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STATE OF ALABAMA
COUNTY OF BALDWIN

ARTICLES OF INCORPORATION
OF
THE DUNES HOMEOWNERS' ASSOCIATION, INC.

RECORDED: MISC 899 50
JUNE 27 1996
CLERK OF PROBATE

The undersigned for the purposes of forming a corporation pursuant to the provisions of the Alabama Nonprofit Corporation Act (Code of Alabama (1975), Sections 10-3A-1, et seq.) hereby adopts the following Articles of Incorporation ("Articles") and certifies as follows:

1. NAME. The name of the corporation is "The Dunes HomeOwners' Association, Inc." (hereinafter referred to as the "Association").
2. DURATION. The period of duration of the Association shall be perpetual unless dissolved pursuant to law.
3. PURPOSES. The purposes for which the Association is organized are:
 - (a) To provide for the efficient preservation of the appearance, value and amenities of the property which is subject to certain covenants, conditions and restrictions including, but not limited to, The Dunes Covenants, Conditions and Restrictions (the "Dunes Covenants") and the Alabama Beach Mouse Protective Covenants for The Dunes (the "Beach Mouse Covenants") (which together with all subsequent amendments thereto, are hereinafter collectively referred to as the "Covenants") recorded or to be recorded from time to time in the Probate Office of Baldwin County, Alabama on various portions of the property described on Exhibit "A" attached hereto (hereinafter collectively referred to as the "Property"). Capitalized terms not otherwise defined herein shall have the same meanings given to them in the Beach Mouse Covenants or if defined therein, then in the The Dunes Covenants.
 - (b) To the extent provided in the Covenants, to control the specifications, architecture, design, appearance, siting and landscaping of all Improvements to be constructed, placed or permitted to remain on any Lot, Dwelling or any other portion of the Property, and all alterations, changes and additions thereto.
 - (c) To perform and carry out the acts, duties, responsibilities and conditions delegated to the Association in the Covenants, these Articles, the Association Bylaws, and all amendments thereto.
 - (d) To own, lease, license, operate, purpose, acquire, hold, improve, develop, manage, sell, convey, transfer, exchange, release and dispose of, either alone or in conjunction with others, real and personal property, tangible and intangible, of every kind, character and description.
 - (e) To the extent provided in the Covenants, to enforce all of the terms and provisions of the Covenants and to make, establish and enforce reasonable rules and regulations governing the administration, operation and management of the Property.
 - (f) To make, levy, collect and enforce Assessments, as defined in the Covenants, and to use and expend such Assessments in the manner set forth in the Covenants.
 - (g) To employ personnel and contract for services, material and labor, for portions of the Property.

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(h) To purchase and maintain insurance for such coverages, with such insurance carriers, in such amounts, at such rates and with such deductibles as may be necessary for the protection of the Association, its officers, directors and members.

(i) To enforce any of the provisions of the Covenants by legal and equitable actions as may from time to time be necessary.

(j) To enter into, make and perform contracts of every kind for any lawful purpose without limit as to amount, with any person, firm, association, partnership, limited partnership, corporation, municipality, county, state, territory, government, governmental subdivision, or body politic.

(k) To operate without profit for the sole and exclusive benefit of the members of the Association.

(l) To carry on any other business in connection with the foregoing, to transact any or all lawful business for which corporations may be incorporated under the Alabama Nonprofit Corporation Act, as amended, and to have and exercise all powers necessary or convenient to effect the purposes of the Association in accordance with and subject to the terms and provisions of the Covenants.

(m) To the extent provided in the Covenants, to monitor and encourage compliance with the Permit and the Beach Mouse Covenants.

THIS ASSOCIATION DOES NOT CONTEMPLATE PECUNIARY GAIN OR PROFIT FOR THE MEMBERS THEREOF, AND THE FUNDS OF THE ASSOCIATION, WHETHER RECEIVED BY GIFT OR OTHERWISE, REGARDLESS OF THE SOURCE THEREOF, SHALL BE EXCLUSIVELY USED IN THE PROMOTION OF THE BUSINESS OF THE ASSOCIATION, AS THE BOARD OF DIRECTORS OF THE ASSOCIATION ("BOARD") MAY FROM TIME TO TIME DETERMINE.

