

BY-LAWS OF
THE RIDGE CONDOMINIUM
OWNERS ASSOCIATION, INC.

ARTICLE I

PURPOSE AND APPLICATION

1.01. Purpose. These By-Laws are made for the proper administration of The Ridge Condominium Owners Association, Inc., hereinafter referred to as the "Association," an Alabama not for profit corporation, organized pursuant to the Alabama Nonprofit Corporation Act, § 10-3-1, et seq., Code of Alabama, 1975, as amended, and the Alabama Uniform Condominium Act of 1991, Section 35-8A-101, et seq., Code of Alabama, 1975, as amended, hereinafter referred to collectively as the "Acts," formed for the purpose of managing and operating The Ridge, a Condominium, located in Baldwin County, Alabama, hereinafter referred to as the "Condominium."

1.02. Applicability. The provisions of these By-Laws shall be applicable to all of the Condominium property and all improvements thereon. All present and future Owners and their family, guests, tenants, agents, and employees, and any other person, entity, or occupant using any facility of the Condominium in any manner, are and shall be subject to, and do hereby ratify and agree to comply with, all rules, regulations and provisions established and set forth in these By-Laws and the Declaration as the same may be amended from time to time.

ARTICLE II

PRINCIPAL OFFICE AND AGENT

2.01 Principal Office. The principal office and initial mailing address of the Association shall be 3501 Gulf Shores Parkway, Palm South Center, Suite 7; Post Office Box 1318, Gulf Shores, Alabama 36547, or at such other place hereafter designated by the Board. All books and records of the Association shall be kept at its principal office.

2.02. Principal Agent. The initial registered agent of the Association shall be Barton E. Kaiser.

ARTICLE III

DEFINITIONS

3.01. Declaration. The term "Declaration" as used herein shall have the same meaning as that certain Declaration of Condominium of The Ridge, a Condominium, as same is recorded in the Office of the Judge of Probate of Baldwin County, Alabama, as the same may be amended from time to time in accordance with the terms thereof.

3.02. Other Terms Defined. All other terms used herein shall have the meaning given to them in the Declaration and are hereby incorporated by reference and made a part hereof.

ARTICLE IV

MEMBERSHIP

4.01. Qualification. The only qualification for membership shall be ownership of a Unit in the Condominium, and said membership shall appurtenant to the Unit. Said membership may not be separated from the Unit. No initiation fees, costs or dues shall be

Members

assessed against any person as a cost of membership or a condition of the exercise of the rights of membership except such assessments, levies, and other charges specifically authorized by the Declaration.

4.02. Succession. The membership of each Unit Owner shall automatically terminate upon the conveyance, transfer, or other disposition of a Unit Owner's interest in the Unit, and said membership shall automatically be transferred to the new succeeding Unit Owner. The succeeding Unit Owner shall thereafter be a member of the Association pursuant to such ownership interest and shall be subject to all rights, privileges, conditions, covenants, and other matters associated therewith.

4.03. Certificates of Membership. The Association shall issue no shares of stock of any kind of nature whatsoever.

ARTICLE V

MEETINGS OF MEMBERS

5.01. Annual Meeting. A meeting of the members shall be held at least once each calendar year and not later than thirteen (13) months after the last preceding annual meeting. The purpose of the meeting shall be to elect the Board of Directors of the Association, hereinafter referred to as the "Board," and to transact any other business authorized to be transacted by the members or stated in the notice of the meeting sent to members in advance thereof. Said annual meeting shall be held on the date and at the place and time as determined by the Board from time to time.

5.02. Special Meetings. Special meetings of the members may be called at any time by the President, a majority of the Board, or upon receipt by the Board of a written

request of members representing at least twenty (20) percent of the total votes of the Association. The business conducted at a special meeting shall be limited to that stated in the said notice of the meeting.

5.03. Notice of Meeting. Notice of all meetings of members shall state the date, time and place of the meeting and the items on the agenda, including, but not limited to; any budget changes, the general nature of any proposed amendment to the Declaration or By-Laws, and any proposal to remove an officer or a member of the Board. Such notices shall be prepared and delivered by or at the direction of the Secretary, and may be delivered either personally or by mail to a member at the address furnished to the Board by said member, or to the member's Unit if no such address has been given to the Board. All said notices of the annual and special meetings shall be mailed or delivered to each member not less than ten (10) days or more than sixty (60) days prior to such meeting. Proof of such notice, if requested, shall be given by affidavit of the person giving the notice. A copy of the notice of any meeting of members shall also be posted in a conspicuous place on the Condominium property at least seven (7) days prior to the meeting.

5.04. Waiver of Notice. Any member or mortgagee may waive the right to receive notice of the annual meeting by sending a written waiver to the Board. Notice of special meetings may be waived before or after the meeting, either orally or in writing. Attendance by a member at an annual or special meeting, either in person or by proxy, shall constitute waiver of notice of such meeting.

