

**DECLARATION OF PROTECTIVE COVENANTS FOR
STAGG RUN**

**AS RECORDED IN MAP BOOK 39, PAGE 67, IN THE
PROBATE OFFICE OF SHELBY COUNTY, ALABAMA**

STATE OF ALABAMA)
COUNTY OF SHELBY)

KNOW ALL MEN BY THESE PRESENTS THAT:

WHEREAS, the undersigned Stagg Run Development, LLC, an Alabama limited liability company (which, together with its successors and assigns, is hereinafter referred to as "Developer"), is the owner of all of that certain real property situated in Shelby County, Alabama, which is more particularly described as Stagg Run (the "Property"). All lots shown on the subdivision plat (the "Subdivision Plat") for the Property are hereinafter referred to individually as a "Lot" and collectively as "Lots" except Lots 21 and 8 which are not owned by the Developer, are hereby specifically excluded from the provisions of these covenants and these lots are also hereby excluded from the definition of the "Property". The Property is part of a residential development planned by Developer for all of the real property described in the Subdivision Plat incorporated herein by reference. As used in these Protective Covenants, the term "Development" shall mean and refer to any of the real property described in the above referenced subdivision map which is or may be developed by Developer for "Residential Lots," as hereinafter defined except Lots 21 and 8.

WHEREAS, the Developer desires to subject all of the Property and each Lot located therein to the easements, covenants, conditions, assessments, limitations and restrictions hereinafter set forth.

NOW, THEREFORE, Developer does hereby expressly adopt the covenants and limitations for the Property as set forth in these Protective Covenants and does hereby declare that the Property and each Lot located within the Property shall be and the same are hereby subject to the following easements, covenants, conditions, assessments, limitations and restrictions.

ARTICLE I
EXCLUSIVE RESIDENTIAL USE AND IMPROVEMENTS

1.01 All Lots shall be known and described as residential lots and shall be used for single-family residential purposes exclusively. No Lot shall be subdivided or re-subdivided without the prior written approval of Developer.

1.02 No structure shall be erected, altered, placed or permitted to remain on any Lot other than one (1) detached single-family dwelling not to exceed two (2) stories and a

private garage, and other outbuildings incidental to and necessary for proper residential use of the Lot. No mobile home or modular housing is allowed. Separate garage buildings are permitted. Any outbuilding will be in conformity to the standards set herein and approved by the Architectural Review Committee (hereinafter referred to as "Committee"), established by Developer pursuant to Article III hereof.

1.03 Notwithstanding anything provided to the contrary herein, Developer shall be permitted to construct and maintain on any Lot a structure and related facilities which may be designed and used as a construction field office and as a sales/marketing office.

1.04 Each Lot and any dwelling, building or other structure constructed or placed thereon shall be subject to the following minimum setbacks:

Front: Forty (40) feet from dedicated road right-of-way;
Side: Twenty (20) feet from each side line.
Rear: Forty (40) feet from the rear lot line.

The Committee reserves and shall have the right to grant variances to the foregoing setback requirements. Each house design will be approved on an individual basis by the Committee. The Committee shall have an objective to present a Traditional Architectural Environment for the Property. Accordingly, the Committee shall be directed to encourage the development of traditionally designed homes and the Committee is directed to discourage contemporary exterior designs. No structure (other than the residential dwelling and any attached garage or guest house) may be constructed closer to the ingress and egress road than the back of the residential dwelling. Any buildings of any nature, including gazebos, decks and outbuildings built on any Lot, must conform to a residential nature and must be approved by the Committee.

1. 1.05 No Lot shall be used except for single-family residential purposes. No dwellings shall be erected on any Lot containing less than three thousand two hundred (3200) square feet of living area for a single-story home; and 4200 square feet for a one and one-half story home, with a minimum square footage of 3000 feet on the first level. Square footage measurements shall include only the living (heated and cooled) areas of a dwelling but shall not include porches, garages, unfinished basements or decks. All dwellings will have wooden, vinyl clad, solid vinyl or aluminum clad windows. All exteriors will be brick, Hardy Plank siding or stacked stone or an approved combination thereof on all four sides. Gables, cantilevers, chimney chases, dormers and second floor walls above roof lines may be wood, vinyl or composite siding, all subject to the approval of the Committee.

1.06 The entrance ways to the Development, all areas on the recorded

Subdivision Plat which are depicted as common area or beautified easements and any and all other areas or improvements within the Development which Developer may from time to time in its sole discretion designate as common areas, including, without limitation, recreational amenities, parks and play areas within the Development, shall be, for the purpose of maintenance and upkeep, considered common area (collectively, the "Common Area"), and shall be maintained by the Stagg Run Residential Association, Inc. (the "Association") as hereinafter provided.

