

EXHIBIT "C"

**BY-LAWS
OF
HIGHLANDS HOMEOWNERS ASSOCIATION, INC.**

ARTICLE I

IDENTITY AND LOCATION

These are the By-Laws of HIGHLANDS HOMEOWNERS ASSOCIATION, INC., herein called the Association, a corporation not for profit organized and existing under Chapter 617, Florida Statutes, for the purpose of administering the Property, as defined in and in accordance with the terms and conditions of that certain Declaration of Covenants, Conditions and Restrictions for HIGHLANDS (the Declaration). The principal office of the Association shall be located at 104 Cypress Point East, Pensacola, Florida 32514, but meetings of the Board of Directors may be held at such places within the State of Florida as may be designated by the Board of Directors.

ARTICLE II

GENERAL

Section 1. Incorporation of Declaration. As supplemented herein, the regulation of the business and affairs of the Association shall be governed by certain provisions of the Declaration, as amended from time to time, which are incorporated herein by reference as if set forth verbatim.

Section 2. Definitions. The definitions set out in the Declaration are incorporated herein by reference.

ARTICLE III

ASSOCIATION PURPOSES AND POWERS

Section 1. Association's Purposes. The Association has been organized for the purposes set forth in the Declaration and Articles, including, without limitation, the following:

- (a) to own, operate, maintain and convey the Common Property and to operate and maintain Areas of Common Responsibility, including but not limited to the Surface Water Management Facilities and any personal property owned by the Association;
- (b) to clean, clear, trim, remove weeds, limbs, and debris from, and to provide general grounds maintenance for both the Common Property and the Areas of Common Responsibility;

- (c) to fix assessments to be levied against the Lots in the Property;
- (d) to enforce any and all covenants and agreements contained in the Declaration; and
- (e) to pay taxes and insurance, if any, on the Common Property.

Section 2. Records of the Association. The Association shall maintain each of the following items, when applicable, which constitute the official records of the Association:

- (a) Copies of any plans, specifications, permits, and warranties related to improvements constructed on the Common Property or Areas of Common Responsibility;
- (b) A copy of these By-Laws and of each amendment thereto;
- (c) A copy of the Articles of Incorporation of the Association and of each amendment thereto;
- (d) A copy of the Declaration and each amendment thereto;
- (e) A copy of the current rules of the Association;
- (f) The minutes of all meetings of the Board of Directors;
- (g) All of the Association's insurance policies or copies thereof;
- (h) A current copy of all contracts to which the Association is a party, including, without limitation, any management agreement, lease, or other contract under which the Association has any obligation or responsibility; and
- (i) The financial and accounting records of the Association, kept according to good accounting practices, which financial and accounting records shall be maintained for a period of at least seven (7) years. The financial and accounting records shall include: (1) accurate, itemized, and detailed records of all receipts and expenditures, (2) a current account and a periodic statement of Assessments or other charges, the due date and amount of each Assessment or other charge, the date and amount of each payment on the account, and the balance due, (3) all tax returns, financial statements, and financial reports of the Association, and (4) any other records that identify, measure, record, or communicate financial information.

Section 3. Inspection of Records. The official records of the Association shall be maintained within the state and must be open to inspection and available for photocopying by Members or their authorized agents at reasonable times and places within ten (10) business days after receipt of written request for access. This Section may be complied with by having a copy of the records available for inspection or copying in the community.

members of the Board shall be determined as set forth in Article VI herein. Declarant shall be entitled to elect at least one member of the Board of Directors as long as Declarant holds for sale in the ordinary course of business at least five percent (5%) of the Lots in all phases of the Property.

Section 2. Vacancies in the Board of Directors. Vacancies in the Board of Directors shall be filled by Declarant until Declarant has no authority to appoint Directors and thereafter by the majority of the remaining Directors, or by a sole remaining Director, and any such appointed Director shall serve for the remaining term of his predecessor.

ARTICLE VI

NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. At such time as the Declarant owns less than 10% of the Lots in the Property (and with the exception of the one (1) Director Declarant is entitled to elect as set forth in Article V, Section 1 above), nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more Members of the Association. The Nominating Committee shall be appointed by the Association prior to each annual meeting of the Members, to serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among Members or non-members.

Section 2. Election. When the Board of Directors is chosen by the Nominating Committee, said election to the Board of Directors shall be by secret written ballot. At such election the Members may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted and votes must be made in person at a Members' meeting or by ballots the Members personally cast.