5.05. Quorum. Except as otherwise provided by the Articles, the Declaration,

these By-Laws, or at law, a quorum of members for any meeting shall be deemed present throughout such meeting if members, represented in person or by proxy, holding at least fifty-one percent (51%) of the votes entitled to be cast at such meeting are present at the beginning of such meeting.

Quorum

5.06. Adjournment for Lack of Quorum. If a quorum of members is not present at any annual or special meeting either in person or by proxy, a majority of those members entitled to vote and present at such meeting, either in person or by proxy, and after announcing the beginning of the meeting, shall have the power to adjourn the meeting, from time to time, without notice, until the requisite number of members are present either in person or by proxy. At any such adjourned meeting at which the requisite number of votes are present, either in person or proxy, any business may be transacted which might have been transacted at the meeting as originally noticed.

5.07. Action Without Meeting. Any action which may be taken at a meeting of the members may also be taken without such a meeting, provided, (i) the requisite number of members required to take such action at a meeting consents; and (ii) such consent is in writing and signed by said members; and (iii) such consent sets forth the action to so taken; and (iv) is filed with the Secretary.

5.08. Order of Business. The order of business at all annual and other meetings of the members, as much as reasonably practical, shall be as follows, to-wit:

- (1) Call to Order of the meeting.
- (2) Calling of the roll and certifying of proxies.
- (3) Proof of notice of meeting or waiver of notice.
- (4) Reading and approval of the minutes.
- (5) Reports of officers.

- (6) Reports of committees.
- (7) Election of Directors.
- (8) Old or unfinished business.
- (9) New business.
- (10) Adjournment.

5.09. Minutes of Meeting. The minutes of all meetings shall be kept in a book available for inspection at reasonable times by Unit Owners or their authorized representatives.

5.10. Developer Control. The Developer shall retain initial control of the Association in accordance with the terms and conditions of the Declaration and other condominium documents.

ARTICLE VI

VOTING RIGHTS OF MEMBERS

6.01. Number of Votes. The number of votes to which each Unit is entitled to cast is provided in the Declaration, and said votes shall not be divisible.

6.02. Designation of Voting Members. If a Unit is owned by more than one person, the persons entitled to cast the vote or votes for the Unit may be designated by a certificate signed by all of the record owners of the Unit and filed with the Secretary. If a Unit is owned by a corporation, partnership, trust, or other legal entity, the person entitled to cast the vote or votes for the Unit may be designated by a certificate of appointment signed by a duly authorized representative of the entity and filed with the Association's Secretary. Such certificates shall be valid until revoked or until superseded by a subsequent certificate or until a change in the ownership of the Unit, and a certificate may

be revoked by any Owner of an interest in the Unit. Any such revocation shall be in writing and signed by a duly authorized representative of the entity and filed with the Association's Secretary.

6.03. Failure to Designate a Voting Member. If a Unit is owned by more than one person and such Owners do not designate a voting member as required herein, the following provisions shall apply, to-wit:

- (1) If more than one such owner is present at any meeting, and said Owners are unable to concur in a decision on any subject requiring a vote, said Owners shall lose their right to vote on that subject at that meeting; however, said vote or votes shall be included in the determination of the presence of a quorum.
- (2) If only one such owner is present at a meeting, such person attending shall be entitled to cast the vote or votes pertaining to the Unit.
- (3) If more than one such owner is present at the meeting, and said Owners concur, any one such owner may cast the vote or votes for the Unit.

6.04. Voting by Proxy. Votes may be cast in person or by proxy, as provided for in the Acts. All proxies must be in writing, dated, signed by the member generating the proxy, and filed with the Secretary before the appointed time of any meeting to which it applies. A member may revoke a proxy at any time by delivering a written notice of revocation to the Association.

~~Proxy~~

6.05. Conditional Proxy. The granting of a mortgage on a Unit by the Owner(s) thereof shall be construed as conferring upon the mortgagee a conditional proxy to cast

the vote or votes attributable to such Unit at any regular or special meeting of the Association. Any mortgagee electing to exercise such right and cast such vote or votes shall notify the Association in writing of the mortgagee's intent to exercise the conditional proxy rights granted to it herein. In the absence of such written notice, the Association shall be entitled to recognize the votes of the Unit Owner(s) attributable to the Unit; however, upon receipt by the Association of said written notice by the mortgagee, the Association shall thereafter recognize the mortgagee's right to cast the vote or votes attributable to that Unit until the mortgagee withdraws its intent to cast such votes, in writing, or until the mortgage is paid in full and satisfied of record, whichever first occurs.

6.06. Vote Required to Transact Business. When a quorum is present, the holders of a majority of the voting rights present, either in person or by proxy, shall have the authority to decide any question brought before the meeting, unless, however, the question is one on which, by express provisions of the Acts or the Condominium Documents, a different number or manner of voting is required, in which case the express provision shall govern and control the decision in question.

