executed and delivered in the manner set forth in the By-Laws.

Notwithstanding the provisions of this Section 8.02, the Developer shall have the right to elect the members of the Board of Directors of the Association, and in the event of vacancies, the Developer shall fill vacancies, until such time as all Lots have been sold to Owners other than Developer, or the Developer elects, at its their option, to terminate its control of the Association, whichever first occurs.

ARTICLE X

NATURE OF PROTECTIVE COVENANTS; DEFAULTS AND REMEDIES

10.01 Protective Covenants Running with the Land. The foregoing Protective Covenants shall constitute a servitude in and upon the Property and shall run with such Property and inure to the benefit of and be enforceable by the Developer, by the Association, and by any Owner for a term of fifty (50) years from the date this Declaration is recorded, after which time the said Protective Covenants shall automatically be extended for successive periods of ten (10) years, unless an agreement, which has been signed by Owners who own two-thirds (2/3) or more of the then existing Lots of the Property, agreeing to terminate or modify this Declaration has been recorded in the Office of the Judge of Probate of Shelby County, Alabama.

10.02 Default. Violation or breach of any of the Protective Covenants shall constitute a default hereunder. Any person given the

right to enforce the Protective Covenants herein set forth may provide written notice thereof to any Owner (and any Institutional Mortgagee who or which has requested the same and provided to the Association an address for such notices).

10.03 Remedies for Default. The existence of any default which has not been cured within thirty (30) days of the notice specified above shall give the Developer, the Association, any Owner, in addition to all other remedies specified herein, the right to proceed at law or in equity to compel compliance with the terms of these Protective Covenants and to prevent the violation or breach of any of them.

10.04 Nature of Remedies; Waiver. All rights, remedies and privileges granted to the Developer, Association, and the Owners, pursuant to the provisions this Declaration shall be deemed to be cumulative, and the exercise of any one or more of them shall not be deemed to constitute an election of remedies, nor shall it preclude the party exercising the same, or any other party, from pursuing such other and/or additional rights, remedies, or privileges as may be available to such party at law or in equity. The failure at any point in time to enforce any covenant or restriction shall in no event be deemed a waiver of the right thereafter to enforce any such covenant or restriction.

10.05 Assignment. The Developer and/or the Association shall have the right to assign their respective rights to enforce these Protective Covenants. In the event of such assignment, the assignee shall have all the rights, remedies and privileges granted to its assignor under the provisions of this Article X. In the event the Developer shall sell the River Highlands development to a third party, the Developer shall be empowered to assign its rights hereunder to said third party and, upon such assignment, said third party shall have all the rights and be subject to all the duties of the Developer hereunder.

10.06 No Right of Reverter. No covenant, condition or restriction set forth in this Declaration is intended to be, or shall be construed as, a condition subsequent or as creating the possibility of reverter.

ARTICLE XI

AMENDMENT OF DECLARATION

11.01 Amendment By Developer. The Developer reserves the right unilaterally to amend this Declaration, and to do so at such time, and upon such conditions, in such form and for such purposes as it, in its sole discretion, shall deem appropriate by preparing and

recording an amendment hereto, provided, however, that this right of unilateral amendment is subject to the limitations set forth in Section 11.03 hereof and provided, further, that right of unilateral amendment shall expire after all the Lots have been sold to Owners other than the Developer, after which time this Declaration may be amended only in the manner set forth in Section 11.02 below.

11.02 Amendment By Association.

(a) Amendments to this Declaration may be proposed by either the Board of Directors of the Association acting upon a vote of the majority of the Directors, or by the affirmative vote of members of the Association who own not less than a majority of the Lots, whether meeting as members or by instrument in writing signed by them. Upon any amendment or amendments to the Declaration being proposed by the said Board of Directors or members, such proposed amendment or amendments shall be transmitted to the President of the Association or, in the absence of the President, such other officer of the Association, who shall thereupon call a special meeting of the members of the Association for a date not sooner than twenty (20) days, nor later than sixty (60) days, from receipt by him of the proposed amendment or amendments and it shall be the duty of the Secretary to give each member written or printed notice of such special meeting, stating the time and place thereof, and reciting the proposed amendment or amendments in reasonably detailed form, which notice shall be mailed not less than ten (10) days nor more than fifty (50) days, before the date set for such special meeting. Such notice shall be given to any Institutional Mortgagee of record who requests such notices and provides an address therefor to the Association. If mailed, such notice shall be deemed to be properly given when deposited in the United States mail, addressed to the member at his post office address as it appears on the records of the Association, the postage thereon being prepaid. Any member may, by written waiver of notice signed by such members waive such notice, and such waiver, when filed in the records of the Association, whether before or after the holding of the meeting, shall be deemed equivalent to the giving of such notice to such member. At such special meeting, the amendment or amendments proposed must be approved by the affirmative vote of members who own not less than two-thirds (2/3) of the total Lots of the Property in order for such amendment or amendments to become effective. Thereupon, such amendment or amendments to the Declaration shall be transcribed and certified by the President and Secretary of the Association as having been duly adopted and the original or executed copy of such amendment or amendments so certified and executed with the same formalities as a deed shall be recorded in the Office of the Judge of Probate of Shelby County, Alabama within twenty (20) days from the date on which the same became effective, such amendment or amendments to specifically refer to the recording identifying the Declaration. Thereafter, a copy of said amendment or amendments, in the form in which the same were placed of record, shall be delivered to all of the Owners, but mailing or delivering

a copy thereof shall not be a condition precedent to the effectiveness of such amendment or amendments. At any meeting held to consider such amendment or amendments, the written vote of any member of the Association shall be recognized if such member is not in attendance at such meeting or represented thereat by proxy, provided such written vote is delivered to the Secretary of the Association at or prior to such meeting.

11.03 Restrictions on Amendment. Notwithstanding the foregoing provisions of this Article XI.

(a) No amendment shall materially adversely affect the rights of any Owner or group of Owners, unless such Owner or all Owners so adversely affected shall consent thereto. For example, no amendment shall alter the basis for apportionment of assessments in a manner which would materially adversely affect any Owner or Owners, as opposed to other Owners, unless the Owner or owners so adversely affected shall consent thereto.