ARTICLE II

GENERAL REQUIREMENTS

2.01 It shall be the responsibility of each Lot owner (which together with their respective heirs, executors, personal representatives, successors and assigns, is hereinafter individually referred to as an "Owner" and collectively as "Owners") to prevent any unclean, unsightly or unkempt conditions of any dwelling, buildings or grounds on such Owner's Lot which may tend to decrease the beauty of the specific area or of the neighborhood as a whole. Any and all dwellings, buildings, structures and other improvements of any nature to any Lot must be approved by the Committee.

2.02 No refuse pile or unsightly object shall be allowed to be placed or suffered to remain upon any part of any Lot or the Property, including vacant lots or Common Area. Developer, for itself and the Association, reserves the right (after ten (10) days prior written notice to an Owner) to enter any Lot during normal working hours for the purpose of removing trash or refuse therefrom which, in the sole opinion of either Developer or the Association, detracts from the overall beauty and safety in the Property, and may charge the Owner of such Lot a reasonable cost for such services, which charge shall constitute a lien upon such Lot enforceable by appropriate proceedings at law or equity or as hereinafter provided.

2.03 No animals, livestock, or poultry of any kind shall be raised, bred or kept on any Lot or Common Area, except that dogs and/or cats (not to exceed two (2) in number) and other indoor household pets may be kept on each Lot provided they are not kept, bred or maintained for any commercial purpose, subject to appropriate zoning ordinances. No household pets shall be permitted to run at large and shall be kept on a leash at all times when they are allowed off of their Owner's property. The Association shall have the right to remove any such animals that are prohibited and the cost of such removal shall be an expense of the Association.

2.04 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 or its other Owners or which would be in violation of any applicable governmental law, ordinance or regulation.

2.05 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.

2.06 No trash, garbage or other refuse shall be dumped, stored or accumulated on any Lot or Common Area. 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 Committee as not to be visible from any road 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 of a dwelling on such Lot, or with approval of the Fire Department having jurisdiction over the Property.

2.07 Except as authorized in Section 1.03 above, no structure of a temporary character, trailer, basement, tent or shack shall be used at any time as a residence either temporarily or permanently or otherwise allowed to remain on any Lot without the Committee's approval. There shall be no occupancy of any dwelling unit until the interior and exterior of the dwelling is completed and a Certificate of Occupancy for such dwelling has been issued by the appropriate governmental authorities.

2.08 No sign of any kind shall be displayed to the public view on any Lot except as may be approved by the Committee. All signs shall comply with the design specifications of the Committee. No signs shall be nailed to trees, unless approved by the Committee.

2.09 When the construction of any dwelling is once begun, work thereon must be prosecuted diligently and continuously and the dwelling on such Lot must be completed within twelve (12) months.

2.10 Installation of a natural-gas fueled standby power generator ("Generator") must be approved by the Committee. Approval will be given only if (1) the Generator is located at the rear of the dwelling and screened from view from public streets; (2) the Generator is enclosed in a sound-reducing enclosure that allows no more noise emission than the outside air conditioning unit; and (3) the Generator will be used only during power failures and will be "exercised" only on weekend days (Saturday and Sunday) between the hours of 10:00 a.m. and 3:00 p.m. No diesel powered generators will be allowed.

2.11 Outside air conditioning units may not be located in the front yard or within any side yard adjacent to any street on corner lots. Utility meters shall not be located on the front of a dwelling (unless required by any applicable governmental authority) and shall not be visible from any street or road. All outside air conditioning units and utility

meters shall be screened by appropriate landscaping so as not to be visible from any public street. No window air conditioning units shall be permitted at any time.

2.12 Wooden, vinyl clad, solid vinyl or aluminum clad windows will be used exclusively on the sides, fronts, and rears of all dwellings constructed.

2.13 No concrete block work, including foundations, concrete block steps, walkways, walls or any other concrete block work, whether painted or otherwise, shall show above ground or from the exterior of any dwelling.

2.14 Except as set out in Section 1.05 above, no siding shall be used on the construction of any dwelling, except as approved by the Committee. The Committee shall have the right, in its sole and absolute discretion, to establish what types of exterior building materials may be utilized on any dwelling or other structures or improvements to a Lot.

2.15 Fencing may be utilized on any Lot with prior written approval of the same by the Committee.

2.16 No individual water supply system shall be permitted on any Lot unless such system is located, constructed and equipped in accordance with the requirements, standards and recommendations of both state and local public health authorities. Approval of such system as installed shall be obtained from such authority.

2.17 No automobiles or other vehicles will be stored on any Lot or Common Area or kept on blocks unless in the basement or garage of a dwelling. Boats, utility trailers, recreational vehicles and travel trailers must either be parked or stored in the basement or garage of a dwelling or within a completely enclosed structure on a Lot, which structure must be approved by the Committee. No tractor trailer trucks, panel vans or other commercial trucks in excess of one (1.) ton classification shall be parked or stored on any Lot or Common Area, except during initial construction of a dwelling on a Lot.