ARTICLE VII

BOARD OF DIRECTORS

7.01. Number. The affairs of the Association shall be managed by a Board of Directors consisting of not less than three (3) persons and not more than five (5) persons. Said minimum or maximum number may be changed by proper amendment hereof.

7.02. Qualification. Except for Directors appointed by the Developer, each

Director shall be a Unit Owner. If a Unit Owner is a corporation, partnership, or other entity, then an officer, partner, or employee of such Unit Owner may be a Director. If a Unit Owner is a trust, then the beneficiary of the trust may be a Director. If a Director ceases to meet such qualifications during the Director's term, the Director's place on the Board shall cease and be deemed vacant.

7.03. Appointment by Developer. The initial Board shall be appointed by the Developer, and said initial Directors do not have to be Unit Owners. Any successor Directors may be appointed and removed by the Developer at any time during the Developer's control of the Association; however, the Developer's said right to appoint and remove Directors shall be in accordance with the terms and provisions of the Declaration, these By-Laws, and the Acts.

7.04. Nomination for Election. Nominations for elections to the Board shall be made from the floor at the annual meeting of members or at any other meeting of members called for the purpose of electing Directors. Nominations shall also be made by a nominating committee appointed by the Board prior to the annual meeting of the members or prior to any other meeting of members called for the purpose of electing Directors.

7.05. Initial Election of Directors. Whenever the Unit Owners are entitled to elect one or more Directors, the Association, in accordance with the terms of the Act, shall call a meeting of the members to elect the Director(s). The Association shall give not less than ten (10) days nor more than fifty (50) days notice of the meeting to each member, and the meeting may be called and the notice may be given by any Unit Owner

if the Association fails to do so. The election shall be conducted in the manner specified and set forth in these By-Laws.

7.06. Election of Directors. Directors shall be elected at the annual meeting of members, and the election shall be by secret ballot unless dispensed with by unanimous consent. Each member shall be entitled to vote for each vacancy, and there shall be no cumulative voting. Those candidates receiving the greatest number of votes cast either in person or by proxy shall be elected.

7.07. Term. Each Director elected by the members shall hold office until the next annual meeting of members unless the said Director resigns or is removed in any manner provided elsewhere herein, or until a successor Director is qualified and elected. Each Director appointed by the Developer shall hold office until such Director resigns, or is removed by the Developer, or the term of said Director expires as provided for herein.

7.08. Vacancies. Any vacancy of a Director elected by the members of the Association shall be filled by a majority vote of the remaining Directors, and said new Director shall serve and hold office for the unexpired term of the Director whose vacancy the said new Director is replacing. Any vacancy of a Director appointed by the Developer shall be filled by the Developer, except as otherwise provided for herein and in the Act and the Declaration.

7.09. Removal. Any Director may be removed for cause by the concurrence of two-thirds (2/3) of the votes of the members of the Association in accordance with the provisions of the Act, and the vacancy so created shall be filled by the members at the

same meeting.

7.10. Compensation. A Director shall not receive any compensation for any service the Director may render to the Association as a Director; provided, however, that any Director may be reimbursed for actual out-of-pocket expenses incurred in the performance of the Director's duties.

7.11. Developer Control. The Developer shall appoint the initial members of the Board and shall retain control of the initial Board and the Association until such time as the Developer is required to surrender such control in accordance with the terms and conditions of the Declaration.

ARTICLE VIII

MEETINGS OF DIRECTORS

8.01. Regular Meetings. Regular meetings of the Board shall be held at least quarterly at such date, place, and time as the Board shall designate. Notice of said regular meetings shall be given to each Director either personally, or by mail, telephone, or facsimile, and shall be sent not less than fourteen (14) days prior to the said regular meeting.

8.02. Special Meetings. Special meetings of the Directors may be called by the President at any time, and must be called by the President or Secretary upon the written request of a majority of the Directors. A notice of the meeting stating the date, place, time and purpose of the meeting shall be given to each Director either personally, or by mail, telephone, telegraph, or facsimile, not less than three (3) days prior to the said special meeting.

8.03. Open Meetings. All meetings of the Board shall be open to all members of the Association, and notice of such meetings shall be posted conspicuously on the Condominium property at least forty-eight (48) hours prior to the meeting, except in the event of an emergency.

Meetings

8.04. Waiver of Notice. Any Director may waive notice of a regular or special meeting either before or after the meeting, or may consent to the holding of a meeting without further notice. Attendance by any Director at a meeting shall constitute waiver of notice of that meeting, except and unless the Director's attendance is necessary for the express purpose of objecting at the beginning of the meeting to the transaction of business on the grounds that the meeting was not lawfully called.

8.05. Quorum. A quorum shall consist of the number of Directors entitled to cast a majority of the votes of the entire Board. Said quorum may transact any lawful business of the Association, and the acts of the said quorum shall constitute the acts of the Board. A Director may consent to the action at such meeting by signing and concurring in the minutes thereof, and such consent shall constitute the presence of such a Director at said meeting for the purpose of determining a quorum.

