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RESTRICTIVE COVENANTS AND CONDITIONS

WHEREAS, R.F.H. III, INC., a Florida corporation, is the Owner of the following described real property in Polk County, Florida, described as:

Lots 1 through 47, inclusive, Phase I; Lots 1 through 35, inclusive, Phase II; and Tracts A, B, C, E, D, & F, HIGHLANDS-BY-THE-LAKE PHASE I AND PHASE II SUBDIVISION, Plat Book 104, Pages 43, 44 & 45, Public Records of Polk County, Florida.

WHEREAS, the Owner of said property desires to impose Restrictive Covenants and Conditions on said real property for the benefit of subsequent grantees which Restrictive Covenants and Conditions shall be deemed to be covenants and conditions running with the land.

NOW, THEREFORE, the following Restrictive Covenants and Conditions are hereby imposed upon each lot as described hereinabove; the breach of which prior to January 1, 2030, A.D. shall not give rise to a possibility of reverter or right of entry for condition broken on the part of the Owner but shall entitle any record owner of any one lot hereinabove described to proceed with legal action to prevent the furtherance of any breach of said Restrictive Covenants and Conditions and/or for damages resulting from said breach. Failure to enforce in whole or in part any of said Restrictive Covenants or Conditions for any length of time shall not estop any party so entitled from enforcing same; however, the present Owner shall not be liable or responsible in any way for its failure to enforce any part of the Restrictive Covenants or Conditions so enumerated. Further, invalidation of any one or any part of any one of these Restrictive Covenants and Conditions by Judgment or Order of Court will in no way affect any of the other Restrictive Covenants or Conditions herein set out, and such other Restrictive Covenants or Conditions shall remain in full force and effect. Additionally, the present Owner shall have the right to amend, modify and/or vacate these Restrictive Covenants and Conditions as to any or all of said lots at any time prior to the termination thereof; provided, however, that said lots affected by said amendment, modification and/or vacation shall be those at that time still owned by the present Owner or said amendment, modification and/or vacation shall also be joined in and executed by the subsequent Grantee of any lot in this Subdivision affected, as the case maybe; and provided further, that no amendment, modification and/or vacation may be made that will in any way affect the surface water management system of the Subdivision as permitted by the Southwest Florida Water Management District, including the water management portions of the common property areas, and the obligation of the Highlands By The Lake Property Owner's Association, Inc. and its members as set forth in Paragraph 24 hereof to perpetually operate and maintain same, unless prior approval thereof is obtained from the Southwest Florida Water Management District, so that, in effect, these Restrictions as pertaining thereto shall be perpetual unless otherwise allowed by the Southwest Florida Water Management District and regardless of the termination date of these Restrictive Covenants and Conditions.

1. Each lot shall be used expressly and exclusively for one single family private residence; however, servant quarters may be maintained provided they are incorporated as an integral part of the residence and not maintained in an out building separate and apart from the residential dwelling unit and shall comply with any Zoning and/or Variance Requirements of any Governmental Entity in effect at that time and pertain thereto.

2. No business activity, including garage and similar sales, shall be conducted or carried on in connection with the usage of any lot or within the Subdivision; however, citrus caretaking and harvesting may be conducted incidental to any citrus trees presently growing on a lot. Further, no signs of any character may be exhibited or displayed upon any lot or the improvements thereon except a sign of a reasonable display area may tastefully identify the owner of the residence; with the further exception that sign(s) of not more than five square feet may be tastefully exhibited or displayed with the additional limitation that only one (1) sign may be used in advertising the property for sale or rent, or by the Owner, a builder, subcontractor, licensed real estate broker or financial institution promoting their interest(s) during the period of improvement, construction, or marketing.

3. All residences constructed upon Lots 1 through 13, inclusive, Lots 35 through 47, inclusive, Phase I and Lots 1 through 35, inclusive, Phase II shall contain a minimum of 2,400 square feet on the ground floor. All residences constructed upon Lots 14 through 20, inclusive, and Lots 32 through 34, inclusive, Phase I shall contain a minimum of 2,600 square feet on the ground floor. All residences constructed upon Lots 21 through 31, inclusive, Phase I shall contain a minimum of 2,800 square feet on the ground floor. The term "ground floor" means the footing area on the ground, whether or not it is on the same elevation. No residence may exceed three stories in height. Garaging shall be allowed only beneath a two-story or split-level residence and shall not be allowed beneath a three story residence. All square footage shall be measured by outside

dimensions, exclusive of garages, porte-cocheres, patios, screened or unscreened porches and covered walkways, breezeways and approaches.