2.18 No satellite, microwave dishes or television or radio antennas shall be placed on any Lot unless first approved in writing by the Committee, but in no event shall satellite, microwave dishes or television or radio antennas be visible from any street within the Property.

2.19 No individual sewage disposal system shall be permitted on any Lot unless such system is designated, located and constructed in accordance with the requirements, standards and recommendations of both state and local public health authorities. Approval of such system as installed shall be obtained from such authority.

2.20 Upon the completion of a dwelling, all front and side yards will be landscaped with sod and other landscaping approved by the Committee. The rear yard

may be seeded or sprigged.

2.21 The roof pitch on any dwelling shall not be less than 9 in 12 unless first approved in writing by the Committee. All roof vents and pipes shall be painted as near the color of the roof as possible, and shall be located on the rear of the dwelling and not visible from the front. All roofs will be three dimensional roofing products. No solar or other energy collection device or equipment shall be maintained on any Lot or dwelling if the same would be visible from the street. No projections of any type shall be allowed above the roof ridge of any dwelling except for approved chimneys, exhaust fans and vent stacks.

2.22 All porches on the front and sides of any dwelling shall be supported by the foundation of the dwelling, unless otherwise approved by the Committee.

2.23 No cantilevered chimney chases shall be allowed on the front or side of any dwelling. All chimney chases on the front and/or the side of the dwelling shall be supported by the foundation of the dwelling.

2.24 All driveways must be concrete finish.

2.25 No Lot shall be cultivated for crops of any sort except gardens of reasonable size, which are to be located at the rear of a dwelling and not visible from any public street.

2.26 No fence, wall, hedge or shrub planting which obstructs sight lines from any roadways within the Property shall be placed or permitted to remain on any Lot.

2.27 The intent of Developer is to preserve for present and future Owners a heavily- wooded physical environment in which a maximum amount of existing vegetation is preserved in an undisturbed state, typical of an oak-hickory forest, and each Owner is hereby required to replaced dying, diseased or absent trees in order to maintain a desired degree of tree coverage. All Lots shall be landscaped in accordance with standards established by the Committee. All landscaped areas on any Lot shall be maintained in good condition by the Owner thereof.

2.28 Developer reserves the right to make any road or other improvements within the Property, to change or extend the present road or other street grades, if necessary, without liability to the Owners for any claims for damages; and further reserves the right to change or modify the restrictions on any Lots within the Property.

2.29 During all construction, all vehicles, including those delivering supplies, must enter each Lot on the driveway only as approved by the Committee so as not to unnecessarily damage trees, street paving and curbs. Any damage not repaired by the Owner or his contractor will be repaired by Developer or the Committee (after ten (10)

days written notice) and will be charged to the Owner of such Lot at a reasonable cost for such services, which charge shall constitute a lien upon such Lot enforceable by appropriate proceedings at law or equity or as hereinafter provided. During construction, all Owners must keep the homes, garages and building sites clean and attractive. No construction debris will be dumped in any area of the Property or any Common Area.

2.30 Except with the prior written consent of Developer, no Lot shall be sold or used for the purpose of extending any public or private road, street or alley or to provide a means of access to any other real property situated adjacent to or in close proximity with the Property.

2.31 To insure the maintenance of the natural beauty, no Owner shall be allowed to dam up the creeks which flow through said Property nor shall any Owner change the flow of said creek or any wet weather streams.

2.32 Motorized vehicular traffic of any type is strictly prohibited on any Common Area except as may be required by the Developer or the Association for maintenance or construction.

2.33 Wood piles shall be located only at the rear of a dwelling and should be screened from view from public streets and adjacent Lots. Children's toys, swing sets, jungle gyms, trampolines and other outdoor recreational equipment and appurtenances shall be allowed only at the rear or behind a dwelling and shall be located so as not to be visible from any public street. Free-standing playhouses and tree houses must be approved by the Committee; no above-ground swimming pools shall be allowed on any Lot. No statues, water fountains, bird baths, flagpoles or furniture shall be placed or maintained on the front or side yard of any Lot. All outdoor furniture for any dwelling shall be kept and maintained only at the rear or behind the dwelling. Outside clothes lines and other facilities for drying or airing of clothes are prohibited. No clothing, rugs or other items shall be hung, placed or allowed to remain on any railing, fence or wall. Barbecue grills and other outdoor cooking equipment and apparatus shall be located only at the rear of a dwelling and not visible from any public street. Statues, water fountains, bird baths, bird feeders, wood carvings, plaques and other home crafts shall be allowed only at the rear of a dwelling and not visible from any public street. No rocks, rock walls, fencing or other substance shall be placed on any Lot as a front or side yard border or to prevent vehicles from parking on or pedestrians from walking on any portion of such Lot or to otherwise impede or limit access to the same. Seasonal or holiday decorations (e.g., Christmas trees and lights, pumpkins, Thanksgiving decorations) shall be promptly removed from any Lot or dwelling within thirty (30) days following such holiday.