ARTICLE VII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Board of Directors' Powers. The Board of Directors shall have power:

- (a) to call special meetings of the Board;
- (b) subject to Article IX herein, to appoint and remove at its pleasure all officers, agents and employees of the Association, prescribe their duties, fix their compensation and require of them such security or fidelity bond as it may deem expedient. Nothing contained in these By-Laws shall be construed to prohibit the employment of any Officer or Director of the Association in any capacity whatsoever;

- (f) cause all officers or employees having fiscal responsibilities to be bonded, if the Board deems appropriate;
- (g) cause the Common Property, Areas of Common Responsibility, and the Master Surface Water Management System for the Property, to be maintained.
- (h) to prepare the annual budget in accordance with the Declaration;
- (i) to prepare a roster of the Owners and Lots and the assessments applicable thereto, which roster shall be kept in the office of the Association; and
- (j) to send written notice of each assessment to each Owner as provided in the Declaration.

Section 3. Resignation. A Director of the Association may resign at any time by giving a written notice to the Board of Directors of the Association. The resignation of any Director shall take effect upon delivery of the notice thereof or at such later time as shall be specified in such notice; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 4. Removal. So long as Declarant shall own ten percent (10%) or more of the Lots in the Property, any Director may only be removed, with or without cause, by the Declarant. Thereafter, except as otherwise provided in the Declaration, any Director may be removed, with or without cause, by a two-thirds (2/3) vote of the members of the Board.

Section 5. Directors' Fees. There shall be no Directors fees paid to members of the Board of Directors, except that Directors shall be entitled to reimbursement of out-of-pocket costs authorized by the Board of Directors.

ARTICLE VIII

DIRECTORS' MEETINGS

Section 1. Directors' Annual Meeting. The annual meeting of the Board of Directors shall be held at the discretion of the Board of Directors with ample notice given to each member.

Section 2. Notice. Not less than ten (10) days written notice of such annual meeting shall be given to each Director.

Section 3. Regular Meetings. Regular meetings of the Board of Directors shall be held at such time and at such place and hour as may be fixed from time to time by a majority of the Board. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

Section 4. Special Meetings. Special meetings of the Board of Directors shall be held when called by any officer of the Association or by any two (2) Directors after not less than three (3) days notice to each Director.

Section 5. Waiver of Notice. A Director may waive notice of a meeting of the Directors before or after the date and time stated in the notice. Except as otherwise provided in

Section 5. Multiple Offices. The holding of multiple offices shall be permitted.

Section 6. Duties. The duties of the officers are as follows:

(a) President. The president shall be the chief executive officer of the Association. The president shall preside at all meetings of the Members and of the Board of Directors. Except where otherwise provided by law or these Bylaws, the president shall have the general powers and duties of supervision and management of the Association, shall see that orders and resolutions of the Board are carried out, shall sign all leases, mortgages, deeds and other written instruments, shall co-sign all promissory notes, and shall perform all such other duties as are incidental to his or her office or as are required by the Board.

(b) Vice President. The vice president shall act in the place and stead of the president in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board or the president.

(c) Secretary. The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; keep the corporate seal of the Association and affix it on all papers requiring said seal; serve notice of meetings of the Board and of the Members; keep appropriate current records showing the Members of the Association together with their addresses, and shall perform such other duties as required by the Board.

(d) Treasurer. The treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign all checks and promissory notes of the Association; cause an annual audit of the Association books to be made by a public accountant at the completion of each fiscal year; keep proper books of account; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting, and deliver a copy of each to the Members.

ARTICLE X

LIABILITY AND INDEMNIFICATION

Section 1. Liability of Board Member. No Board Member or Officer of the Association shall be liable to any Owner for any decision, action or omission made or performed by such Board Member or Officer in the course of his duties unless such Board Member or Officer acted in bad faith or in reckless disregard of the rights of any person or of the terms of the Declaration or these By-Laws.

Section 2. Indemnification. To the fullest extent allowed by Section 617.0831, Florida Statutes, as same may be amended, and subject to any limitations set forth in the Declaration or Articles, the Association shall indemnify the Directors, Officers, employees, agents and other persons specifically designated from time to time by the Board of Directors whom it may indemnify pursuant to law. In this connection, the Association is authorized to take out such insurance as it may deem necessary or desirable consistent with such indemnification.

ARTICLE XVI

CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words: "The Highlands Homeowners Association, Inc., a Florida not for profit corporation", and the year of incorporation in the center of that circle.

ARTICLE XVII

GENERAL

Section 1. Conflicts. It is intended that the provisions of the Declaration which apply to the governance of the Association, as supplemented by the provisions in these By-Laws which are not contained in the Declaration, shall operate as the By-Laws of the Association. In the case of any conflict between such provisions set forth in the Declaration and these By-Laws, the Declaration shall control.