4. INITIAL REGISTERED OFFICE AND AGENT. The location and mailing address of the initial registered office of the Association, and the name of its initial registered agent at such address, are as follows:

W. Kennedy Striplin
307 Woodbridge Circle
Daphne, Alabama 36526

5. NONSTOCK AND NONPROFIT STATUS. The Association shall have no capital stock, is not organized for profit, and does not contemplate pecuniary gain or profit to the members thereof. No part of the earnings of the Association, an Alabama nonprofit corporation, shall inure to the benefit of any member, individual officer, or director thereof. The Association does not contemplate the distribution of gains, profits or dividends to the members thereof and is organized solely for nonprofit purposes.

6. MEMBERS. The members of the Association ("Members") shall consist of all Lot Owners, whether or not single family or duplex residential. Membership in the Association shall be appurtenant to, and may not be separated from ownership of a Lot or Dwelling. A Member shall be entitled to one (1) vote for each Lot or Dwelling owned by such Member. Declarant shall be entitled to all voting rights attributable to any Lots or Dwellings owned by Declarant. Notwithstanding anything provided herein or on the Association Bylaws to the contrary, for so long as Declarant owns any Lot, Unit, Dwelling or any other portion of the Development, or until such earlier date which Declarant in its sole discretion, may otherwise elect, (a) Declarant shall have the sole and exclusive right to (i) elect the board of

directors of the Association, (ii) appoint the officers of the Association, (iii) remove and replace any members of the board of directors of the Association and the officers of the Association, (iv) amend these Articles of Incorporation and the Association's Bylaws, and (v) take all other action on behalf of the Association and vote on all other matters required to be voted on or approved by the Members of the Association. As long as Declarant owns any Lot, Unit, Dwelling or any other portion of the Development, or until such earlier date which Declarant, in its sole discretion, may otherwise elect, the Members of the Association shall not have voting rights or privileges in the Association. At such time as Declarant no longer owns any Lot, Unit, Dwelling or any portion of the Development, the Members of the Association shall be entitled to vote on all the foregoing matters subject to any restrictions set forth in the Covenants. The voting rights of any Member of the Association may be limited and suspended in accordance with the provisions of the Covenants.

7. DIRECTORS.

(a) Number of Directors. The affairs of the Association shall be managed by a board of directors. The number of directors constituting the initial board of directors shall be three (3). Thereafter, the number of directors of the Association shall be fixed in the manner provided in the Association Bylaws and may thereafter be increased or decreased from time to time by amendment to or in the manner provided in the Association Bylaws; provided, however, that (i) the number of directors shall in no event consist of less than three (3) directors, (ii) no decrease in the number of directors shall have the effect of shortening the terms of any incumbent director, (iii) Declarant shall have the right to elect all members of the board of directors of the Association as long as Declarant owns any Lot, Unit, Dwelling or any other portion of the Development, or until such earlier date which Declarant, in its sole discretion, may otherwise elect, a special meeting of the Members of the Association shall be called within a reasonable time thereafter at which time the members of the Association shall elect, by majority vote, a new board of directors of the Association. Directors of the Association need not be Owners or residents of the State of Alabama. The names and addresses of the persons who are to serve as initial directors of the Association until their successors are elected and qualified or until such directors are removed as provided in Paragraph 7(b) of these Articles are as follows:

W. Kennedy Striplin
307 Woodbridge Circle
Daphne, Alabama 36526

Henrietta R. Jordan
307 Woodbridge Circle
Daphne, Alabama 36526

Cecile K. Striplin
307 Woodbridge Circle
Daphne, Alabama 36526

(b) Removal. For so long as Declarant owns any Lot, Unit, Dwelling or any other portion of the Development, or until earlier date which Declarant, in its sole discretion, may otherwise elect, Declarant shall have the right at any time and from time to time to remove any director of the Association, either with or without cause, and may appoint a successor to such removed director or otherwise fill any vacancies on the board of directors of the Association, in each case without any consent or approval of any Members of the Association. At such time as Declarant no longer owns any Lot, Unit, Dwelling or any other portion of the Development, or until such earlier date which Declarant, in its sole discretion, may otherwise elect, the members of the Association shall have the right at any time and

from time to time to remove any director of the Association, either with or without cause, and on the board of directors of the Association shall be filled as provided in the Association Bylaws.