ARTICLE III
STAGG RUN
ARCHITECTURAL REVIEW COMMITTEE

3.01 The Committee will consist of no more than five (5) persons 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 of the Committee or the Association. At such time as Developer no longer owns any Lot within the Property or upon Developer's written notice to the Association that it no longer desires to exercise the right to appoint and remove members of the Committee, then the Board of Directors of the Association shall have the right to appoint and terminate, with or without cause, all members of the Committee.

3.02 All plans and specifications, including plot plans, grading and drainage plans for any improvements to a Lot, exterior materials, landscaping, texture and color selections for any dwellings and the plans for all mailboxes and entrance columns serving any Lot within the Property shall be first filed with and approved by the Committee before any construction is commenced on such Lot. The Committee shall have the authority to require modifications and changes in plans and specifications if it deemed the same necessary.

3.03 Except as hereinafter provided, the affirmative vote of a majority of the membership of the Committee shall be required in order to adopt or promulgate any rule or regulation, or to make any findings, determinations, ruling or order, or to issue any permit, authorization or approval pursuant to directives or authorizations contained herein. With regard to review of plans and specifications as set forth in this Article III, however, and with regard to all other specific matters (other than the promulgation of rules and regulations) as may be specified by resolution of the entire Committee, each individual member of the Committee shall be authorized to exercise the full authority granted herein to the Committee. Any approval by one such member of any plans and specifications submitted under this Article III, or the granting of any approval, permit or authorization by none such member in accordance with the terms hereof, shall be final and binding. Any disapproval or approval based upon modification or specified conditions by one such member shall also be final and binding, provided, however, that in any such case, any applicant for such approval, permit or authorization may, within ten (10) days after receipt of notice of such adverse decision, file a written request to have the matter in question reviewed by the entire Committee. Upon the filing of any such request, the matter with respect to which such request was filed shall be submitted to and reviewed as soon as possible by the entire Committee. Thereafter, the decision of a majority of the members of the Committee with respect to such matter shall be final and binding.

3.04 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 Committee. No dwellings, buildings, structures or other improvements of any nature shall be constructed, erected, placed or maintained on any Lot until such time as the Committee has approved in writing the plans therefor. The Committee shall have the right to establish and amend,

from time to time, written rules, regulations and standards governing policies, guidelines and minimum requirements relating to the construction and alteration of any dwellings or other improvements on any Lot, as well as the content and types of information required to be submitted to the Committee for its approval, each of which shall be in addition to the provisions and requirements set forth herein.

3.05 Any exterior remodeling, reconstruction, alterations or additions to an existing dwelling or any activity which would change or alter the exterior appearance of a dwelling must be approved by the Committee. Interior remodeling, reconstruction or alterations not affecting the exterior appearance of a dwelling shall not require the written approval of the Committee, but shall comply with all restrictions and covenants set forth herein.

3.06 Neither the Committee, 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, nor for any structural or other defects in any work done according to such plans and specifications. **EACH OWNER, BY ACCEPTANCE OF A DEED TO ANY LOT, DOES HEREBY WAIVE AND RELEASE THE COMMITTEE AND DEVELOPER AND ANY OF THEIR RESPECTIVE AGENTS, OFFICERS, DIRECTORS, MEMBERS AND SUCCESSORS AND ASSIGNS, FROM ANY LIABILITY OF ANY NATURE WHATSOEVER ARISING FROM DAMAGE, LOSS OR EXPENSE SUFFERED, CLAIMED, PAID OR INCURRED BY ANY OWNER ON ACCOUNT OF ANY DEFECTS IN ANY PLANS AND SPECIFICATIONS SUBMITTED TO OR APPROVED BY THE COMMITTEE, ANY DEFECTS RESULTING IN ANY WORK DONE IN ACCORDANCE WITH SUCH PLANS OR OTHER DATA SUBMITTED PURSUANT TO THE REQUIREMENTS OF THIS ARTICLE III AND ANY INJURY TO PROPERTY OR PERSON, INCLUDING DEATH, ARISING FROM ANY DEFECT IN ANY IMPROVEMENTS CONSTRUCTED ON SUCH OWNER'S LOT.**

3.07 The Committee shall, in its sole discretion, determine whether the plans and specifications and other data submitted by any Owner for approval are acceptable. Any approval granted by the Committee shall be effective only if such approval is in writing. The Committee shall have the right to disapprove any plans and specifications upon any ground which is consistent with the objectives and purposes of the Protective Covenants, including, without limitation, purely aesthetic considerations, failure to comply with any of the provisions of the Protective Covenants, failure to provide requested information, objection to exterior design, appearances or material, objection on the ground of incompatibility with the overall scheme of development for the Property, objection to location of any proposed improvements on any Lot, objection to the color scheme, finish, proportions, style of architecture, height, bulk or appropriateness of any dwellings or other improvements on any Lot, or any other matter which, in the sole and absolute judgment of the Committee, would render the proposed dwelling or other improvements inharmonious with the general plan of development for the Property. The approval of

plans, specifications and other data for any one specific dwelling shall not be deemed an approval or otherwise obligate the Committee to approve similar plans, specifications or data for any other dwelling to be constructed on any Lot within the Property.