(b) No amendment shall materially adversely affect the rights and priorities of any Institutional Mortgagees of record or change the provisions of this Agreement with respect to Institutional Mortgagees, unless all Institutional Mortgagees of record so adversely affected shall consent thereto.

(c) No amendment to this Declaration shall make any change in the qualifications of the membership nor in the voting or property rights of members, without approval in writing by all members and the joinder of all Institutional Mortgagees.

(d) No amendment to this Declaration shall abridge, limit, amend or alter the rights, privileges, powers or options of the Developer or any Institutional Mortgagee, as the same are set forth in this Declaration, without the prior written consent of the Developer if it is so affected and/or any Institutional Mortgagee which is so affected.

(e) No amendment shall be made to this Declaration so long as the Developer own any Lot, unless the Developer shall consent thereto. Such consent may be withheld by the Developer for any reason or no reason at all.

11.04 Scrivener's Error. Notwithstanding the foregoing amendment provisions, any scrivener's error or omission may be corrected by the filing of an amendment to this Declaration consented to by the Board of Directors of the Association and any Owners or Mortgagees of record directly affected by the amendment. No other Owner is required to consent to any such amendment. If there appears to be any other omissions or errors in this Agreement, scrivener's or otherwise, and such error or omission does not materially adversely affect the rights and interests of any other party, then such error or omission may be corrected by the filing of

an amendment to this Declaration executed by the Board of Directors of the Association without the consent of any other party.

ARTICLE XII

GENERAL PROVISIONS

12.01 Notices. Any notice required to be sent to any Owner under the provisions of this Declaration shall be deemed to have been properly sent when mailed by United States mail, postage paid, to the address of such Owner as it appears on the records of the Association at the time of such mailing.

12.02 Severability. Invalidation of any provision or provisions hereof by judgment or court order shall in no way affect any previous other provision, all of which shall remain in full force and effect.

12.03 Governing Law/Conflict. These restrictions shall be governed by and consistent with the zoning regulations of the City of Hoover, and the laws of the State of Alabama. Should any dispute arise, or if any irreconcilable conflict should exist or hereafter arise, with respect to the interpretation of any provisions of this Declaration, and the City of Hoover zoning ordinances as may be amended from time to time, then the provision of the City of Hoover zoning ordinance shall prevail.

12.04 Captions. The captions and titles of the various Articles and actions in this Declaration are for convenience of reference only, and in no way define, limit or describe the scope or intent of this Declaration.

12.05 Usage. Whenever used herein the singular shall include the plural and the singular, and the use of any gender shall include all genders.

12.06 Conflict. If any irreconcilable conflict should exist, or here after arise, with respect to the interpretation of any provisions of this Declaration, the Articles, the By-Laws or the Rules and Regulations, then the provisions of this Declaration shall prevail.

12.07 Effective Date. This Declaration shall become effective upon its recordation in the Office of the Judge of Probate of Shelby County, Alabama.

IN WITNESS WHEREOF, the undersigned have duly executed this Declaration as of the date first above written.

DEVELOPER:
AFTCO PROPERTIES, INC.

BY: Albert F. Thomasson
Albert F. Thomasson, President

STATE OF ALABAMA)
COUNTY OF Jefferson)

I, the undersigned, a Notary Public in and for Said County in said State hereby certify that ALBERT F. THOMASSON, whose name as President of AFTCO PROPERTIES, INC., is signed to the foregoing Declaration, and who is known to me, acknowledged before me on this day that, being informed of the contents of the above and foregoing Declaration of Protective Covenants, he as such officer and with full authority, executed the same voluntarily on the day the same bears date.

Given under my hand and official seal of this 8th day
of March, 1995.

[Signature]
Notary Public

My Commission Expires: 5-27-95

State of Alabama - Jefferson County
 I certify this instrument filed on:
 1995 MAR 09 A.M. 10:02

EXHIBIT "A"

Recorded and \$ Mtg. Tax
 and \$ Deed Tax and Fee Amt.
 \$ 26.00 Total \$ 26.00
 GEORGE R. REYNOLDS, Judge of Probate



9503/2891

This Instrument Was Prepared By:
 Clayton T. Sweeney, Attorney
 2700 Highway 280 East
 Suite 290E
 Birmingham, Alabama 35223

ARTICLES OF INCORPORATION

OF

RIVER HIGHLANDS HOMEOWNERS' ASSOCIATION, INC.

The undersigned, acting as incorporators of a nonprofit corporation under the Alabama Nonprofit Corporation Act, Code of Alabama 1975, Section 10-3A-1 et seq. (the "Act"), adopt the following Articles of Incorporation for such corporation:

FIRST: The name of the corporation shall be **RIVER HIGHLANDS HOMEOWNERS' ASSOCIATION, INC.**, hereinafter referred to as the "Association."

SECOND: The period of its duration is perpetual.

THIRD: The general nature, objects and purposes for which the Association is organized is to establish an entity:

1. To provide for the efficient preservation of the appearance, value and amenities of the property (hereinafter referred to as the "Property") which is subject to the Declaration of Protective Covenants for RIVER HIGHLANDS, recorded or to be recorded, in the Office of the Judge of Probate of Shelby County, Alabama. (hereinafter referred to as "Declaration").

2. To own and maintain, repair and replace the general and/or Common Areas of the Property including structures, landscaping and other improvements in and benefitting the Property for which the obligation to maintain has been delegated and accepted.

3. To control the specifications, architecture, design, appearance, elevation and landscaping of all improvements and structures of any kind, including, without limitation, buildings, fences, walls, signs, lighting systems, site paving, grading, screen enclosures, sewers, drains, landscaping, landscape devices or objects and/or other structures constructed, placed or permitted to remain on the Property, as well as any alteration, improvement, addition and/or change therein, thereof or thereto, all in accordance with the Declaration.