(c) Powers. Except as may be otherwise provided to the contrary in the Covenants, these Articles or the Association bylaws, all powers of the Association shall be exercised by or under authority of, and the business and affairs of the Association shall be managed under the direction of the Association board of directors.

(d) Conflicts of Interest. No contract or other transaction between the Association and one or more of its directors, or any other corporation, firm, association or entity in which one or more directors of the Association are directors or officers or are financially interested, shall be either void or voidable because of such relationship or interest. Any director of the Association, or any corporation, firm, association or entity of which any director of the Association is a director or officer or is financially interested, may be a party to, or may be pecuniarily or otherwise interested in, any contract or transaction of the Association, provided that such relationship or interest in such contract or transaction shall be disclosed or known to the Association board of directors at the meeting of the Association board of directors or a committee thereof which authorizes, approves or ratifies such contract or transaction and, if such fact shall be disclosed or known, any director of the Association so related or interested. Any director of the Association may vote on any contract or other transaction between the Association and any affiliated corporation without regard to the fact that he or she is also a director of such affiliated corporation. Notwithstanding anything provided to the contrary in these Articles of the Association Bylaws, Declarant or an affiliate of Declarant shall be employed as the manager of the Association and the Development for so long as Declarant owns any Lot, Dwelling or any other portion of the Development, or until such earlier date which Declarant, in its sole discretion, may otherwise elect.

8. INCORPORATOR. The name and address of the incorporator is as follows:

W. Kennedy Striplin
307 Woodbridge Circle
Daphne, AL 36526

9. DISTRIBUTION OF ASSETS UPON DISSOLUTION,

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

(i) Real Property contributed to the Association without the receipt of other than nominal consideration by Declarant shall be returned to Declarant, unless Declarant refuses to accept the conveyance (in whole or part); and

(ii) No Member, director, or officer of the Association or other private individual shall be entitled to share in the distribution of any of the Association assets upon dissolution of the Association. Unless agreed to the contrary by three-fourths (3/4) of the Members of the Association, the assets of the Association shall be granted, conveyed, and assigned to an appropriate public body, agency, or agencies, utility or utilities, or any one or more of them or to any one or more non-profit corporations, associations, trusts, other organizations to be devoted to purposes as nearly as practicable the same as those to which they were required to be devoted by

the Association. No disposition of the Association's assets shall be effective to divest or diminish any right or title of any Member vested in it under recorded Covenants applicable to such assets unless made in accordance with the provisions of such Covenants.

(b) Dissolution of the Association shall be accomplished as set forth in the Alabama Nonprofit Corporation Act.

10. **POWER OF PRESIDENT AND VICE PRESIDENTS TO EXECUTE DOCUMENTS.** The president and each vice president of the Association shall each have authority to execute all instruments, documents and contracts on behalf of the Association.

11. **INDEMNIFICATION OF OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS.**

(a) The Association shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed claim, action, suit or proceeding, whether civil, criminal, administrative or investigative, including appeals (other than an action by or in right of the Association), by reason of the fact that he or she is or was a director, officer, employee or agent of the Association as a director, officer, partner, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgements, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such claim, action, suit or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any claim, action, suit or proceeding by judgement, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person reasonably believed to be in or not opposed to the best interests of the Association, and with respect to any criminal action or proceeding, has reasonable cause to believe that his or her conduct was unlawful.

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

(c) To the extent that a director, officer, employee or agent of the Association has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Paragraph 11(a) and (b) above, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith, notwithstanding that he or she has not been successful on any other claim, issue or matter in any such action, suit or proceeding.