4. Each residence shall contain a minimum enclosed standard double-car garage not less than 20 linear feet in width. Each garage shall have garage doors for ingress and egress purposes which shall be movable with an automatic garage door opener device electronically operated. Each garage shall be architecturally integrated as a part or as an extension of the residence and attached thereto to conform architecturally therewith. Each garage placed upon a lot shall be placed so as not to face for ingress and egress purposes the front-yard of the residence so that each garage shall have a side-yard entrance, except garages placed upon Lots 19-A, 21 & 31, Phase I, may be placed so as to face for ingress and egress purposes the front-yard of the residence. In any event, the garages constructed upon Lots 1, 2, 46 and 47, Phase I shall be placed so as to face for ingress and egress purposes the northerly boundary line of said lots, and the garage constructed upon Lot 14, Phase I shall be placed so as to face for ingress egress purposes Highlands By-The-Lake Drive. The driveway from each garage to the Roadways within the Subdivision shall be constructed of concrete or brick, shall be adequate width for vehicular use, and shall be in keeping and be maintained by the residence owner so as not to degrade the value of the residence or adjacent properties in the Subdivision. There shall be no vehicular or pedestrian entrance ingress and/or egress purposes to the Subdivision from Tillery Road which is presently adjacent and East thereof.

5. All construction on each lot shall be new conventional construction. No used buildings or structures shall be moved onto any lot; nor shall there be any storage of building supplies on any lot unless used in immediate construction. The exterior of any building or structure shall be properly finished by painting, stucco, brick, wood treatment, or other similar treatment and in keeping with other residences in the Subdivision. No unfinished exposed concrete block walls shall be permitted. No prefabricated, modular, geodesic-dome, or elevated still type residence shall be allowed to be constructed within the Subdivision.

6. Detached accessory out buildings other than garages and/or carports shall be allowed if architecturally compatible with the residential unit. No accessory buildings, garages, carports or tents shall be erected on any lot prior to the construction of the main residence and none shall be used at anytime for residential purposes.

7. No part of any residential unit including its integrated garages constructed upon Lots 21 through 31, inclusive, Phase I may be placed lakeward (northerly) in excess of 150 feet from any portion of Highlands By-The-Lake Way road right of way fronting said lots, nor shall any part thereof be located less than 50 feet landward from the 100 year floodplain of Banana Lake that may be established in accordance with Polk County Ordinance No.89-47, as amended.

8. Private ramps for boat and/or other water recreational craft launching purposes are allowed along the lakefront of Lots 21 through 31, inclusive, Phase I; provided, it may not be used by any person(s) other than the lot owner(s) and immediate family; and provided, further that its placement by a lot owner shall be within 25 feet from those side lot property lines as follows: the westerly lot line of Lot 21, the easterly lot line of Lot 22, the westerly lot line of Lot 23, the easterly lot line of Lot 24, the westerly lot line of Lot 25, the easterly lot line of Lot 26, the westerly lot line of Lot 27, the easterly lot line of Lot 28, the westerly lot line of Lot 29, the easterly lot line of Lot 30, and the westerly lot line of Lot 31.

One (1) private boat dock or similar structure shall be allowed along the lakefront of each of Lots 21 through 31, inclusive, Phase I; provided, its placement and construction shall be in accordance with applicable rules, regulations and/or permits as may be required by the Polk County, Florida and/or Florida Department of Environmental Protection. Dock or similar structure placement and construction shall not commence until the commencement of construction of the residential unit upon said lot; and provided further, that the use thereof shall only be by the owner(s) of said residential unit, immediate family members, and/or invited guests. Structures built on a dock such as gazebos and boat shelters shall not be enclosed with walls and doors, shall not be used for residential purposes and shall not be used for the storage of materials other than recreational supplies. The placement of private boat docks and similar structures upon each lot shall be limited in placement and construction to an area lakeward to and/or in Banana Lake and if said dock or similar structure is a shoreline dock without an access walkway, it may not be located within 10 feet from adjacent lot property lines but must be located adjacent to said 10 foot set back from those side property lines pertaining to said lakefront lots as follows: the westerly lot line of Lot 21, the easterly lot line of Lot 22, the westerly lot line of Lot 23, the easterly lot line of Lot 24, the westerly lot line of Lot 25, the easterly lot line of Lot 26, the westerly lot line of Lot 27, the easterly lot line of Lot 28, the westerly lot line of Lot 29, the easterly lot line of Lot 30, and the westerly lot line of Lot 31. If said dock or similar structure shall have an access walkway it may not be located within 25 feet from adjacent lot property lines but must be located adjacent to said 25 foot set back from those side property lines pertaining to said lakefront lots as follows: the westerly lot line of Lot 21, the easterly lot line of Lot 22, the westerly lot line of Lot 23, the easterly lot line of Lot 24, the westerly lot line of Lot 25, the easterly lot line of Lot 26, the westerly lot line of Lot 27, the easterly lot line of Lot 28, the westerly lot line of Lot 29, the easterly lot line of Lot 30, and the westerly lot line of Lot 31.