Section 2. Waiver. No provision of these By-Laws or any regulation promulgated by the Board of Directors pursuant hereto shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, regardless of the number of violations or breaches which may have occurred.

Section 3. Severability. The provisions of these By-Laws are severable, and the invalidity of one or more provisions hereof shall not be deemed to impair or affect in any manner the enforceability or effect of the remainder.

Section 4. Captions. Captions are inserted herein 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.

Section 5. Gender and Number. All nouns and pronouns used herein shall be deemed to include the masculine, the feminine, and the neuter, and the singular shall include the plural and the plural shall include the singular whenever the context requires or permits.

Section 6. Roberts Rules. All meetings of the membership of the Board of Directors shall be conducted in accordance with *Roberts Rules of Orders Revised*.

Section 7. Fiscal Year. The fiscal year of the Association shall be the calendar year or such other period as shall subsequently be determined by the Board of Directors.

**ARTICLES OF INCORPORATION
OF
HIGHLANDS HOMEOWNERS ASSOCIATION OF PENSACOLA, INC.**

FILED BY STATE
SECRETARY OF CORPORATIONS
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In compliance with the requirements of Florida Statutes, Chapter 617, the undersigned incorporator has executed, adopted and caused to be delivered for filing these Articles of Incorporation for the purpose of forming a corporation not for profit and does hereby certify:

ARTICLE I

NAME OF CORPORATION

The name of the corporation is HIGHLANDS HOMEOWNERS ASSOCIATION OF PENSACOLA, INC. (hereinafter called the "Association").

ARTICLE II

PRINCIPAL OFFICE OF THE ASSOCIATION

The principal place of business and the mailing address of the Association is located at 104 Cypress Point East, Pensacola, Florida 32514.

ARTICLE III

REGISTERED OFFICE AND REGISTERED AGENT

The street address of the registered office of the Association is 104 Cypress Point East, Pensacola, Florida 32514, and the name of the initial registered agent to accept service of process within the State of Florida at that address is Charles R. Higdon.

ARTICLE IV

DEFINITIONS

Unless otherwise provided herein to the contrary, all terms used in these Articles shall have the same definitions and meanings as those set forth in that certain Declaration of Covenants, Conditions and Restrictions for The Highlands recorded or to be recorded in the Public Records of Escambia County, Florida, as it may from time to time be amended (hereinafter called the "Declaration").

ARTICLE V

PURPOSE AND POWERS OF THE ASSOCIATION

The Association does not contemplate pecuniary gain or profit to the Members thereof. The Association shall not pay dividends and no part of any income of the Association shall be distributed to its Members, directors or officers. The Association shall have all the powers of a non-profit corporation organized under the laws of the State of Florida, subject only to such

Class "B" membership shall terminate and become converted to Class "A" membership upon the earlier of the following:

- (i) When the total outstanding Class "A" votes in the Association equals or exceeds the total outstanding Class "B" votes; or
- (ii) Ten (10) years from the date of recording the Declaration; or
- (iii) At such earlier time as Declarant, in its discretion, may so elect.

Upon the happening of any one of these events, Declarant shall call a special meeting of the Members to advise of the termination of Class "B" membership.

Section 3. Multiple Owners. Each vote in the Association must be cast as a single vote, and fractional votes shall not be allowed. If joint or multiple Owners are unable to agree among themselves as to how their vote is to be cast, or if more than one (1) Class "A" vote is cast for any Lot, none of the votes for that Lot shall be counted. If any Owner casts a vote on behalf of a Lot, it shall be conclusively presumed that Owner was acting with the authority and consent of all other Owners of that Lot. If more than one Class "A" vote is cast for a particular Lot, none of said votes shall be counted and said votes shall be deemed void.

ARTICLE VII

BOARD OF DIRECTORS

The affairs of this Association shall be managed and administered by a Board of Directors consisting of three (3), five (5), or seven (7) members. Initially, the Board shall consist of three (3) members, with the number in subsequent years to be determined by the members of the Board; provided that there shall always be an odd number of directorships created. The number of directors may be changed by amendment to the Bylaws of the Association. The names and addresses of persons who are to act in the capacity of director until appointment or election of their successors are:

<u>NAME</u>	<u>ADDRESS</u>
Charles R. Higdon, IV	104 Cypress Point East Pensacola, Florida 32514
Ron G. Tuttle	4566 Highway 20 East Suite 206 Niceville, Florida 32578
Chad Edgar	4566 Highway 20 East Suite 206 Niceville, Florida 32578

Secretary: Chad Edgar 4566 Highway 20 East
Suite 206
Niceville, Florida 32578

Treasurer: Connie Colman 4566 Highway 20 East
Suite 206
Niceville, Florida 32578

ARTICLE IX

DURATION

The Association shall commence to exist upon the filing of these Articles with the Florida Department of State, and the Association shall thereafter exist in perpetuity.