4. To provide, purchase, acquire, own, replace, improve, maintain and/or repair such real property, buildings, structures, street lights, landscaping, paving or other improvements in and/or benefitting the Property for which the obligation to so maintain and repair has been, or may be, delegated to, and accepted by, the Association.

5. To provide services, the responsibility for which has been, or may be, delegated to, and accepted by, the Association.

6. To operate without profit for the sole and exclusive benefit of its members.

7. To perform any and all other functions contemplated by the Association or otherwise undertaken by its Board of Directors in accordance with the Declaration.

FOURTH: The powers of the Association shall include and be governed by the following provisions:

A. The Association shall have all of the common law and statutory powers, authority and privileges generally granted to nonprofit corporations under the laws of the State of Alabama. The Association shall have such additional powers as are reasonably necessary or appropriate to implement and effectuate the purposes of the Association and as are not inconsistent with these Articles, and the Declaration, as they may from time-to-time be amended, including, without limitation:

1. To exercise, undertake and accomplish all of the rights, duties and obligations which may be granted to or imposed upon the Association pursuant to the Declaration, Articles, By-Laws, or any Rules and Regulations adopted pursuant thereto, and to enforce the provisions thereof.

2. To maintain, repair, replace, operate and manage the Common Areas, and such other parts or parcels of the Property or other property adjacent thereto as may be delegated to, and accepted by, the Association, including, the right to make further improvements to the Common Areas or such other property.

3. To purchase, lease, hold, operate, sell, trade, dedicate, transfer, mortgage or otherwise acquire or dispose of interests in real or personal property in connection with the affairs of the Association.

4. To promulgate, amend and enforce rules, regulations, By-Laws, covenants, restrictions and agreements in connection with and to effectuate the affairs and purposes of the Association and to enforce by legal means the provisions of the Articles or the Declaration.

5. To fix, levy, collect and enforce payment of all assessments or charges to be levied against Lots (as defined in the Declaration) within the Property pursuant to the terms of the Declaration and By-Laws, and to defray all costs and expenses in connection therewith, as well as the costs and expenses of effectuating the objects and purposes of the Association, and to create reasonable reserves for such costs and expenses.

6. To borrow money, and, from time to time, to make, accept, endorse, execute and issue debentures, promissory notes or other obligations of the Association for monies borrowed, in payment of property acquired, or for any of the other purposes of the Association, and to secure the repayment of any such obligation by mortgage, pledge or other instrument of trust, or by lien upon, assignment of, or agreement in regard to, all or any part of the property, rights or privileges of the Association, wherever situated.

7. To pay taxes and other charges, if any, on or against any property, if any, owned by the Association.

8. To charge recipients for services rendered by the Association and to charge the user for use of Association property when such is deemed appropriate.

9. To participate in mergers or consolidations with any other nonprofit corporation or association which may perform similar functions located within the general vicinity of the Property.

10. To employ such personnel or to enter into, make, perform or carry out contracts with others to effectuate the aforesaid purposes with any person, firm, corporation, association or other entity and so contract for the management of the Association and to delegate to such contractors all powers and duties of the Association.

11. To delegate power or powers where such is deemed to be in the interest of the Association.

12. To purchase insurance for the protection of the Association, its officers, directors or members.

13. The objects and purposes set forth in the Third Article of these Articles shall be construed as powers as well as objects and purposes, and the Association shall have and may exercise such powers as if such powers were set forth in full herein.

14. The Association shall have and may exercise all powers set forth in any other Article of these Articles of Incorporation.

15. All funds and title of properties acquired by the Association and the proceeds therefrom shall be held in trust for

the members in accordance with the provisions of the Declaration and the Articles and By-Laws of the Association.

FIFTH: The Members of the Association shall consist of all Owners (as defined in the Declaration), and the membership shall be appurtenant to, and may not be separated from, ownership of any Lot (as defined in the Declaration). Membership shall attach automatically upon the acceptance of delivery of the instrument of transfer of such ownership interest, provided that such instrument is promptly recorded in the Office of the Judge of Probate of Shelby County, Alabama and a true copy of such recorded instrument is promptly delivered to the Association. Membership shall terminate automatically upon the tendering of delivery of an instrument of transfer of such ownership interest (provided such tender is accepted) or upon such ownership interest being divested in some other manner.

SIXTH: The affairs of the Association shall be managed by a Board of Directors consisting of the number of directors as shall be determined by the By-Laws; provided, however, that the Board of Directors shall consist of not less than three directors, and in the absence of a provision in the By-Laws shall consist of three Directors. Directors of the Association shall be elected at the annual meeting of the members in the manner determined by the By-Laws. Vacancies on the Board of Directors shall be filled in the manner provided by the By-Laws.

Notwithstanding the provisions set forth in this Sixth Article, AFTCO PROPERTIES, INC., (the "Developer"), its successors and assigns, shall elect the members of the Board of Directors of the Association, and in the event of vacancies, the Developers shall fill vacancies, until such time as all Lots have been sold to Owners other than the Developers, or the Developers elect, at their option, to terminate control of the Association, whichever first occurs. Within sixty (60) days after the date of termination of control of the Association by the Developers, the Board of Directors shall call and give not less than ten (10) nor more than thirty (30) days notice of a special meeting of the membership for the purpose of electing the members of the Board of Directors.

The initial Board of Directors shall have three directors. The names and addresses of the members of the Board of Directors who shall hold office until their successors are elected and have qualified, or until such Directors are removed, are as follows:

<u>NAME</u>	<u>ADDRESS</u>
Albert F. Thomasson	972 Montclair Road, Suite B Birmingham, AL 35213
Sandra J. Thomasson	972 Montclair Road, Suite B Birmingham, AL 35213

Julie Westmoreland

972 Montclair Road, Suite B
Birmingham, AL 35213

Any director may be removed, either with or without cause, at any time, by the affirmative vote of a majority of the members at a meeting called for that purpose, and the vacancy in the Board caused by any such removal may be filled by the Developers until such time as all Lots have been sold to Owners other than Developers and in that event by the members at such meeting or at any subsequent meeting in the manner prescribed in the By-Laws for the filling of vacancies on the Board.