Said boat docks and similar structures as constructed by each Lot owner may not be constructed and/or placed so as to project lakeward from the lot line and/or shore line of Banana Lake so as to encroach on an adjacent lot and the littoral rights thereof. The lakeward projection of a constructed boat dock and/or similar structure shall be no more than 50 feet from the discernible shore line embankment of Banana Lake. Any boat dock and/or similar structure shall be limited in construction and/or use to a horizontal surface area of 1,000 square feet for the any access walkway, dock and/or dock platform which area shall also include in measurement that perimeter area in which boats and/or other water recreational crafts are moored or stored and any area which is roofed or in which any decking (including any overhanging areas thereof) may be elevated for platform purposes above the dock or similar structure or its walkway and approach and/ or may be roofed or elevated

for platform purposes over that area beneath which boats are moored or stored. All roofs or elevated decking for platform purposes including any safety railing attached shall be limited in height to 13 feet above the ordinary high surface water elevation of Banana Lake as set by the Southwest Florida Water Management District at its overflow structure which is 105.25 feet above mean sea level.

9. For front-yard purposes, no part or portion of any residence, garage or out-building on any lot shall be erected closer than 30 feet (except Lots 14 through 19, inclusive, Lots 20 through 33, inclusive, Phase I shall require a measurement of 35 feet) from the right-of-way of any Roadway within or adjacent to the Subdivision; nor closer than 10 feet from any interior side-yard property line with a minimum of 25 feet total for both side-yard setbacks; nor closer than 30 feet from the road right-of-way for any exterior side-yard property line; nor closer than 30 feet from any rear yard property line (except that an out-building may be erected within 10 feet therefrom); or in any event closer to any greater property line setback requirement that may be at the time of construction of any residence, garage, or out-building be impossible by applicable zoning ordinances affecting said property by any Governmental Entity.

Each residence shall be built on a lot so as to face, for front-yard purposes, the lot line having the shortest frontage along those Roadways within the Subdivision. In this regard, Lots 2 & 3, Phase I shall face for front-yard purposes Highlands By-The Lake Drive, Lots 14 & 33, Phase I shall face for front-yard purposes Highlands By-The Lake Way, Lot 1, Phase II shall face for front yard purposes either Highlands Lakeview Loop or Highlands By-The Lake Drive, Lot 23, Phase II shall face for front yard purposes Highlands Lakeview Loop and either southerly or easterly, Lot 24, Phase II shall face for front-yard purposes Highlands Lakeview Loop and either northerly or easterly, and Lot 19-A, Phase I may select its front-yard direction for residential placement purposes.

10. No walls, fencing or hedging along or near the boundary line of any lot shall be erected, constructed, placed or grown in excess of four (4) feet in height above normal ground level within the minimum front-yard and exterior side-yard setback area. In addition, there shall not be placed within the minimum front yard and exterior side yard building setback area any security chain link fencing. Further, any security chain-link fencing placed on any lot in the Subdivision shall be color-coated dark green, brown or black, except for any security chain-link fencing may be placed along and/or upon the perimeter boundary of the Subdivision by the present Owner and/or Highlands By-The Lake Property Owners' Association, Inc. Any other walls, fencing or hedging along or near the property line of any lot within the Subdivision may not be erected, constructed, placed or grown in excess of 8 feet in height above normal ground level.

11. Along a portion of and within the perimeter boundaries of the Subdivision are reservations for wall/fence Easements by virtue of plat notation. In this regard, walls and/or fences and/or landscaping may be erected or placed thereupon on all or a portion of said areas where noted by the present Owner and/or Highlands By The Lake Property Owners' Association, Inc. without height limitation and with a license of entry hereby reserved over any lot so affected by these Easements for the purpose of construction and/or maintenance of same. Walls and/or fences and/or landscaping so erected or placed shall not be altered by a Lot owner without approval by the Association.

12. All lot yards must be sodded with grass and/or planted in vegetative ground-cover. All lot yards shall have appropriate landscaping and shrubbery; specifically, including the planting of shrubs, bushes, plants, and/or flowers next to all outside walls of the residence (including garages) and any out buildings except where prevented by the presence of adjacent structures such as driveways, walkways, patios, porches or pool deckings. All sodding, ground cover, landscaping and shrubbery as required shall be planted no later than two (2) months after completion of construction of the residence. In addition, underground sprinklers for lawn and shrub irrigation shall be placed in the front yard area of each residence and properly maintained by the owner thereof.

13. Receptacles for mail and/or paper deliveries placed adjacent to or upon the right-of way of the Roadways within or adjacent to the Subdivision by a lot owner in the Subdivision shall meet the requirements of the United States Postal Service, if any, and shall be tastefully constructed and maintained by the lot owner in keeping with the intention of these Restrictions so as not to degrade the value of the residence or adjacent properties in the Subdivision. There shall be no permanent receptacles for garbage and/or trash located in the front yard of any lot on or adjacent to the right of way of the Roadways within or adjacent to the Subdivision. In addition, all receptacles for garbage and trash, except during the days of scheduled pick-up, shall be located as not to be visible by vehicular traffic traveling along the Roadways within or adjacent to the Subdivision.