3.08 THE PROPERTY MAY BE LOCATED IN AN AREA WHICH INCLUDES UNDERGROUND MINES, TUNNELS, SINKHOLES AND SUBSURFACE CONDITIONS. THE APPROVAL OF PLANS AND SPECIFICATIONS BY THE COMMITTEE SHALL NOT BE CONSTRUED IN ANY RESPECT AS A REPRESENTATION OR WARRANTY BY THE COMMITTEE OR DEVELOPER TO ANY OWNER THAT THE SURFACE OR SUBSURFACE CONDITIONS OF ANY LOT ARE SUITABLE FOR THE CONSTRUCTION OF A DWELLING OR OTHER STRUCTURES THEREON. IT SHALL BE THE SOLE RESPONSIBILITY OF EACH OWNER TO DETERMINE THE SUITABILITY AND ADEQUACY OF THE SURFACE AND THE SUBSURFACE CONDITIONS OF THE LOT. NEITHER DEVELOPER NOR THE COMMITTEE SHALL BE LIABLE OR RESPONSIBLE FOR ANY DAMAGE OR INJURY SUFFERED OR INCURRED BY OWNER OR ANY OTHER PERSON AS A RESULT OF SURFACE OR SUBSURFACE CONDITIONS AFFECTING A LOT OR ANY PORTION THEREOF, INCLUDING, WITHOUT LIMITATION, ANY SURFACE OR SUBSURFACE DRAINAGE OR UNDERGROUND MINES, TUNNELS, SINKHOLES OR OTHER CONDITIONS OR TYPES OF GROUND SUBSIDENCE OCCURRING ON OR UNDER ANY LOT.

3.09 The Committee shall have the right to establish, amend, change and modify from time to time reasonable charges and fees for the review of any plans and specifications submitted pursuant to the provisions hereof. Furthermore, the Committee shall, upon request and at reasonable charges, furnish to any Owner a written certificate setting forth whether all necessary Committee approvals have been obtained in connection with any dwelling or other improvements on any Lot.

3.10 The Committee, in its sole and absolute discretion, shall have the exclusive right to grant variances with respect to any of the matters set forth in these Protective Covenants. Any variance approved by the Committee shall be in writing and shall be executed by a member of the Committee.

3.11 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 (1) 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.

ARTICLE IV
STAGG RUN RESIDENTIAL ASSOCIATION, INC.

4.01 Every Owner of a Lot within the Property and the Owner of every "Residential Lot," as hereinafter defined in the Development, is subject to assessments, as hereinafter provided, and shall be a member of the Stagg Run Residential Association, Inc. (the Articles of Incorporation for which are recorded in the Probate Office of Shelby County, Alabama) (the "Association"). Membership in the Association shall be appurtenant to and may not be separated from ownership of any Lot, and Members shall be subject to the provisions of these Protective Covenants and the rules, regulations and bylaws of the Association, as the same may be modified and amended from time to time.

4.02 The Association shall have one (1) class of voting membership. All Owners, together with the Owners of all "Residential Lots," as hereinafter defined, shall be members of the Association and, subject to the rights reserved by Developer in the Articles of Incorporation and By Laws of the Association, shall be entitled to one (1) vote for each Residential Lot owned. When more than (1) person holds an interest in any Lot, all persons shall be members; however, the vote for such Lot shall be exercised as they determine; but in no event shall more than one (1) vote be cast with respect to any Lot. Each owner, by acceptance of a deed to a Lot, does hereby acknowledge and agree that Developer, for so long as Developer owns any portion of the Development, shall be exclusively entitled to take all actions and vote on all matters to be voted on by the members of the Association in the manner set forth in the Articles of Incorporation and By Laws of the Association.

4.03 The Association (with the prior written consent of Developer for so long as Developer owns any portion of the Development) shall have the right at any time and from time to time to merge, consolidate or otherwise transfer all of the rights and obligations of the Association to any other association which has been formed for the benefit of the Owners of any of the Lots within the Property or any real properties situated adjacent to or in close proximity with the Development.