SEVENTH: The address of the Association's initial registered office is 972 Montclair Road, Suite B, Birmingham, Alabama 35213, and the name of its initial registered agent is Albert F. Thomasson, with the same address.

EIGHTH: The Association shall have the right to indemnify each person who shall serve as a director, officer, employee, or agent of the Association, or shall serve at the request of the Association in a similar capacity with another corporation, joint venture, trust, or other enterprise, to the extent to which this Association is granted the power to so indemnify such persons by any and every statute of the State of Alabama or act of the Legislature of the State of Alabama.

NINTH: No contract or other transaction between the Association and any person, firm, association or corporation and no other act of the Association shall in the absence of fraud, be invalidated or in any way affected by the fact that any of the directors or the Association are directly or indirectly, pecuniarily or otherwise interested in such contract, transaction or other act, or related to or interested in (either as director, stockholder, officer, employee, member or otherwise) such person, firm, association or corporation. Any director of the Association individually, or any firm or association of which any director may be a member of, may be a party to, or may be pecuniarily or otherwise interested in, any contract or transaction of the Association, provided that the fact that he, individually, or such firm or association, is so interested, shall be disclosed or known to the Board of Directors or a majority of the members thereof as shall be present at any meeting of the Board of Directors, or of any committee of directors having the powers of the full Board, at which action upon any such contract, transaction or other act is taken; and if such fact shall be so disclosed or known, any director of the Association so related or otherwise interested may be counted in determining the presence of a quorum at any meeting of the Board of Directors, or of such committee, at which action upon any such contract, transaction or act shall be taken, and may vote with respect to such action with like force and effect as if he were not so related or interested. Any director of the Association may vote upon any contract or other transaction between the Association and

any affiliated corporation without regard to the fact that he is also a director of such affiliated corporation.

TENTH: Upon dissolution of the Association, all of its assets remaining after provision for creditors and payment of all costs and expenses of such dissolution shall be distributed in the following manner:

1. Real property contributed to the Association without the receipt of other than nominal consideration by Developers (or its predecessor in interest) shall be returned to Developers, unless it refuses to accept the conveyance (in whole or in part).

2. Remaining assets shall be distributed among the members, subject to the limitations set forth below, as tenants in common, each member's share of the assets to be determined in accordance with its voting rights.

3. Dissolution of the Association shall be accomplished as set forth in the Act.

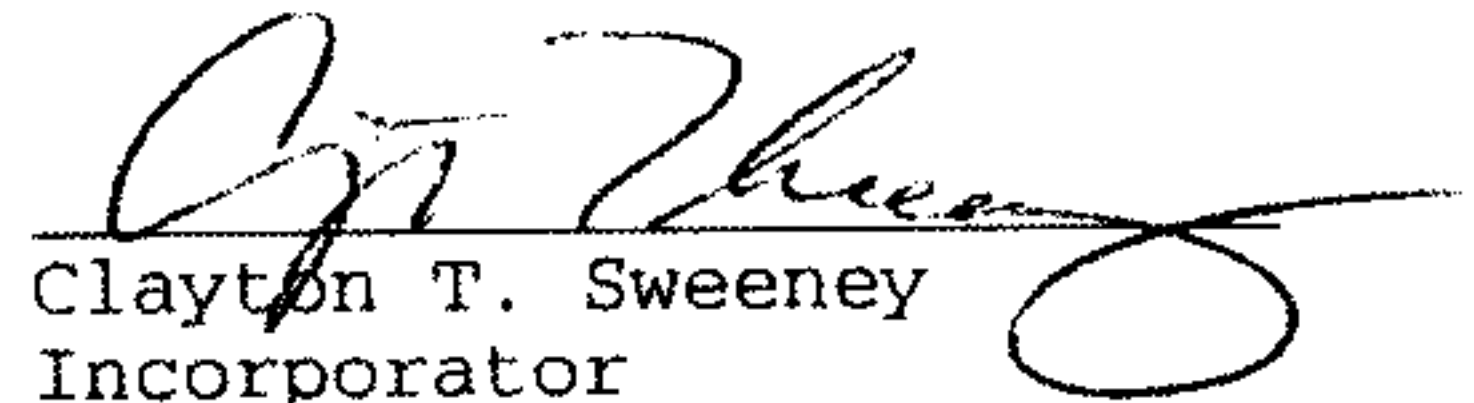
ELEVENTH: The Association reserves the right to amend, alter, change or repeal any provision contained in these Articles in the manner now or hereafter provided by law, and all rights conferred upon officers and directors herein are granted subject to this reservation.

TWELFTH: The name and address of each incorporator is:

<u>NAME</u>	<u>ADDRESS</u>
Clayton T. Sweeney	Mountain Brook Center 2700 Highway 280 East Suite 290E Birmingham, Alabama 35223

WHEREFORE, the incorporator files this, its Articles of Incorporation, and tenders to the Probate Judge of Shelby County Alabama, the lawful fees and charges, and pray that these Articles may be examined and approved, and that the Association may be deemed to be incorporated for the purposes herein set out.

IN WITNESS WHEREOF, the undersigned incorporators have hereon Subscribed their signatures to these Articles of Incorporation the 8th day of March of 1985.


Clayton T. Sweeney
Incorporator

State of Alabama
Jefferson County

I, the Undersigned, as Judge of the Court of Probate,
in and for said County, in said State, hereby certify that
the foregoing is a full, true and correct copy of the
instrument with the filing of same as appears of
record in this office in Vol. 9503 Record of
PT on page 2891

Given under my hand and official seal, this the 9th
day of March 1995

George A. Reynolds
Judge of Probate

State of Alabama

Jefferson County

CERTIFICATE OF _____ INCORPORATION _____

OF

RIVER HIGHLANDS HOMEOWNERS ASSOCIATION, INC.

The undersigned, as Judge of Probate of Jefferson County,
State of Alabama, hereby certifies that _____ Articles of

INCORPORATION

duly signed and verified pursuant to the provisions of Alabama

BUSINESS Corporation Act, have been received in this office
and are found to conform to law.