14. All telephone, electrical and cable services to any residence must be underground from the point of distribution to the residence. Outside television aerials and antennas must be located in the rear yard and shall be reasonable in height. No antenna, satellite dish or similar wireless receiver designed to receive direct broadcast satellite services and/or multichannel/multi point distribution services shall be located upon any lot within the Subdivision unless said receiver shall have a diameter of one (1) meter or less and is located in the rear (back-yard) of the residence.

15. All motor vehicles located on any lot shall carry a current year's license tag registration. No house-trailers or mobile homes shall be parked on any lot at any time. Additionally, there shall be no parking of any trucks of any nature, including vans and/or campers upon the rights-of-way of the Roadways within or outside of and adjacent to the Subdivision. Further, there shall be no parking of any trucks of any nature, other than pick-up trucks, vans or campers upon a lot. No vehicles may be stored upon any lot. Boats and boat-trailers must be stored either in the garage or on the rear of each lot within an enclosed shelter. No vehicles, campers or boats on a lot may be used at any time for residential purposes. All motor vehicles, cycles and other engine-run apparatus located and/or run within the Subdivision by a lot owner, their guests

and/or invitees, will carry legal sound control devices as prescribed by the manufacturer.

16. No livestock, poultry or other farm animals of any kind shall be raised, bred or kept on any lot. Dogs, cats and other household pets may be kept on a lot provided that they are not raised, kept, bred or maintained for any commercial purpose and that proper restraint and control by use of a leash and/or a secure enclosure are used in the keeping of them. No agricultural activities on a lot (other than citrus caretaking and harvesting) shall be permitted which results in the sale of an agricultural product grown on the premises whether sold in or out of the Subdivision.

17. No lot without a house constructed thereon shall be used for parking purposes nor shall any lot be used, without express written permission of the present Owner for ingress, egress, utility and/or drainage purposes to adjacent property. No major alteration of ground elevation shall be permitted on any lot. No lot owner shall construct outdoor clotheslines or expose fuel tanks on a lot. Each lot owner shall be responsible for lot and yard maintenance and shall, whether or not improvements shall have been constructed thereupon, maintain the upkeep thereof keeping the same free of debris and trash, unsightly weeds and litter.

18. The integrity of the drainage design of the Subdivision must be maintained, and no lot owner shall impair or divert any manmade drainage structures areas and/or easements within or adjacent to the Subdivision. In addition, no owner of property within the Subdivision may construct or maintain any building, residence, or other structure (except allowable docks or similar structures), or undertake or perform any activity in the wetlands, wetland mitigation areas, buffer areas, upland conservation areas and drainage easements described in Southwest Florida Water Management District General Management Surface Water Permit No. 4415468.00 and the recorded Plat of the Subdivision, unless prior approval is received from the Southwest Florida Water Management District pursuant to Florida Administrative Code Rule Chapter 40D 4.

19. No noxious activity, trade or business of any sort shall be carried on upon any lot; nor shall anything be done thereon which may be or become an annoyance or nuisance to the neighborhood; nor shall any use be made of any lot that will in any way injure the value of any adjoining lot or the Subdivision as a whole.

20. No building or improvement which has been partially or totally destroyed by fire or other casualty shall be allowed to remain in such state for more than six months from the time of such destruction. If not reconstructed or repaired within six months, the owner shall raze and remove the building or improvement from the lot promptly thereafter. The building of every residence, structure or other improvement upon a lot shall be diligently and continuously pursued until completed by a lot owner and may not be abandoned without completion.

21. Nothing contained herein shall prevent the present Owner, its successors or assignees and/or designees from doing or performing on all or any part of the Subdivision not conveyed and/or transferred (unless reservation otherwise shall have been retained) what may be determined to be necessary or advisable to complete and/or market the Subdivision development and/or the residential construction therein, including without limitation:

- a) Erecting, constructing and maintaining model residential units as may be necessary for the completing of the development and establishing it as a residential community and disposing of its lots or residential units through sale, lease or otherwise; including without limitation the promotion of all or a part of the Subdivision in a Parade of Homes or other similar marketing endeavor(s); and
- b) Erecting, constructing and maintaining a separate sales office(s) within the Subdivision, within a model residential unit constructed in the Subdivision, within the clubhouse of the Association, and/or on or within its related recreational environs.
- c) Maintaining such signs thereupon and other advertising media as may be necessary in connection with the sale, lease or other transfer of the development in either lots and/or residential units to third parties.