8.06. Action Without Meeting. Any action permitted or required to be taken at a meeting of the Directors may be taken without a meeting upon the written consent of the Directors. Said consent shall set forth the action so taken by the Board, and must be signed by all the Directors and filed with the minutes of the Board.

8.07. Presiding Officer. The President shall be the presiding officer of the Directors' meetings, and if the President is absent or otherwise unable to preside, the

Directors present at the meeting shall designate another Director to preside.

8.08. Minutes of Meetings. The minutes of all meetings of the Board shall be kept in a minute book available for inspection at any reasonable time by Directors, Unit Owners, or their authorized representatives.

8.09. Order of Business. The order of business to be conducted at any meeting of the Directors, as much as reasonably possible, shall be as follows, to-wit:

- (1) Call of Roll.
- (2) Proof of proper notice of meeting.
- (3) Reading and approval of the minutes.
- (4) Reports of Officers and Committees.
- (5) Election of Officers.
- (6) Old and unfinished business.
- (7) New and other business.
- (8) Adjournment.

ARTICLE IX

POWERS AND DUTIES OF THE DIRECTORS

9.01. Specific Powers. The Board shall have the power and authority to exercise all powers, duties, and authority vested in the Association by the Acts, the Declaration, and these By-Laws, except for such powers and duties expressly reserved therein to the members or the Developer. Such powers and duties of the Board shall include, but shall not be limited to, the following, to-wit:

- (1) To elect and remove officers of the Association in the manner set forth herein.
- (2) To administer the affairs of the Association and the Condominium property.
- (3) To maintain bank accounts on behalf of the Association and to require

designated specific signatories therefor:

- (4) To own, sell, lease, rent, mortgage, or otherwise deal with Units acquired by the Association.
- (5) To pay the cost of all taxes, municipal assessments, and utilities assessed against the Condominium which are not assessed and billed to the individual Unit Owners.
- (6) To borrow money on behalf of the Association when required in connection with the management, operation, care, upkeep, repair, improvement, and maintenance of the Common Elements and Limited Common Elements; however, before the Board can borrow any such funds, the Board must first obtain the consent of at least two-thirds (2/3) of the votes of the members at a meeting duly called and held for such purpose in accordance with the provisions set forth herein.
- (7) To estimate the amount of the annual budget and to make, assess, levy, enforce and collect assessments against Unit Owners to defray the costs, expenses, and losses of the Condominium, and to provide adequate remedies for an Owner's failure to pay such assessments.
- (8) To use the proceeds of assessments in the exercise of its powers and duties.
- (9) To manage, maintain, operate, repair, replace, and improve, the Condominium property, including the reasonable right of entry upon any unit to make emergency repairs and to do other work reasonably necessary for the proper maintenance and operation of the project and the right to

grant permits, licenses, and easements over the common areas for utilities, roads, and other purposes reasonable necessary or useful for the proper maintenance or operation of the project.

- (10) To purchase insurance for the protection of all portions of the Condominium property, the Association and its Officers and members, and the members of the Board.
- (11) To reconstruct improvements after casualty and to further improve the Condominium property and all buildings and other improvements thereon.
- (12) To make and amend reasonable rules and regulations, from time to time, regarding the use of the Units, the Condominium property, the Common Elements, Limited Common Elements, and the management and operation of the Association and the Condominium.
- (13) To enforce by legal means the provisions of the Acts, the Declaration, the Articles of Incorporation, these By-Laws, and all rules and regulations of the Association regarding or otherwise related to the use of any portion of the Condominium property and the Units.
- (14) To contract for the management of the Condominium property and to delegate to such managing agent all powers and duties of the Association except such as are specifically required by the Declaration to have approval of the Board or the members of the Association.
- (15) To contract for the separate management, operation and leasing of separate portions of the Common Elements and other parts of the Condominium

property.

- (16) To retain attorneys, accountants, engineers, architects, and other professionals.
- (17) To employ any personnel necessary to perform the lawful services required for proper operation of the Condominium and all of the Condominium property.
- (18) To purchase a Unit for the purposes authorized herein and in the Declaration, except and subject to the limitations set forth in the Declaration and the Acts.
- (19) To maintain a class action proceeding and to settle a cause of action on behalf of Owners regarding the Common Elements or Limited Common Elements, the roof and structural components of the Condominium or other building or improvement, the mechanical, electrical and plumbing elements serving an improvement or a building as distinguished from such elements serving only one Unit, and to bring an action and to settle the same on behalf of two or more of the Owners, as their respective interests may appear, with respect to any cause of action relating to the Common Elements, Limited Common Elements, or more than one condominium Unit, all as the Board, in the Board's discretion, deems advisable and warranted under the circumstances.
- (20) To procure such fidelity bonds, as the Board deems advisable, covering officers and employees of the Association responsible for the Association's

funds and personal property, and to procure Directors' and Officers' liability insurance, if the Board deems it advisable, and the premiums of such bonds and insurance shall be paid by the Association as common expenses.