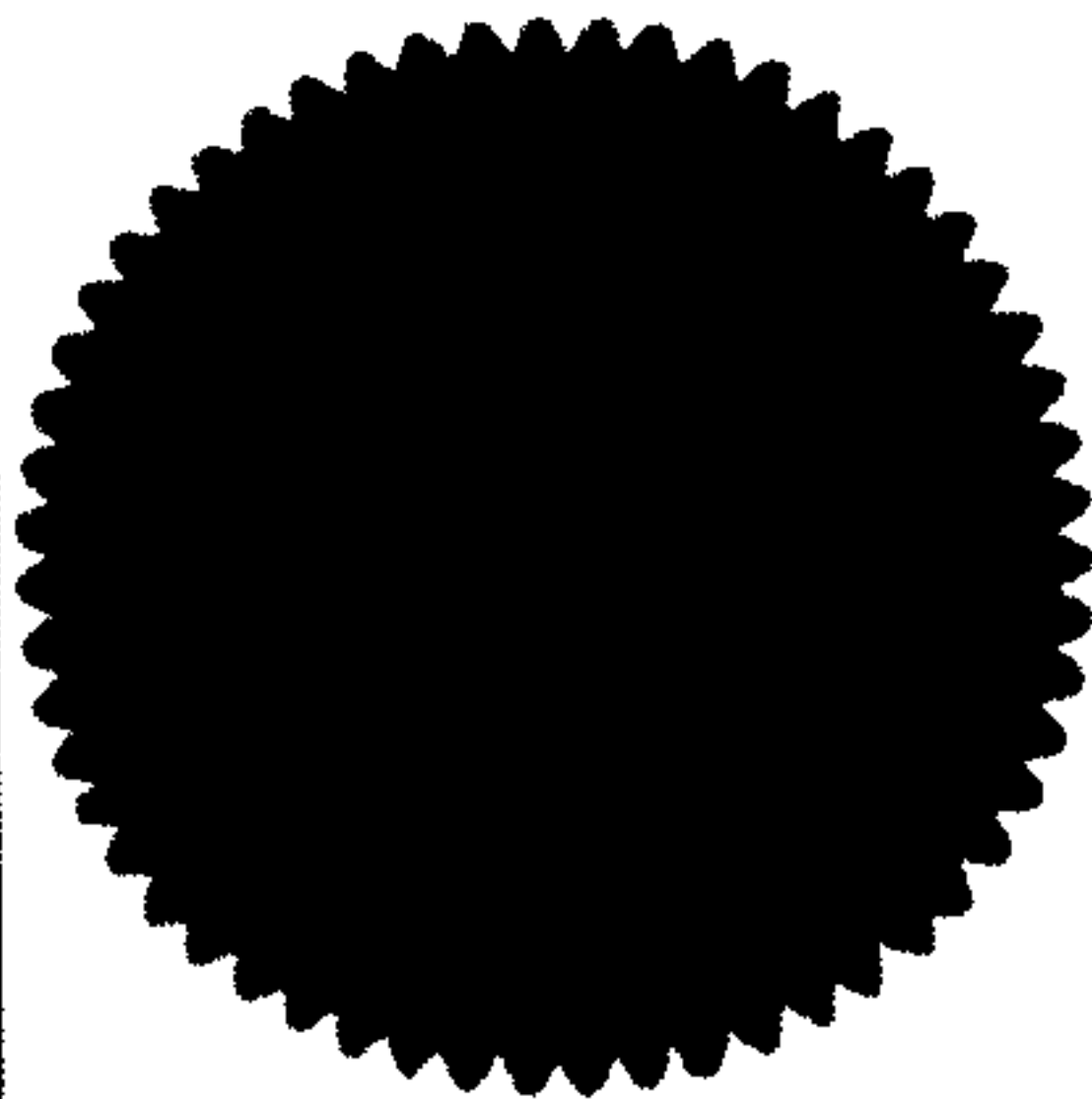
Accordingly the undersigned, as such Judge of Probate, and by
virtue of the authority vested in him by law, hereby, issues this
Certificate of _____ INCORPORATION

of _____
RIVER HIGHLANDS HOMEOWNERS ASSOCIATION, INC.

and attaches hereto a copy of the _____ Articles of

INCORPORATION

Given Under My Hand and Official Seal on this the _____ 9TH
day of _____ MARCH, 19 95 . . .



George A. Reynolds

Judge of Probate

EXHIBIT "B"

BY-LAWS

OF

RIVER HIGHLANDS HOMEOWNERS' ASSOCIATION, INC.

**ARTICLE I
Officers**

Section 1. Principal Office. The principal office of the Association in the State of Alabama shall be located in Jefferson County Alabama. The Association may have such other offices, either within or without the State of Alabama, as the Board of Directors may designate or as the business of the Association may require from time to time.

Section 2. Registered Office. The registered office of the Corporation shall be located in Jefferson County, Alabama.

**ARTICLE II
Membership**

Section 1. Membership. The Members of the Association shall consist of all Owners (as defined in the Declaration), and the membership shall be appurtenant to, and may not be separated from, ownership of any Lot (as defined in the Declaration). Membership shall attach automatically upon the acceptance of delivery of the instrument of transfer of such ownership interest, provided that such instrument is promptly recorded in the Office of the Judge of Probate of Shelby County, Alabama, and a true copy of such recorded instrument is promptly delivered to the Association. Membership shall terminate automatically upon the tendering of delivery of an instrument of transfer of such ownership interest (provided such tender is accepted) or upon such ownership interest being divested in some other manner.

Section 2. Annual Meeting. The annual meeting of the Membership shall be held on the third Tuesday in the month of March in each year, beginning with the year 1996, at the hour of 10:00 a.m., or at such other time on such other day within such month as shall be fixed by the Board of Directors, for the purpose of electing directors and for the transaction of such other business as may come before the meeting. If the day fixed for the annual meeting shall be a legal holiday in the State of Alabama, such meeting shall be held on the next succeeding business day. If the election of directors shall not be held on the day designated herein for any annual meeting of the membership, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the Membership as soon thereafter as conveniently may be.