ARTICLE V

COVENANT FOR ASSESSMENTS

5.01 Each Owner of a Lot within the Property, by acceptance of a deed to such Lot, agrees to pay to the Association: (i) annual assessments or charges levied each year by the Association, (ii) special assessments for capital improvements, such assessments to be established and collected as hereinafter provided, and (iii) individual assessments which may be levied against any Lot and the owner thereof as a result of such owner's failure to comply with the terms of these Protective Covenants. The annual, special and individual assessments, together with interest, late charges, costs and reasonable attorney's fees, shall also be a charge on each Lot and shall be a continuing lien upon each Lot against which such assessment is made, which lien may be enforced in the manner hereinafter provided. Each such assessment, together with interest, late charges, costs and reasonable attorney's fees, shall also be the personal obligation of the person who was the Owner of such Lot at the time when the assessment fell due or was due.



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5.02 The annual and special assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the Owners and residents of the Development, for the improvement and maintenance of the Common Area within the Development, and the payment of any and all costs and expenses incurred from time to time by the Association, including, without limitation, any "Common Expenses," as defined in the By Laws of the Association.

5.03 Any expenses incurred by the Committee or the Association in enforcing any of the provisions of these Protective Covenants against a specific Owner shall be deemed an individual assessment against the Owner and the respective Lot owned by such Owner. Such individual assessment shall be levied by the Association and shall be specified to the Owner, which notice shall also specify the due date for the payment of same. The Association is solely responsible for and shall assume all maintenance responsibilities with respect to all Common Area within the Property.

5.04 (a) The annual assessment for the Property shall commence on June 1 of each year, and shall be paid in advance. The annual assessment shall be established by the Association in accordance with its rules, regulations and By Laws. Notwithstanding anything provided to the contrary in this Declaration, the annual Assessment for each Residential Lot for the Property shall be Two Hundred and Fifty (\$250.00) per annum per Residential Lot in the Property. The first annual assessment for a lot shall be pro rated. The foregoing shall not limit or restrict any special Assessments levied pursuant to Section 5.05 below (with the approval of a majority of the Owners as provided therein) or any individual Assessments levied in accordance with the provisions of Section 5.01 above. Lots owned by the Developer or a Builder shall not be subject to any assessment by the Association, be it annual, special or individual. A "Builder" is defined as any corporation or other entity recognized to be in the business of constructing homes, and is so designated as a Builder by the Developer.

(b) Commencing with the fiscal year of the Association which begins on June 1, 2007, which period is hereinafter referred to as the "Base Year") and annually thereafter, the Board of the Association shall determine and approve annually an annual budget covering the estimated Common Expenses for the Property for the upcoming year, such budget to include a capital contribution or reserve account if necessary for the capital needs of the Association. The amount set forth in such budget shall constitute the aggregate amount of annual assessments for the then applicable year.

(c) In the event the budget for any fiscal year after the Base Year results in the Owners being liable for the payment of annual assessments which exceed ten percent (10%) of the annual assessments payable for the entire immediately preceding fiscal year, then the budget and the amount of the annual assessments shall be presented for approval of the Owners at the annual meeting of the Association and must be approved by the vote of a majority (51%) of the Owners who are voting in person or by proxy at such meeting.

In the event the amount of the annual assessments does not exceed the limitations set forth above or until such time as a majority of the Owners have approved such increase in the amount of the annual assessments, then the budget approved by the Board for the then current fiscal year shall be implemented, subject to the restrictions and limitations set forth above on the amount of increase in annual assessments.

5.05 In addition to the annual assessments, the Association may levy, in any assessment year, a special assessment, applicable to that year only for the purpose of defraying in whole or in part the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, provided that any such assessment must have the assent and approval of (a) at least fifty-one percent (51%) of the Owners who are voting in person or by proxy, excluding votes which may be cast by the Developer, whether voted in person or by proxy, at a meeting duly called for this purpose, and (b) for so long as Developer owns any portion of the Development, the approval of the Developer.

5.06 Written notice of any meeting called for the purpose of taking any action authorized under Section 5.05 above shall be sent to all Owners not less than thirty (30) days but no more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence, either in person or by proxy, of the holders of at least thirty-five percent (35%) or more of all votes in the Association shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirements and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting.

5.07 Both annual and special assessments for all Lots within the Property shall be fixed at a uniform rate for each "Residential Lot," as hereinafter defined. As used herein and in the Articles of Incorporation and By Laws of the Association, the term "Residential Lots," whether used in the singular or plural tense, shall include all Lots within the Property. Annual and special assessments shall commence as to each Lot on the day on which such Lot is conveyed to any Owner (other than the Developer or a Builder) and shall be due and payable in such manner as established by the Board of Directors of the Association. The Board of Directors of the Association shall fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every Owner. The due date for the payment of annual assessments shall be established by the Board of Directors in such notice (but such due date shall be, at a minimum, thirty (30) days from the date of such notice).

5.08 The Association shall, upon demand and for a reasonable charge, furnish a certificate of the Association setting forth whether the assessment on a Lot has been paid. A properly executed certification of the Association as the status of the assessment on a Lot is binding upon the Association as of the date of its issuance.