9.02. Committees. The Board may, by resolution, appoint such committees as deemed necessary and appropriate to accomplish the Board's purpose, and such committees shall have all of the powers of the Board for the management of the affairs and business of the Association to the extent provided in the resolution designating such committee. All said committees shall keep regular minutes of its proceedings and shall report the same to the Board.

9.03. Managing Agent. The Board shall be authorized to employ the services of a manager or managing agent, and said managing agent may either be a Director, Officer, employee of the Association, or an independent person or firm qualified to manage the Condominium property and affairs of the Condominium under the supervision of the Board. The compensation paid to any such manager or managing agent shall be in the amount established from time to time by the Board.

ARTICLE X

OFFICERS

10.01. Election. The executive officers of the Association shall be elected annually by the Board, and shall be a President, a Vice-President, a Secretary, and a Treasurer. Any two or more offices may be held by the same person, except the President cannot also be the Secretary.

10.02. Term. Each Officer shall hold office for the term of one year or until a successor has been appointed or elected and qualified. Any Officer may serve succeeding terms.

10.03. Special Appointments. The Board may appoint such other Officers as the Board deems necessary. Each such appointed Officer shall hold office for such appointed period and shall have authority to perform any such duties as the Board may determine or require from time to time.

10.04. Resignation and Removal. Any Officer may be removed from office either with or without cause by the vote of a majority of the Directors present at any meeting. Any Officer may resign at any time by giving written notice to the Board. Such resignation shall take effect on the date of receipt or at any later time specified therein, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

10.05. Vacancies. A vacancy in any office shall be filled by a majority vote of the Directors at any meeting. Such newly appointed Officer shall fill such vacancy and hold such office for the duration of the unexpired term of the said vacancy.

10.06. Compensation. An Officer shall not receive any compensation for any service he may render to the Association as an Officer.

10.07. Reimbursement. Any Officer may be reimbursed for actual out-of-pocket expenses incurred in the performance of the Officer's duties and responsibilities.

10.08. Duties of the President. The President shall be a Director and is the Chief Executive Officer of the Association. The President shall have all of the powers and

duties that are usually vested in the office of the President of a condominium association, including but not limited to the following powers, to-wit:

- (1) To preside over all meetings of the members and of the Board.
- (2) To execute all deeds, contracts, and other instruments approved by the Board.
- (3) To call meetings of the Board from time to time as may be necessary in accordance with the rules and these By-Laws.
- (4) To have the general supervision, direction and control of the management and financial affairs of the Association.
- (5) To prepare, execute, certify and record amendments to the Declaration, together with the Secretary, on behalf of the Association.

10.09. Duties of the Vice-President. The Vice-President shall be a Director, and shall have all of the powers and duties that are usually vested in the office of Vice-President of a condominium association, including but not limited to the following powers, to-wit:

- (1) To perform the duties and exercise the powers of the President, in the absence or disability of the President.
- (2) To assist the President when necessary in the exercise and performance of the President's powers and duties.

10.10. Duties of the Secretary. The Secretary shall be a Director, and shall have all the powers and duties that are usually vested in the Secretary of a condominium association, including but not limited to the following powers, to-wit:

- (1) To keep a record of all meetings of the Board and of the members.
- (2) To keep the seal of the Association, and affix it on all papers requiring

same.

- (3) To prepare and serve such notices of meetings to the Board and the members required either by law or by these By-Laws, the Declaration or other Condominium Documents.
- (4) To keep current records and a listing of all of the members of the Association together with the members' addresses.
- (5) To execute deeds, contracts, and other legal instruments which have been duly approved by the Board, if said instrument requires a second Association signature.
- (6) To prepare, execute, certify, and record amendments to the Declaration, together with the President, on behalf of the Association.

10.11. Duties of the Treasurer. The Treasurer shall be a Director, and shall be the financial officer of the Association. The Treasurer shall have all powers and duties that are usually vested the Treasurer of a condominium association, including but not limited to the following powers, to-wit:

- (1) To receive and deposit all of the funds of the Association in such bank or banks as the Board may from time to time direct;
- (2) To prepare a record of all receipts and expenditures and account for all funds and other assets of the Association.
- (3) To be responsible for and supervise the maintenance of all financial and

other records of the Association.

- (4) To deposit, disburse and withdraw Association funds as the Board may from time to time direct in accordance with proper procedures and the Condominium Documents.
- (5) To prepare and distribute the Association's financial statements.
- (6) To prepare a statement of account for each Unit setting forth any shares of Common Expenses, assessments, or other charges due, and any interest in any Common Surplus.