22. The present Owner and/or its assigns reserves the right to:

- a) grant, convey, and/or dedicate and/or to expand the use and benefit of all easements contained in these Restrictions and within the Plat of this Subdivision or that may hereafter be imposed upon any property contained within this Subdivision by the Owner and/or its assigns to use and benefit of Highlands-By-The-Lake Property Owners' Association, Inc., its membership, guests and/or invitees;
- b) grant, convey, and/or dedicate and/or to expand the use and benefit for subsequent owners of real properties adjacent to the Subdivision all easements contained in these Restrictions and within the Plat of this Subdivision (including but not limited to those Private Roadways, recreational areas, and drainage retention/detention areas therein designated) or that may hereafter be imposed upon any property contained within this Subdivision by the Owner and/or its assigns. Said real properties adjacent to the Subdivision as herein referenced are contained within the remaining portion of U.S. Government Lot 3, in Section 10, Township 20 South, Range 24 East, Polk County, Florida, which when developed shall be Highlands-By-The-Lake, Phase III Subdivision.

- c) construct, erect and/or build facilities for the common use and benefit of the lot owners of the Subdivision and/or those subsequent owners of real properties adjacent to the Subdivision as hereinabove referenced. Said facilities so constructed, erected and/or built may be located within the Subdivision and/or within said real properties adjacent to the Subdivision as hereinabove referenced. Facilities as herein referenced shall include but not be limited to those used for recreational purposes, and the like, together with walls/fencing, lighting, and/or landscaping pertaining thereto;
- d) grant, convey, and/or dedicate to the use and benefit of the lot owners of the Subdivision and/or those subsequent owners of real properties adjacent to the Subdivision as herein above referenced and/or to the use and benefit of Highlands-By-The Lake Property Owners' Association, Inc., its membership, guests and/or invitees, those facilities for the common use and benefit of the lot owners of the Subdivision and/or those subsequent owners of real properties adjacent to the Subdivision as hereinabove referenced. Said facilities so granted, conveyed, and/or dedicated may require those in use and benefit in common to thereafter maintain same and may allow thereafter their improvement of same with the costs of said maintenance and/or improvement to be paid by assessments therefore by said Association as set forth in its Articles of Incorporation, By-Laws, and Rules and Regulations pertaining thereto.
- e) include in the membership of Highlands By-The-Lake Property Owners' Association, Inc. additional future members who are those owners of all or a part of said real properties adjacent to the Subdivision as hereinabove referenced without prior approval of said Association; provided, however, said membership shall be governed by said Association's Articles of Incorporation, By-Laws, and Rules and Regulations pertaining thereto. Said additional future members shall be entitled to vote, be subject to assessments, and be entitled to all privileges of membership in said Association.

23. TRACTS A, B, C, D, E & F, HIGHLANDS-BY-THE-LAKE PHASE I AND PHASE II SUBDIVISION AND PRIVATE ROADWAYS

Contained in the Plat of Highlands By The Lake Phase I and Phase II Subdivision as recorded in Plat Book 104, Pages 43, 44 & 45, Public Records of Polk County, Florida are Tracts A, B & C upon which Tracts are noted "Recreation and Retention Area", and Tracts E, F & G upon which Tracts are noted "Retention Area". In addition, Highlands By The Lake Drive, Highlands By-The-Lake Way, and Highlands Lakeview Loop Roadways are noted upon said Plat as "Private Road Right of Ways and Public Utilities Easements". The Owner is constructing upon said Tracts A, B & C, recreational improvements including but not limited to a clubhouse with vehicular parking, tennis courts, a swimming pool, pathways, and other facilities; and along Highlands-By-The-Lake Drive and its immediate intersection entrance from Clubhouse Road (C.R. 540), the Owner is constructing security walls, a security guardhouse, and electronic security gates for ingress/egress purposes. In addition, the Owner is constructing additional security walls and fencing along a portion of the perimeter boundary of the Subdivision.

All lot owners of the Subdivision their guests and/or invitees are hereby given an non exclusive, perpetual Easement for ingress/egress and/or utility (including cable transmission lines) purposes over, under and across those private roads as designated; subject, however, to the terms and conditions set forth in a Private Road Easements Agreement dated the 9th day of July, 1997 and recorded in Official Records Book 3867, Pages 2253 & 2254, Public Records of Polk County, Florida.

If the owners of 75% or more of the combined lots as totaled in Highlands-By-The Lake Subdivision, Plat Book 104, Pages 43, 44 & 45, Public Records of Polk County, Florida, which have easement rights over those Private Roadways designated as Highlands-By-The-Lake Drive, Highlands -By-The-Lake Way, and Highlands Lakeview Loop shall desire to request the County of Polk, Florida or another Governmental Entity to accept all or a part of said Roadways for maintenance, such lot and property Owner can and shall be entitled to convey to said Governmental Entity without joinder of any other remaining lot or property Owner having an easement for the use and benefit thereof; and all lot and property Owner shall be responsible on a pro-rata basis for the cost of the Roadways as may be incurred for Governmental Entity maintenance acceptance.