5.09 Any assessments (whether annual, special or individual) which are not paid on or before the due date of the same shall bear interest from and after such due date at a rate equal to the lesser of 1 8% per annum or the highest rate which may be charged to such Owner by law. In addition to interest, any assessments not paid by the due date for the same shall be subject to a late charge which the Board of Directors of the Association may from time to time establish. In the event any assessments or other amounts due to the Association are not paid by any Owner when the same comes due, then, in addition to all other rights and remedies provided by law or in equity, the Association, acting through the Board of Directors or through any of its duly authorized officers or representatives, may undertake any of the following remedies:

(a) The Association may commence and maintain a suit at law against the Owner for a personal money judgment to enforce all such charges and obligations for assessments and other amounts due to the Association, which amounts shall include the late charge and interest specified above as well as all attorneys' fees, court costs and all other expenses paid or incurred by the Association in connection therewith; and/or

(b) The Association may enforce the lien created pursuant to Section 5.01 above as hereinafter provided. The lien created pursuant to Section 5.01 above shall secure payment of any and all assessments (annual, special and individual) levied against any Lot or Owner, all late charges and interest as provided above as well as all attorneys' fees, court costs and all other expenses paid or incurred by the Association in attempting to collect the assessments and in maintaining any legal action in connection therewith. If any assessments and other charges remain unpaid for more than sixty (60) days following the due date of the same, then the Association shall make written demand on defaulting Owner, which demand shall state the date and amount of delinquency. If such delinquency is not paid in full within ten (10) days after the giving of such demand notice, then the Association may file a claim of a lien against the Lot of such delinquent Owner, which claim shall be executed by any member of the Board of Directors of the Association or any officer of the Association and may be foreclosed in the same manner as a foreclosure of a mortgage on real property under the laws of the State of Alabama, as the same may be modified or amended from time to time. The Association shall have the right and power to bid at any such foreclosure sale and to purchase, acquire, hold, lease, mortgage, convey and sell any such Lot purchased at any such foreclosure proceeding. Each Owner, by acceptance of a deed to any Lot, shall be deemed to (i) grant and vest in the Association and/or its agents the right and power to exercise the power of sale granted herein and foreclose the lien created herein, (ii) grant and vest in the Association and/or its agents the right and power to bring all actions against such Owner personally for the collection of all amounts due from such Owner, (iii) expressly waive any objection to the enforcement in foreclosure of the lien created herein, and (iv) expressly waive the defense of the statute of limitations which may be applicable

to the commencement of any suit or action for foreclosure. No Owner (other than Developer) may be granted a waiver or otherwise be exempt from the liability to pay the assessments provided herein.

5.10 The lien for assessments and other charges provided herein with respect to any Lot shall be subordinate to the lien of any first mortgage encumbering such Lot. The sale or transfer of any Lot shall not affect any lien retained by the Association on a Lot; provided, however, that the sale or transfer of any Lot pursuant to first mortgage foreclosure or any similar proceedings shall extinguish the lien of such assessment as to payments which became due prior to such sale or transfer.

5.11 In addition to the rights and remedies set forth above, if any Owner (or his contractor, family members, guests or invitees) shall violate or attempt to violate any of the covenants and restrictions set forth herein, then Developer, the Association or the Committee, jointly and severally, shall each have the right to prosecute proceedings at law for the recovery of damages against such Owner as a result of such violations or maintain a proceeding in equity against such Owner to enjoin such violation; provided, however, that the rights and remedies set forth herein shall be deemed to be cumulative of all other rights and remedies available at law or in equity. In any such proceedings, Developer, the Association or the Committee, jointly and severally, shall be entitled to recover all costs and expenses, including reasonable attorneys' fees, incurred by any of them in such proceedings, as well as interest on all unpaid amounts as specified in Section 5.09 above. The failure of Developer, the Association or the Committee to institute proceedings for any one (1) or more violations of these Protective Covenants shall not constitute approval of the same or be construed as a waiver of any right of action contained herein for past or future violations of said covenants and restrictions.

ARTICLE VI **EASEMENTS**

6.01 Developer does hereby establish and reserve for itself, the Association, the Committee and their respective successors and assigns, a permanent and perpetual non-exclusive easement over, across, through and upon each Lot for the purpose of inspecting each Lot and any dwelling constructed thereon in order to determine the compliance with the provisions of these Protective Covenants and to otherwise perform any of their duties or undertake any of the actions authorized or permitted to be taken by any of them pursuant to these Protective Covenants.

6.02 Developer does hereby establish and reserve for itself, its successors and assigns, a permanent and perpetual non-exclusive easement over, across, through, upon and under those portions of any Lot upon which the Developer has reserved an easement, as reflected on the recorded Subdivision Plat for such Lot, which easements may be used for the purpose of installing, erecting, maintaining and using above and below ground utility and cable television lines, poles, wires, cables, conduits, storm sewers, sanitary

sewers, conveniences, appurtenances and other utilities.