Section 3. Special Meetings. Special meetings of the

Section 3. Special Meetings. Special meetings of the Membership, for any purpose or purposes, unless otherwise prescribed by statute, may be called by the President or by the Board of Directors and shall be called by the President or the Secretary at the request of Owners of one half (1/2) or more of the total Lots of the Property.

Section 4. Place of Meeting. The Board of Directors may designate any place, within or without the State of Alabama, as the place of meeting for any annual meeting or for any special meeting of the Membership. If no designation is made, or if a special meeting is otherwise called, the place of the meeting shall be the principal office of the Association in the State of Alabama.

Section 5. Notice of Meeting. Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting, or of a meeting which is required by statute to be held for any special purpose, or of an annual meeting at which special action is to be taken, the purpose or purposes for which the meeting is called, or the special action which is proposed to be taken, shall unless otherwise prescribed by statute, be delivered not less than ten (10) nor more than fifty (50) days before the date of the meeting, either personally or by mail, by or at the direction of the President, the Secretary, or the persons calling the meeting, to each member of record entitled to vote at such meeting. If mailed, 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, with postage thereon prepaid.

Section 6. Fixing of Record Date. The Board of Directors may fix in advance a date as the record date for the purpose of determining the members entitled to notice of or to vote at any meeting of members or any adjournment thereof, or for any other proper purpose, such date in any case to be not more than fifty (50) days and, in case of a meeting of the membership, not less than ten (10) days prior to the date on which the particular action, requiring such determination of members, is to be taken. If no record date is fixed for the determination of members entitled to notice of or to vote at a meeting of the Membership, the date on which notice of the meeting is mailed shall be the record date for such determination of members. When a determination of members entitled to vote at any meeting of the Membership has been made as provided in this section, such determination shall apply to any adjournment thereof.

Section 7. Voting Lists. The officer or agent having charge of the records of members of the Association shall make, at least ten (10) days before each meeting of the Membership, a complete list of the members entitled to vote at such meeting, or any adjournment thereof, arranged in alphabetical order, with the address of each member, which list, for a period of ten (10) days

prior to such meeting, shall be kept on file at the principal office of the Association and shall be subject to inspection by any member making written request therefor at any time during usual business hours. Such List shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any member during the whole time of the meeting.

Section 8. Quorum. The presence at any meeting of the Membership of the members entitled to cast at least 10% of the votes in the Association, represented in person or by proxy, shall constitute a quorum. If a quorum is not present at any meeting, a majority of the members so represented may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. The members present or represented at a meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum.

Section 9. Majority Vote. The vote of members entitled to cast a majority of the votes represented at a meeting of the Membership at which a quorum is present shall be the act of the members of the Association, unless the vote of a greater number is required by law, the Declaration, the Articles, or these By-Laws.

Section 10. Proxies. At all meetings of the Membership, a member may vote in person or by proxy executed in writing by the member or by his duly authorized attorney in fact. Such proxy shall be filed with the Secretary of the Association before or at the time of the meeting. No proxy shall be valid after ninety days from the date of its execution, unless otherwise provided in the proxy.

Section 11. Voting Rights. Subject to the restrictions hereinafter set forth, each member shall be entitled to one (1) vote for each Lot in which he holds the interest required for membership. When one or more persons holds such interest, all such persons may be members, but in no event shall more than one vote be cast with respect to any Lot. If an Owner is a corporation or other entity, the person entitled to cast the vote for the Lot shall be designated by a certificate duly executed by such corporation or other entity and filed with the Secretary of the Association. Such certificate shall be valid until revoked or until superseded by a subsequent certificate or a change in the ownership of the Lot concerned. A certificate designating the person entitled to cast the vote of a Lot may be revoked at any time by any Owner of a Lot. There shall be no fractional voting. The votes of an Owner of more than one Lot cannot be divided for any issue and must be voted as a whole. Except where otherwise required under the provisions of the Declaration, the Articles or these By-Laws, the affirmative vote of Owners who own a majority of the total Lots within the Property which is represented at any meeting of members duly called, and at which a

quorum is present, shall be binding upon the members. Voting may take place by proxy executed and delivered in the manner set forth herein.

Section 12. Informal Action by Members. Any action required to be taken at a meeting of the Membership, or any other action which may be taken at a meeting of the Membership, may be taken without a meeting if a 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.

ARTICLE III Board of Directors

Section 1. General Powers. The business and affairs of the Association shall be managed by or under the direction of its Board of Directors.

Section 2. Number, Tenure and Qualifications. The number of directors of the Association shall consist of three (3) directors.

Section 3. Election of Directors.

(a) Election of directors shall be held at the annual meeting of the Membership. The election shall be by secret ballot (unless dispensed with by unanimous consent) and by a plurality of the votes cast. The Owner of each Lot shall be entitled to cast the number of votes fixed by Section 11 of Article II for each of as many nominees as there are vacancies to be filled at the time of election. There shall be no cumulative voting.

(b) Notwithstanding the provisions of subparagraph (a) above, the Developers (as defined in the Declaration), its successors and assigns, shall elect the members of the Board of Directors of the Association, and in the event of vacancies, the Developers shall fill vacancies, until all Lots are owned by Owners other than the Developers or until the Developers elect, at their option, to terminate control of the Association. Within sixty (60) days after the date of termination of control of the Association by the Developers, the Board of Directors shall call and give not less than ten (10) nor more than thirty (30) days notice of a special meeting of the Membership for the purpose of electing the members of the Board of Directors.

Section 4. Regular Meeting. A regular meeting of the Board of Directors shall be held without other notice than this By-Law immediately after, and at the same place as, the annual meeting of the Membership, provided, however, any such regular meeting may be held at any other time or place which shall be specified in a notice given as hereinafter provided for special meetings, or in a consent and waiver of notice thereof, signed by all directors. The Board of Directors may provide, by resolution, the time and place, within or

without the State of Alabama, for the holding of additional regular, meetings without other notice than such resolution.