In the event the Governmental Entity shall accept a conveyance of all or a portion of the Roadways referenced or dedication to such for Governmental Entity maintenance purposes, then and in that event, these Restrictive Covenants and Conditions as pertaining to the use and maintenance of those Private Roadways shall be of no further force or effect.

The undersigned Owner shall grant and convey said Tracts A, B, C, D, E & F to the use and benefit of Highlands-By-The-Lake Property Owner's Association, Inc., a Florida corporation, a not-for-profit, and its membership, guests and/or invitees; the use of which is for recreational, utilities and surface water management purposes and is governed in accordance with its Articles of Association, By-laws, Rules and Regulations; consequently, its use thereof by lot owners of Highlands-By-The-Lake Phase I and Phase II Subdivision, their guests, and/or their invitees shall be in accordance therewith. The undersigned Owner and/or its assigns also reserves the right to grant, convey and/or dedicate any easements appearing on the Plat of the Subdivision to the use and benefit of the Association, its membership, guests and/or invitees. The undersigned Owner and/or assigns may further reserve and retain in the grant and conveyance of said Tracts A, B & C those rights necessary or advisable to complete and/or market the Subdivision development and/or the residential construction therein as are specifically set forth in Paragraph 21 above.

24. HIGHLANDS-BY-THE-LAKE PROPERTY OWNERS' ASSOCIATION, INC. The Association has perpetual existence and shall be chartered as a not-for-profit corporation under the laws of the State of Florida. Each lot owner of Highlands By The Lake Phase I and Phase II Subdivision, Plat Book 104, Page 43.44 & 45, Public Records of Polk County, Florida, including the present Owner of said lots, is and will be a mandatory member of the Highlands By-The Lake Property Owner's Association, Inc., a Florida corporation not-for-profit, and will maintain membership in the Association as long as the lot is owned. Additionally, Robert F. Harper, III and W. Wm. Ellsworth, Jr. together with their spouses are and will be each a non-voting and non-assessable member of the Association for life. Each lot owner and non-voting member further agrees to maintain said membership in the Association in good standing and to abide by the Articles of Association, By Laws, Rules and Regulations of the Association as may be amended from time to time; however, no amendment shall be made as to either the Articles of the Association, By Laws, Rules and Regulations of the Association that will in any way exclude mandatory membership of each lot owner of the Subdivision, the non-voting members as set forth above, or affect the surface water management system of the Subdivision as permitted by the Southwest Florida Water Management District, including the water management portions of the common property areas, and the requirement that the Property Owners' Association shall operate and maintain said surface water management system in accordance herewith, unless prior approval thereof is obtained from the Southwest Florida Water Management District.

The membership of the Association to include as additional future members those owners of all or a part of: Said real properties adjacent to the Subdivision as herein referenced within the remaining portion of U.S. Government Lot 3, in Section 10, Township 20 South, Range 24 East, Polk County, Florida, which when developed shall be Highlands-By-The-Lake, Phase III Subdivision.

A. The Property Owners' Association is empowered:

1. To enforce these Restrictive Covenants and Conditions either for its own account or in conjunction with other lot owners and to enact rules of use and regulations pertaining to any parcel of real property or easement that may be conveyed to the Association for the common use of all members. In this regard, it has the right to inspect through its officers, agents and/or employees the square footage size of any residential dwelling unit, boat dock or similar structure constructed on any lot and/or the placement thereof in relation to lot line setback requirements, garage side yard entrance requirements, heights of walls, front yard fencing, hedging and the like.

2. To modify these Restrictive Covenants and Conditions on a reasonable basis to prevent undue hardship in the placement of any structures upon any lot in regard to lot-line setback requirements, side-yard entrance requirements for garages, the placement of any boat dock or similar lakefront structure including its length from the discernible shore line of Banana Lake to and in the waters thereof.

3. To manage, construct, repair, maintain and/or improve all Drainage Easements and/or all Drainage Retention/Detention Easements for the use and benefit of all property Owners of the Subdivision. Maintenance and/or improvements shall include hedges, fences and/or walls and planting areas with or without irrigation attributable thereto. In this regard, the Association shall perpetually operate and maintain said Drainage Easements and/or Drainage Retention/Detention Easements as common property in accordance with the surface water management system of the Subdivisions as permitted by the Southwest Florida Water Management District which shall include and not be limited to culverts and related appurtenances. It shall have a perpetual easement and/or license of entry over any lot within the Subdivisions for these purposes.