6.03 Developer does hereby establish and reserve for itself, its successors and assigns, and the Association a permanent and perpetual non-exclusive easement over, across, through, upon and under all portions of the Common Area for the purpose of installing, erecting, maintaining and using thereon above and below ground utility and cable television lines, pipes, poles, wires, cables, conduits, storm sewers, conveniences and other utilities.

6.04 Subject to any applicable rules and regulations adopted from time to time by the Association and the payment of any fees and charges which may from time to time be established by the Association, Developer does hereby grant to the Association and each Owner the non-exclusive right, privilege and easement of access to and the use of the Common Area in common with Developer, its successors and assigns.

ARTICLE V11

MISCELLANEOUS

7.01 The terms and provisions of these Protective Covenants shall be binding upon each Owner and their respective heirs, executors, administrators, personal representatives, successors and assigns of each Owner and shall inure to the benefit of Developer, the Committee, the Association and all of the Owners of any of the Lots within the Property. These Protective Covenants shall be deemed covenants running with the land and any Lot shall be held, owned, sold, transferred, conveyed, hypothecated, encumbered, leased, occupied, built upon and otherwise used, improved and maintained subject to all of the terms and provisions of these Protective Covenants.

7.02 It is understood and agreed that the foregoing covenants and restrictions shall attach to and run with the land for a period of fifty (50) years from the date hereof, at which time these covenants and restrictions shall be automatically extended for successive periods of ten (10) years, unless, by a vote of at least fifty-one percent (51%) of all votes in the Association, it is agreed to change the same in whole or part.

7.03 Subject to the provisions of Sections 9.01 and 9.09 hereof, these covenants and restrictions may be amended or altered (a) solely by Developer during such periods of time as the Developer owns any Lots within the Property, so long as such amendment does not materially and adversely affect or alter any Owner's right to use his Lot, or (b) by the vote of fifty-one percent (51%) of all votes in the Association and (ii) written agreement of the Developer.

7.04 All personal pronouns used herein, whether used in masculine, feminine or neuter gender, shall include all genders. The use of the singular tense shall include the plural and vice versa.

7.05 Each Owner hereby waives any right to seek or obtain judicial partition of any portion of the Property.

7.06 Notwithstanding anything provided herein to the contrary, no sale, transfer, conveyance, lease, pledge, encumbrance or other hypothecation of any Lot by Developer to any third party shall constitute or be deemed a transfer of any of the rights reserved herein to Developer unless express reference is made in such instrument of conveyance to the specific rights created in these Protective Covenants which Developer is transferring to such third party.

7.07 Whenever in these Protective Covenants, Developer, the Association or the Committee has the right to approve, consent to or require any action to be taken, such approval, consent or required action shall, except as otherwise specifically provided herein to the contrary, be given or withheld in the sole and absolute discretion of Developer, the Association or the Committee, as the case may be.

7.08 Developer reserves the right, in its sole and absolute discretion, at any time and from time to time, without any obligation or requirement to obtain the consent or approval of any Owners or any of their mortgagees, to (a) add any additional real Property to the Development to the extent the same may be developed for Residential Lots, (b) amend Exhibit "A" attached hereto in order to add or remove any real property from the definition of the Development, (c) alter, change or extend any roadways within the Development or alter any street grades of any roads within the Development, without liability to the Owners for any claims for damages resulting from such alterations or changes, and (d) change, modify or adopt different covenants and restrictions which would affect the Residential Lots within other portions of the Development, which covenants and restrictions may be different from those set forth in these Protective Covenants. Developer may undertake any of the actions set forth in this Section 9.08, including, without limitation, executing and recording amendments to these Protective Covenants with respect to any of the matters described in items (a) through (d) above, without the consent or approval of any Owner or his mortgagee.

20th IN WITNESS WHEREOF, the Developer has executed this instrument on the day of December, 2007.

STAGG RUN DEVELOPMENT, LLC

By: 

Managing Member

STATE OF ALABAMA)
COUNTY OF SHELBY)

I, the undersigned, a Notary Public in and for said County in said State, hereby certify that HL Dobbs, Jr, whose name as Managing Member of Sagg Run Development, LLC is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of said instrument, he, as such officer and with full authority to do so, executed the same voluntarily on the day the same bears date.


Given under my hand and official seal this 20th day of December, 2007.

Lisa Beckham

NOTARY PUBLIC
My Commission

Expires: 10/04/10

NOTARY PUBLIC STATE OF ALABAMA AT LARGE
MY COMMISSION EXPIRES: Oct 4, 2010
BONDED THRU NOTARY PUBLIC UNDERWRITERS


20071226000576250 18/18 \$62.00
Shelby Cnty Judge of Probate, AL
12/26/2007 10:05:54AM FILED/CERT