ARTICLE XI

FISCAL MANAGEMENT

11.01. Fiscal Year. The fiscal year of the Association shall be as established by the Board.

11.02. Annual Budget. The Board shall prepare or cause to be prepared a proposed annual budget for each fiscal year of the Association in accordance with the Act. Said budget shall set forth each Unit Owner's proposed assessment for Common Expenses, and shall be detailed and classify and show all amounts budgeted by accounts and expense classifications. All expenses shall be estimated for each category and item of the Common Expenses. The budget shall also include and show reserve accounts for capital expenditures, deferred maintenance, reserves, and contingencies, and such amount reserved shall be computed by means of a formula based on the estimated life and cost of replacement of each reserve item. Copies of the annual budget and proposed assessments shall be furnished to each member in accordance with these By-Laws and the Act.

11.03. Adoption of the Annual Budget. The Board shall, within thirty (30) days after the approval of any proposed budget for the condominium, provide a copy of the proposed budget to all Unit Owners. The Board shall then set a date for a meeting of the Unit Owners to consider ratification of the budget not less than fourteen (14) days or more than thirty (30) days after delivery or mailing of the proposed budget to the Unit Owners. The said proposed budget shall be ratified at said meeting unless a majority of all the Unit Owners present in person or by proxy reject the budget and whether or not a quorum is present. In the event the proposed budget is rejected, the periodic budget last ratified by the Unit Owners shall govern until such time as the Unit Owners ratify a new budget proposed by the Board. The Board shall furnish copies of the final adopted annual budget to each Unit Owner within thirty (30) days after the adoption.

11.04. Assessment. Assessments for Common Expenses shall be made in accordance with the Declaration, the Act and these By-Laws, and each Unit Owner shall pay one-twelfth (1/12) of such Owner's share of the Common Expenses for such year as shown by the annual budget. Assessments shall be collected by the Association on a monthly basis on or before the first day of each month of the fiscal year for which the Assessments are made. All assessments for the Common Expenses shall be in accordance with the provisions set forth in the Declaration, and shall be in proportion to the Unit Owner's respective ownership interests in the Common Elements. The Board shall send to each Unit Owner, on or before the first day of each month, a statement of the monthly assessment; however, the failure to send or receive such monthly statement shall not relieve the Unit Owner of such Owner's obligation to remit timely payment of the said

monthly assessment. If the Board fails to approve an annual budget or otherwise fails to determine new monthly assessments for any year, each Unit Owner shall continue to pay the amount of such monthly Assessment as last determined until a new amount has been approved. No Unit Owner shall be relieved of the obligation to pay any assessment by abandonment of the Owner's Unit or lack of use of the Unit or the Common or Limited Common Elements. The collection of assessments shall begin when the first Unit is conveyed by the Developer.

11.05. Reserves for Replacements. The Association shall establish and maintain an adequate reserve fund for the periodic maintenance, repair, and replacement of improvements of the Common Elements and those Limited Common Elements which the Association may be obliged to maintain. Said reserve fund shall be maintained out of regular assessments.

11.06. Depository. Monies of the Association shall be deposited in such bank or other insured financial institution(s) designated from time to time by the Board.

Withdrawal of monies from such account shall be only by checks signed by such persons as are authorized by the Board.

11.07. Lien for Expenses. If any Unit Owner refuses or otherwise fails to make any payment for any assessment for the Common Expenses or fine or other charge when due, such amount due shall constitute a lien on such Unit Owner's Unit and the Owner's interest therein. Said lien shall also include all costs, reasonably attorney's fees, and interest thereon at the maximum percentage rate as may then be permitted under the laws of the State of Alabama from and after the date said Common Expenses or other

assessments or fines become due and payable in accordance with applicable law.

11.08. Priority of Lien. Any lien of the Association shall be subject to the rules of priority as stated in the Declaration, the Acts, and other applicable state laws.

11.09. Acceleration of Assessment Installments. If an assessment is payable in installments, the full amount of the assessment is a lien from the time the first installment thereof becomes due.

11.10. Default. In the event a Unit Owner fails to pay any assessment, charge, or other sum required to be paid to the Association within thirty (30) days from the due date, the Association may foreclose the lien encumbering the Unit in the same manner as a past due mortgage lien on real estate is foreclosed. The Association shall send prior notice of the Association's intent to foreclose within thirty (30) days by mail, postage prepaid, to the Unit Owner and to all persons or entities holding a mortgage or other lien or any other interest of record. The Association shall be entitled to the appointment of a receiver, if the Association so requests. The Association shall have the right to bid on the Unit at the foreclosure sale, and to purchase, hold, mortgage and convey the same. In lieu of foreclosing its lien, the Association may bring suit to recover a money judgment, brought by or on behalf of the Association against a Unit Owner, and the losing defendant shall pay the costs thereof, including a reasonable attorney's fee. If the Association becomes the Owner of a Unit by reason of foreclosure, the Association shall offer said Unit for sale, and when such sale is consummated, the Association shall deduct from such sale proceeds all sums of money due the Association, including all costs incurred in the bringing of the foreclosure action, reasonable attorney's fees, all expenses, real estate

brokerage fees, abstract or title insurance costs associated with the sale of the Unit, and any expenses for the repair and refurbishing of the Unit in question. Any monies remaining thereafter shall be returned to the former Owner of the Unit in question.