4. To manage, construct, repair, maintain, and/or improve for the use of its members and their guests and/or invitees all improvements now upon or to be placed (whether by either the present Owner and/or Highlands-By-The Lake Property Owners' Association, Inc.) on common areas of use including but not limited to Tracts A, B & C within Highlands By The Lake Phase I and Phase II Subdivision and the Private Roadways designated on the Plat of the Subdivision, security walls, gates, and gatehouse with porte cochere along the Subdivision entrance by and within Highlands By The Lake Drive; security walls, fencing and/or hedging within and along the perimeter of the Subdivision; all landscaping and irrigation pertaining thereto now upon or to be placed on common areas of use and along and at the Subdivision entrance from Clubhouse Road (C.R. 540) and all Roadways within the Subdivision; as well as utilities and stormwater drainage and retention easements within the Subdivision, and all private utilities used by the Association and its members in common areas of use. In this regard, it shall have an easement and/or right of entry over any lot for the purposes of maintenance, construction and/or repair for those uses herein set forth.

5. To manage the affairs of the Association in all respects, including but not limited to the maintaining of an Association office within or out of the Subdivision and the hiring and/or retaining of necessary employees, secretarial services and/or management services.

6. To maintain and/or improve electronic security gates, the security gatehouse, porte cochere and appurtenances along or within the right of way of Highlands By-The-Lake Drive within its immediate entrance from Clubhouse Road (C.R. 540) to the Subdivision.

7. To maintain and/or improve traffic control signs, subdivision and roadway name designation signs, and mail and/or paper delivery receptacles adjacent to the gatehouse within the island of Highlands-By-The Lake Drive at its immediate intersection with Clubhouse Road (C.R. 540).

8. To maintain and/or improve private lighting for either decorative effect or security purposes within Tracts A, B & C of Highlands-By-The-Lake Phase I and Phase II Subdivision and along the Road right-of-ways contained within the Subdivision.

9. To place easements of record, if necessary, for utility and/or drainage purposes along the perimeter of any lot-line in the Subdivision and to construct and/or maintain same. In this regard, it shall have the right to construct and/or maintain a water well(s) within the common areas of the Subdivision together with distribution lines therefrom for the purpose of providing landscaping irrigation and maintaining the swimming pool.

10. To maintain security within the Subdivision. It shall have the right, but not the duty, to enunciate a Neighborhood Crime Watch Security Program or other similar program for the Subdivision as a whole.

11. To obtain insurance at its discretion for loss purposes, whether for casualty or liability, covering those Private Roadways designated on the Plat of the Subdivision and Tracts A, B, C, D, E & F of Highlands-By-The-Lake Phase I and Phase II Subdivision and the improvements contained thereon, the permanent security fencing and/or walls within the Subdivision and along Clubhouse Road (C.R. 540) and at the Subdivision entrance at Highlands By The Lake Drive, the security gates, security gatehouse, porte cochere and appurtenances within the island and right of way of Highlands-By-The-Lake Drive at the Subdivision entrance together with all improvements contained therein, Drainage Easements and Drainage Retention/Detention Easements as shown upon the Plat of the Subdivision, and/or all property of the Association, as well as Officers, Directors, and Committee members and Employees of the Association. Further, it may bond, if desired, Officers, Directors and Employees of the Association.

12. To pay utilities together with real estate taxes and assessments, if any, attributable to the improvements within the Subdivision which is owned and/or being maintained by the Association. In this regard, the Association shall pay those utility costs attributable to street and security lighting within the Subdivision until such time that the lot owners of the Subdivision shall be assessed those utility costs via a special lighting district assessment ordinance enacted by Polk County, Florida.

13. It shall have the right, but not the duty, to maintain improved or unimproved lots within the Subdivision wherein the lot owner has failed to maintain same in keeping said lot free and clear of debris and trash and unsightly weeds and litter and to assess the costs thereof against said lot owner. It shall have an easement and/or license of entry over any lot within the Subdivision for the purposes of this maintenance.

14. To convey for cash, terms and/or exchange Association property; to sue and be sued; to contract for services to provide for the operation and/or maintenance of any property which the Association is so empowered to operate and/or maintain; to require all lot owners within the Subdivision to become and be members of the Association; and to transact any and all lawful business.

15. To determine, prepare, deliver notice of and collect assessments from the Association members for the purpose of the foregoing and to enforce liens for such assessments uncollected against a lot owner's lot within the Subdivisions, with interest, costs and attorney's fees, by legal action, if necessary.

16. To do every other act as may be reasonably necessary in carrying out that which has been empowered to it under these Restrictive Covenants and Conditions, its Articles of Association, By Laws, Rules and Regulations.

B. Lot Owner's Responsibilities to the Association:

1. Each lot and/or property owner shall be liable and obliged to pay to the Property Owners' Association an annual property improvement and management fee covering the cost of maintenance, improvement and operation of the various common areas under control of the Property Owners' Association hereinabove referenced which are for the private use and benefit of the property and lot owner. Each lot that has membership in the Association shall bear equal portions of each annual assessment regardless of a lot's location, dimension or size.