Section 5. Special Meeting. Special meetings of the Board of Directors may be called by or at the request of the President or any two directors.

Section 6. Notice. Notice of any special meeting shall be given at least three (3) days previously thereto by written notice delivered personally or mailed to each director at his business address, or by telegram. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. Any director may waive notice of any meeting. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

Section 7. Quorum. A majority of the number of directors fixed by Section 2 of this Article III shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but if less than such majority is present at a meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

If a quorum is present when the meeting is convened, the directors present may continue to do business, until adjournment, notwithstanding the withdrawal of enough directors to leave less than a quorum present, or the refusal of any director present to vote.

Section 8. Manner of Acting. The act of the majority of a majority of the directors present at a meeting at which a quorum is present is necessary to constitute the act of the Board of Directors unless a greater number is required under the Alabama Nonprofit Corporation Act.

Section 9. Action Without a Meeting. Any action that may be taken by the Board of Directors at a meeting 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.

Section 10. Vacancies. Subject to the provisions of subparagraph (b) of Section 3 of this Article III, any vacancy occurring in the Board of Directors and any directorship to be filled by reason of an increase in the number of directors may be

filled by a majority of the remaining directors. A director elected or appointed, as the case may be, shall be elected or appointed for the unexpired term of his predecessor in office.

Section 11. Compensation. By resolution of the Board of Directors, the directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors, and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as a Director or both. No such payment shall preclude any Director from serving the Association in any other capacity and receiving compensation therefor.

Section 12. Committees. The Board of Directors may, by resolution or resolutions, passed by a majority of the whole Board, designate one or more committees, each of which shall consist of two or more directors and which to the extent provided in said resolution or resolutions or in the By-Laws of the Association shall have and may exercise all of the powers of the Board of Directors in the management of the activities and affairs of the Association and may have power to authorize the seal of the Association to be affixed to all papers which may require it; except that no such committee shall have the authority of the Board of Directors in reference to amending, altering or repealing the By-Laws; electing, appointing or removing any member of any such committee or any director or officer of the Association, amending the Articles, restating the Articles, adopting a plan of merger or adopting a plan of consolidation with another corporation; authorizing the sale, lease, exchange, or mortgage of all or substantially all of the property and assets of the Association; authorizing the voluntary dissolution of the Association or revoking proceedings therefor, adopting a plan for the distribution of assets of the Association; or amending, altering or repealing any action or resolution of the Board of Directors which by its terms provides that it shall not be amended, altered, or repealed by such committee. The designation of such committee or committees or the delegation thereto of authority shall not operate to relieve the Board of Directors or any individual director of any responsibility imposed upon it or him by law.

Section 13. Resignations. Any director of the Association may resign at any time either by oral tender of resignation at any meeting of the Board or by giving written notice thereof to the Secretary of the Association. Such resignation shall take effect at the time specified therefor, and the acceptance of such resignation shall not be necessary to make it effective.

Section 14. Place of Meeting. The Board of Directors may designate any place within or without the State of Alabama as the place of meeting for any regular or special meeting of the Board of Directors.

Section 15. Presumption of Assent. A director of the

Association who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the Secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Association immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

ARTICLE IV Officers

Section 1. Number. The officers of the Association shall be a President, one or more Vice President(s) (the number thereof to be determined by the Board of Directors), a Secretary, and a Treasurer, each of whom shall be elected by the Board of Directors. Such other officers and assistant officers as may be deemed necessary may be elected or appointed by the Board of Directors. Any two or more offices may be held by the same person, except the President and Secretary. The failure of the Board of Directors to elect any officer other than a President and a Secretary shall not constitute a violation of these By-Laws.

Section 2. Election and Term of Office. The officers of the Association to be elected by the Board of Directors shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the Membership. If the election of officers shall not be held at such meetings such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until his successor shall have been duly elected and shall have qualified or until his death or until he shall have resigned or shall have been removed in the manner hereinafter provided.

Section 3. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed at any time, by the affirmative vote of the Board of Directors, whenever in their judgment the best interests of the Association will be served thereby. Any such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer shall not of itself create any contract rights in favor of such officer.

Section 4. Vacancies. A vacancy in any office elected or appointed by the Board of Directors because of death, resignation, removal, disqualification or otherwise may be filled by the Board of Directors for the unexpired portion of the term.

Section 5. President. The President shall be the chief executive officer of the Association and, subject to the control of

the Board of Directors, shall in general supervise and control all of the business and affairs of the Association. He shall preside at all meetings of the Membership. He may sign, with the Secretary or an Assistant Secretary, any deeds, mortgages, bonds, contracts or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-Laws to some other officer or agent of the Association, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

Section 6. Vice President. In the absence of the president or in the event of his death, inability or refusal to act, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated at the time of their election, or in the absence of any designation, then in the order of their election) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President shall perform such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

Section 7. Secretary. The Secretary shall (a) keep the minutes of the proceedings of the Members and of the Board of Directors in one or more books provided for that purpose, (b) see that any notices are duly given in accordance with the provisions of these By-Laws or as required by law; (c) be custodian of the corporate records and of the seal of the Association and see that the seal of the Association is affixed to all documents the execution of which on behalf of the Association under its seal is duly authorized; (d) keep a register of the post office address of each member which shall be furnished to the Secretary by such member, (e) have general charge of the records of the members of the Association, and (f) in general, perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

Section 8. Treasurer. The Treasurer shall: (a) have charge and custody of and be responsible for all funds and securities of the Association; (b) receive and give receipts for monies due and payable to the Association from any source whatsoever, and deposit all such monies in the name of the Association in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of Article V of these By-Laws; and (c) in general perform all of the duties as from time to time may be assigned to him by the President or by the Board of Directors. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine.

Section 9. Assistant Secretaries and Assistant Treasurers. The Assistant Secretaries and Assistant Treasurers, in general, shall perform such duties as shall be assigned to them by the Secretary or the Treasurer, respectively, or by the President or the Board of Directors. The Assistant Treasurers shall respectively, if required by the Board of Directors, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine.