11.11. Supplemental Assessments. If during the course of any fiscal year, the Board determines the monthly Assessments, as determined in the annual budget, are not sufficient or adequate to cover the estimated Common Expenses for the remainder of such year, the Board shall prepare and approve a supplemental budget covering the estimated deficiency. Copies of the supplemental budget shall be delivered to each Unit Owner, and thereupon a supplemental assessment shall be made and assessed to each Unit Owner for such Owner's proportionate share of the said supplemental budget.

11.12. Annual Statement. Within sixty (60) days after the end of each fiscal year, the Board shall furnish to each Unit Owner a statement for the year so ended showing all receipts and expenditures of the Association and any other information as the Board may deem desirable. If the Condominium consists of fifty (50) or more Units, the Association shall make an audited statement, and the holder, insurer, or guarantor of a first mortgage or lien secured by a Unit in the Condominium shall be entitled to a copy of said statement upon written request. If the Condominium consists of less than fifty (50) units and no audited statement is available, any mortgage or other lien holder shall be entitled to obtain an audited statement prepared at its own expense.

11.13. Accounting Records. The Association shall keep detailed financial records regarding the expenses of the management and operation of the Condominium and the Association. Said records shall be sufficient to comply with the requirements of the Act,

and said records shall be kept in accordance with generally accepted accounting principles. The Association shall keep a record of all receipts and expenditures and a separate account for each Unit showing all assessments and other charges due applicable to the Unit and the due dates thereof, the present balance due, and any interest in Common Surplus. Such records shall be open to inspection by Unit Owners and their authorized agents at reasonable times.

11.14. Information. The Association shall be required to make available to Unit Owners, lenders, and holders, insurers or guarantors of any first mortgage or vendor's liens, current copies of the Declaration, By-Laws, and any rules and regulations regarding the Condominium, and the books, financial statements and other records of the Association. Available as used herein shall mean available for inspection, upon written request, during normal business hours or under other reasonable circumstances. In addition, the holder of a first mortgage or vendor's lien shall be entitled, upon written request, to a financial statement for the immediate preceding fiscal year.

11.15. Fidelity Bonds. Fidelity Bonds shall be required by the Board from all officers and employees of the Association and from any manager handling or responsible for Association funds. The amount of such bonds shall be determined by the Directors, but shall not be less than the amount of one hundred fifty percent (150%) of the total annual assessments against members for recurring expenses. The premiums on such bonds shall be paid by the Association.

11.16. Lender's Notices. Upon written request to the Association, any mortgagee, vendor's lien holder, insurer, or guarantor shall be entitled to timely written notice of (i)

any condemnation or casualty loss that affects either a material portion of the Condominium or the Unit securing its mortgage; and (ii) any 60-day delinquency in the payment of assessments or charges owed by the Owner of any Unit on which it holds a valid mortgage; and (iii) a lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Association; and (iv) any proposed action which requires the consent of a specified percentage of mortgage holders. Such written request shall identify the Unit number and the name and address of the mortgage or vendor's lien holder, insurer or guarantor.

ARTICLE XII

OWNER OBLIGATIONS AND COVENANTS

12.01. Assessment. Every Unit Owner in the Condominium shall contribute such Owner's pro rata share of the expenses of the administration, management, operation, maintenance, alteration, repair and improvement of the Condominium and the Condominium property, as provided in the Articles, the Declaration, and these By-Laws. Each such assessment shall be a lien against the Unit and the personal obligation of the Owner of such Unit at the time the assessment fell due. Such personal obligation shall not pass to such Owner's successor in title unless assumed by such successor or required by applicable law; however, such assessment shall remain a lien against the Unit.

12.02. Maintenance and Repair. Every Owner of any Unit in the Condominium shall promptly perform all maintenance and repair work, as provided in the Articles, the Declaration and these By-Laws. An Owner shall reimburse the Association for any expenditures incurred in repairing or replacing any Common Elements, areas or facilities

damaged through the fault of the Owner.

12.03. Use. The Condominium property shall be utilized in accordance with the provisions of the Declaration, these By-Laws, and the rules and regulations of the Association.

ARTICLE XIII

RULES AND REGULATIONS

13.01. Rules and Regulations. The Board shall may from time to time adopt, modify, amend, or add to rules and regulations concerning the use of the Condominium Property; provided, however, that a majority of the Members may overrule the Board with respect to any such rules and regulations or modifications thereof or any amendments or additions thereof. Copies of such rules and regulations, or any amendments, additions, or modifications, shall be delivered to each Unit Owner not less than fourteen (14) days prior to the effective date thereof. No rule or regulation that is in conflict with the Condominium Documents shall be adopted.

ARTICLE XIV

AMENDMENT

14.01. Notice. Notice of any amendment and the subject matter thereof shall be included in the notice of any meeting at which a proposed amendment is to be considered.