ARTICLE X

AMENDMENTS

Amendments to these Articles shall be proposed and adopted in the following manner:

Section 1. Notice. Notice of a proposed amendment shall be included in the notice of any meeting at which the proposed amendment is to be considered and shall be otherwise given in the time and manner provided in Chapter 617, Florida Statutes. Such notice shall contain the proposed amendment or a summary of the changes to be affected thereby.

Section 2. Adoption. Amendments shall be proposed and adopted in the manner provided in Chapter 617, Florida Statutes. Subject to the terms of Articles XIV, any amendment to these Articles of Incorporation shall require the assent of two thirds (2/3) of the votes of the entire membership without regard to class.

Section 3. Recording. A copy of each amendment shall be filed with the Secretary of State pursuant to the provisions of applicable Florida law, and a copy certified by the Secretary of State shall be recorded in the public records of Escambia County, Florida with an identification on the first page thereof of the book and page of said public records where the Declaration was recorded.

Section 4. Limitations. No amendment shall be made that is in conflict with the Declaration.

quorum is not obtainable, or even if obtainable and a quorum of disinterested Directors so directs, by a majority vote of Members of the Association.

Section 5. Expenses incurred in defending a civil or criminal action, suit, or proceeding shall be paid by the Association from time to time as incurred rather than only after the final disposition of such action, suit, or proceeding. Payment of such expenses shall be authorized by the Board of Directors in each specific case only after receipt by the Association of an undertaking by or on behalf of the director or officer to repay such amounts if it shall later develop that he is not entitled to be indemnified by the Association.

Section 6. The indemnification provided by this Article shall not be deemed exclusive of any other rights to which the Association's directors, officers, committee members, employees or agents may be entitled under the Association's bylaws, agreement, vote of Members or disinterested directors, or otherwise, both as to actions in their official capabilities and as to action in another capacity while holding such offices or positions, and shall continue as to a person who has ceased to be a director, officer, committee member, agent or employee and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 7. Notwithstanding the foregoing provisions, indemnification provided under this Article shall not include indemnification for any action of a director, officer, committee member, agent or employee of the Association for which indemnification is deemed to be against public policy. In the event that indemnification provided under this Article is deemed to be against public policy, such an event shall not invalidate or affect any other right or indemnification herein provided.

Section 8. The Association shall have the power, but shall not be obligated, to purchase and maintain indemnification insurance to provide coverage for any liability asserted against any director, officer, committee member, agent or employee of the Association in any of his capacities as described in Section 1, whether or not the Association would have the power to indemnify him or her under this Article.

Section 9. Any person requesting indemnification shall first look to any insurance maintained by the Association for indemnification against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement (as described above). The Association shall be obligated to indemnify such person (if entitled to indemnification by the Association) only to the extent such insurance does not indemnify such person. In the event that any expenses, judgments, fines, or amounts paid in settlement are paid pursuant to insurance maintained by such Association, the Association shall have no obligation to reimburse the insurance company.

ARTICLE XIII

INCONSISTENCY

In the event of any inconsistency between the terms and provisions contained in the Declaration and those contained in these Articles of Incorporation, the terms and provisions of the Declaration shall prevail.

**CERTIFICATE DESIGNATING REGISTERED AGENT FOR
SERVICE OF PROCESS**

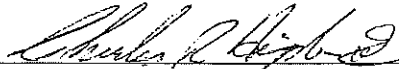
Pursuant to Chapters 48 and 617, Florida Statutes, the following is submitted in compliance with said Acts.

HIGHLANDS HOMEOWNERS ASSOCIATION, ^{OF PENSACOLA} INC., desiring to organize as a corporation under the laws of the State of Florida, with its registered office at 104 Cypress Point East, Pensacola, Florida 32514, has named Charles R. Higdon, IV located at the above-registered office, as its Registered Agent to accept service of process within this State.

ACKNOWLEDGMENT:

Having been named to accept service of process for the above-stated corporation at the place designated in this Certificate, I hereby accept to act in this capacity and agree to comply with the provisions of said Acts relative to keeping open said office.

Registered Agent:



Name: Charles R. Higdon, IV

Dated: May 20, 2005

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DIVISION OF CORPORATIONS
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