Section 10. Salaries. The salaries of the officers shall be fixed from time to time by the Board of Directors and no officer shall be prevented from receiving such salary by reason of the fact that he is also a director of the Association.

ARTICLE V

Contracts, Loans, Checks and Deposits

Section 1. Contracts. The Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Association, and such authority may be general or confined to specific instances.

Section 2. Loans. No loans shall be contracted on behalf of the Association and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

(a) No loans shall be made by the Association to its directors or officers. Any director or officer who assents to or participates in the making of such loan shall be liable to the Association for the amount of such loan until the repayment thereof.

Section 3. Checks, Drafts Etc. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Association, shall be signed by such officer or officers, agent or agents of the Association and in such manner as shall from time to time be determined by resolution of the Board of Directors.

Section 4. Deposits. All funds of the Association not otherwise employed shall be deposited from time to time to the credit of the Association in such banks, trust companies or other depositories as the Board of Directors may select.

Section 5. Proxies. Unless otherwise provided by resolution of the Board of Directors, the President may from time to time appoint an attorney or agent of the Association, in the name and on behalf of the Association, to cast the votes which the Association may be entitled to cast as the holder of stock or other

securities in any other corporation any of whose stock or other securities may be held by the Association, at meetings of the holders of the stock or other securities of such other corporation, or to consent in writing, in the name and on behalf of the Association, as such holder, to any action by such other corporation, and may instruct the person or persons so appointed as to the manner of casting such votes or giving such consent, and may execute or cause to be executed, in the name and on behalf of the Association and under its corporate seal or otherwise, all such written proxies or other instruments as he may deem necessary or proper in the premises.

ARTICLE VI Books and Records

Section 1. Accounting. The Association shall keep correct and complete books and records of account and shall keep minutes of the proceedings of the members, Board of Directors and committees thereof and shall keep at its registered or principal office in Alabama a record of the names and addresses of members entitled to vote, directors and officers. The accounting records shall be maintained in accordance with generally accepted accounting principles. All books and records of the Association shall be open to inspection by the members or their authorized representatives for any proper purpose at any reasonable time.

Section 2. Budget. The Board of Directors shall adopt a budget for each calendar year that shall include the estimated funds required to defray the Common Expenses (as defined in the Declaration) and to provide and maintain funds for the foregoing accounts and reserves according to good accounting practices. Copies of the budget and proposed assessments shall be transmitted to each member on or before December 1 preceding the year for which the budget is made. If the budget is amended substantially, a copy of the amended budget shall be furnished to each member.

Section 3. Assessments. Assessments against the members as provided in the Declaration shall be made for the calendar year annually in advance on or before December 31, preceding the year for which the assessments are made. Such assessments shall be due in annual, quarterly or monthly installments, as may be determined by the Board of Directors of the Association. In the event the annual assessment proves to be insufficient, the budget and assessments may be amended at any time by the Board of Directors.

Section 4. Assessments for Emergencies. Assessments for Common Expenses for emergencies that cannot be paid from the annual assessments for Common Expenses shall be made only after notice of the need for such is given to the members concerned, and it shall be due thirty (30) days after such notice in such manner as the Board of Directors of the Association may require in the notice of assessment.

Section 5. Bonds. Fidelity bonds shall be required by the Board of Directors from all persons handling or responsible for Association funds. The amount of such bonds shall be determined by the Board of Directors, but shall not be less than three times the amount of the total annual assessments against members for Common Expenses. The premiums of such bonds shall be paid by the Association.

ARTICLE VII Seal

The Board of Directors shall provide a corporate seal which shall be circular in form and shall have inscribed thereon the name of the Association and the state of incorporation and such other words as the Board of Directors may prescribe.

ARTICLE VIII Waiver of Notice

Whenever any notice is required to be given to any member or director of the Association under the provisions of these By-Laws, the Articles of Incorporation, the Declaration, the provisions of the Alabama Nonprofit Corporation Act, and any act amendatory thereof, supplementary thereto or substituted therefor, or the Alabama Constitution, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE IX Fiscal Year

The fiscal year of the Association shall be fixed by resolution of the Board of Directors.

ARTICLE X Indemnification

Section 1. The Association shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Association) by reason of the fact that he is or was a director, officer, employee or agent of the Association, or is or was serving at the request of the Association as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Association, and, with respect to any

criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Association, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

Section 2. The Association shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Association to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the Association, or is or was serving at the request of the Association, as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Association and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Association unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper.

Section 3. To the extent that a director, officer, employee or agent of the Association has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 1 and 2, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

(a) Any indemnification under Sections 1 and 2 (unless ordered by a court) shall be made by the Association only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in Sections 1 and 2. Such determination shall be made (i) by the Board of Directors by a majority vote of directors who were not parties to such action, suit or proceeding, or (ii) if disinterested directors so direct, by independent legal counsel in a written opinion, or (iii) by the members.

(b) Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the Association in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors in the specific case upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the Association as authorized in this section.

(c) The indemnification provided by this section shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any By-law, agreement, vote of members or disinterested director or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

ARTICLE XI Amendment

The By-Laws may be amended, altered or repealed by the Developers until such time as all Lots are owned by Owners other than the Developers or until the Developers elect, at their option, to terminate control of the Association. Upon termination of control, the By-Laws may be amended by the members at any regular or special meeting upon the affirmative vote of the Owners of not less than two-thirds (2/3) of the total Lots of the Property.

CERTIFICATE OF SECRETARY

I, the undersigned, the Secretary of RIVER HIGHLANDS HOMEOWNERS' ASSOCIATION, INC., do hereby certify that the foregoing bylaws, consisting of Articles 1 to XI, inclusive, constitute a true and complete copy of the bylaws of the corporation as adopted by written consent of the shareholders during its organizational meeting on the 8th day of March, 1995.

RIVER HIGHLANDS HOMEOWNERS' ASSOCIATION,
INC.



Albert F. Thomasson
Secretary

(Corporate Seal)

Inst # 1995-06139

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12:01 PM CERTIFIED
SHELBY COUNTY JUDGE OF PROBATE
045 MCD 119.50