14.02. Adoption. Except in the cases where these By-Laws may be amended by the Developer/Declarant under the terms hereof or the Declaration, or the Act, these By-Laws may be altered, amended or new By-Laws adopted by the affirmative vote of Unit

Owners of Units to which at least two-thirds (2/3) of the votes in the Association are allocated.

14.03. Amendments of Material Nature. Any amendment of a material nature must be agreed to by eligible mortgage and vendor's lien holders who represent at least fifty-one percent (51%) of the votes of the Units subject to mortgages or vendor's liens held by eligible holders thereof.

14.04. Eligible Mortgage Holders. Eligible mortgage holders as used and defined herein are those holders of a first mortgage or vendor's lien on a Unit estate who have submitted a written request to the Association to notify such mortgage or vendor's lien holder of any proposed action requiring the consent of a specific percentage of such eligible holders.

14.05. Material Nature Defined. Amendments of a material nature include a change to any of the provisions governing the following, to-wit:

- (1) Voting rights.
- (2) Any increase in assessments which raises the previously assessed amount by more than twenty-five percent (25%).
- (3) Assessment liens or the priority of assessment liens.
- (4) Reductions in reserves for maintenance, operation, repair, and replacement of Common Elements and Limited Common Elements.
- (5) Responsibility for maintenance and repairs.
- (6) Reallocation of interests in the general Common Elements or Limited Common Elements, or any rights regarding the use of the

same.

- (7) Redefinition of any Unit boundaries.
- (8) Conversion of Units to Common Elements or Common Elements to Units.
- (9) Reduction, annexation, or other withdrawal of property from the Common Elements or other Condominium property.
- (10) Hazard, flood, or fidelity insurance requirements.
- (11) Imposition of any restriction on the leasing of a Unit.
- (12) Imposition of any restrictions on a Unit Owner's right to sell, mortgage, convey, or otherwise transfer such Owner's Unit.
- (13) A decision by the Association of a Condominium which consists of fifty (50) or more Units to change to self-management if the Condominium Documents had previously required professional management.
- (14) Restoration or repair of the Condominium property after damage or partial condemnation in a manner other than as specified and set forth in the Condominium Documents.
- (15) Any provision which directly affects an eligible mortgage or vendor's lien holder, insurer, or guarantor.

14.06. Implied Consent. Implied consent and approval may be assumed when an eligible mortgage holder fails to respond to any written notice of a proposed amendment within thirty (30) days after receipt of proper notice of the proposal, provided, however,

the notice was delivered by certified or registered mail, return receipt requested.

14.07. Prohibited Amendments. No amendment to these By-Laws may be adopted which would eliminate, modify, prejudice, abridge, or otherwise adversely affect any right, benefit, privilege, or priority granted to the Developer without the consent of the Developer, and no amendment may be adopted which conflicts with the Articles, the Declaration, or the Acts.

14.08. Recording. No amendment hereof shall become effective until properly recorded in the Office of the Judge of Probate of Baldwin County, Alabama, in accordance with the Act.

ARTICLE XV

MISCELLANEOUS

15.01. Construction. Wherever the context so permits, the singular shall include the plural, the plural shall include the singular, and the use of gender shall be deemed to include all genders.

15.02. Captions. The captions herein are inserted only as a matter of convenience and for reference, and in no way define, limit, or describe the scope of these By-Laws or the intent of any provision hereof.

15.03. Parliamentary Rules. Robert's Rules of Order (latest edition) shall govern the conduct of all meetings of the Board and the Association when not in conflict with the Act, the Declaration, or these By-Laws.

15.04. Conflicts. In the event of any conflict between these By-Laws and the Declaration, the Declaration shall govern, except to the extent the Declaration is

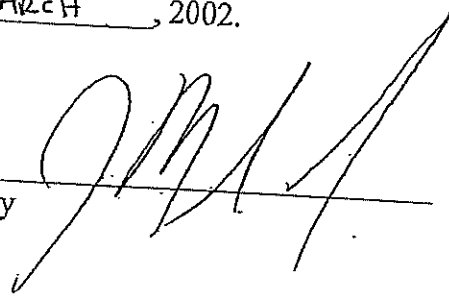
inconsistent with the Act.

15.05. Compliance. These By-Laws are intended and set forth to comply with the requirements of the Alabama Nonprofit Corporation Act and the Alabama Uniform Condominium Act of 1991, and shall be considered in pari materia and as an appendix to the Declaration. In the event any of these By-Laws conflict with the provisions of said statutes, the Acts shall apply.

SECRETARY'S CERTIFICATION

I, the undersigned Secretary, hereby certify that the above initial By-Laws of the Ridge Condominium Owners' Association, Inc., were properly adopted by the Board of Directors in accordance with the provisions hereof and the Condominium Documents applicable law on this the 13 day of MARCH, 2002.

Secretary



This Instrument Prepared By:

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