(d) Any indemnification under Paragraph 11(a) and (b) above (unless ordered by a court) shall be made by the Association only as authorized in the specific case upon a determination that indemnification of a director, officer, employee or agent of the Association is proper in the circumstances because such person has met the applicable standard of conduct such forth in Paragraph 11(a) and (b) above. Such determination shall be made (i) by the board of directors of the Association who were not parties to, or who have been wholly successful on the merits or otherwise with respect to, such claim, action, suit or proceeding, or (ii) if such a quorum is not obtainable, or, even if obtainable, if a quorum of disinterested directors of the Association so directs, by independent legal counsel in a written opinion, or (iii) by a majority vote of the members of the Association.

(e) Expenses (including attorneys' fees) incurred in defending a civil or criminal claim, action, suit or proceeding may be paid by the Association in advance of the final disposition of such claim, suit or proceeding as authorized in the manner provided in Paragraph 11(d) above upon receipt of an undertaking by or on behalf of any director, officer, employee or agent of the Association to repay such amount in and to the extent that it shall be ultimately determined that he or she is not entitled to be indemnified by the Association as authorized in this Paragraph 11.

(f) The indemnification authorized by this Paragraph 11 shall not be deemed exclusive of and shall be in addition to any other right to which those indemnified may be entitled under any statute, rule of law, provisions of these Articles, the Association Bylaws, agreement, vote of members or disinterested directors of the Association, or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director of the Association, officer, employee or agent of the Association and shall inure to the benefit of the heirs, executors and administrators of such person.

(g) The Association shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Association, or is or was serving at the request of the Association as a director, officer, partner, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by him or her in any such capacity or arising out of his or her status as such, whether or not the Association would have the power to indemnify such person against such liability under the provisions of this Paragraph 11.

12. AMENDMENT. For so long as Declarant owns any Lot, Dwelling, Unit or any other portion of the Development, or until such earlier date which Declarant, in its sole discretion, may otherwise elect, these Articles may be amended at any time and from time to time by Declarant or by the vote of the board of directors of the Association, without the consent or approval of any of the Members. At such time as Declarant no longer owns any Lot, Dwelling or any portion of the Development, or until such earlier date which Declarant, in its sole discretion, may otherwise elect, then these Articles of Incorporation may be amended, subject to the terms and provisions of the Covenants, by the affirmative vote of at least two-thirds (2/3) of the total votes of all Members of the Association.

13. INCORPORATION BY REFERENCE. All of the terms, provisions, definitions, covenants and conditions set forth in the Covenants are hereby expressly incorporated herein by reference as if fully set forth herein. In the event of any

conflict or ambiguity between the terms, provisions, definitions, covenants and conditions set forth herein in these Articles and the Covenants, then the provisions of the Covenants shall at all times control. In the event of any conflict or ambiguity between the terms, provisions, definitions, covenants and conditions set forth herein in these Articles and the Association Bylaws, then the provisions of these Articles shall at all times control.

IN WITNESS WHEREOF, the undersigned incorporator, has hereunto set his hand and seal, on this the 27 day of June, 1996.

W. Kennedy Striplin (SEAL)
W. Kennedy Striplin

STATE OF ALABAMA
Baldwin COUNTY

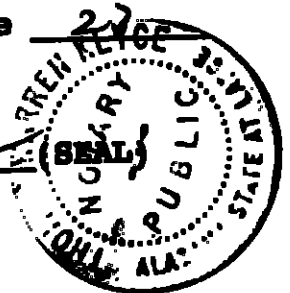
GENERAL ACKNOWLEDGMENT

I, the undersigned authority, a Notary Public in and for said County in said State, hereby certify that W. KENNEDY STRIPLIN, whose name 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 executed the same voluntarily on the day the same bears date.

Given under my hand and official seal, this the day of June, 1996.

My commission expires: 12/14/97

Thomas W. Klyce
Notary Public



This instrument prepared by:

Thomas W. Klyce, P.C.
Attorney at Law
Post Office Box 2301
Gulf Shores, AL 36547