2. Each lot owner as a member of the Association at all Association membership meetings, if in good standing, shall be entitled to one vote for each lot owned; a lot owner of two or more contiguous lots may upon building a single-family private residence upon said lots (where the placement of said residence prohibits construction of an additional residence thereupon) choose to limit membership as a multiple lot owner to one membership. The choice shall be in writing, shall be directed to the association and may be made at the time of obtaining a Certificate of Occupancy therefore from the appropriate Governmental Entity. Said choice shall not entitle the multiple lot owner a rebate of the initial membership per lot and/or a proration back of any assessments per lot paid in advance; however, thereafter all contiguous lots so utilized shall be treated as one lot for the purpose of assessment and membership in the Association hereunder.

3. There shall be a \$250.00 initial membership fee per lot payable upon lot acquisition from the present Owner. The initial membership fees paid to the Association upon Lot acquisition may be used for the payment of expenses by and/or reimbursements from the Association necessary for the purposes of its operation and responsibilities which shall include but not be limited to maintaining the Corporation as required by the State of Florida, filing its annual tax returns, paying its property taxes, maintaining its insurance coverage, opening and maintaining its initial bank account, and the repayment of any interim loan(s) made by the present Owner in order to fund the Association's obligations in this regard.

4. Commencing February 1, 1998, the Board of Directors of the Association shall determine an annual assessment for the Association for each lot membership in the Association, including any Lots owned by the present Owner and unsold at that time. Each annual assessment shall be payable in

advance on or before March 1st of each succeeding year with the initial annual assessment payable on or before March 1, 1998 for the fiscal year, February 1, 1998 - January 31, 1999. Each lot owner upon acquisition of a lot from the present Owner shall in addition to the payment of the initial membership fee also be obligated at that time to repay to the present Owner said lot's pro rata share as of the date of acquisition of any annual and/or special assessment payable as of February 1, 1998 or thereafter. Otherwise, there shall be no proration, except as between lot owners, of any assessments, and any unpaid assessments due at any time shall be and become the obligation of a new lot owner upon purchase of said lot. The amount of an annual assessment will depend upon the financial requirements for maintenance, improvements and operation of the common areas desired by the Association members. Special Assessments for these purposes may from time to time be made by the Association.

5. Other than the initial membership fee of \$250.00, there shall be no assessment until February 1, 1998 as set forth and the present Owner, R.F.H. III, Inc., agrees to repair any buildings, structures and/or improvements necessary to cure any construction defects including but not limited to private roadways, clubhouse, tennis court, swimming pool, gatehouse with porte cochere, electronic security gates, security walls, fencing and the like located on all common areas of the Association until that date at no expense to the Lot owners; however, the operational expenses of upkeep and ordinary and necessary maintenance thereof shall be the obligation of the Association. Thereafter, during the month of February in each year, commencing in 1998, the Board of Directors of the Association shall fix the amount of the Association's maintenance, improvement and operation assessment for the ensuing fiscal year; the payment of which by Lot owners shall be in accordance with Paragraph B.4 above.

6. During the month of January in each year, commencing 2001 or sooner, the Board of Directors of the Association shall call an initial meeting of the membership of the Association for the purpose of electing members of the Board of Directors; fixing the amount of the Association's maintenance, improvement and operation assessment; and conducting old and new Association business for the ensuing fiscal year. Said call shall be in writing, state the meeting's purpose, shall designate the date (which shall be no less than ten (10) days from the date the call is mailed), time and place of said meeting and shall be mailed to all lot Owners at the last addresses for said Owner shown on the books and recorded by the Association or to the lot Owner's addresses as shown on the Polk County Tax rolls. The annual election of the Board of Directors, each year's annual assessments and business of the Association, shall be determined at said meeting by the affirmative written vote of a majority of those Association members in good standing present in person or represented by proxy at said meeting.

7. The Association shall be empowered through its Officers and/or Board of Directors to place a charging lien against the lot Owner's lot within the Subdivision for non-payment of such assessments, charges and/or costs that have been properly made hereunder and in accordance with the Charter, By Laws, Rules and Regulations of the Association. Removal of said lien shall require the payment of said lien amount, interest, recording costs and attorney fees. A lien shall be subordinate to a mortgage lien of any financial institution having a mortgage on said lot whether before or after said lien shall have been placed thereupon. In addition, any financial institution holding a mortgage on any lot and taking title thereto after default through foreclosure or otherwise, shall have no obligation toward the payment of accrued and uncollected assessments, charges and/or costs on the part of the Association that have accrued to the date that it has taken title to said lot; however, said lien shall not be discharged as to a subsequent third party purchaser of said lot until it shall have been paid in full in accordance herewith.

8. A member not in good standing with the Association shall include a member that has failed to pay any assessments, charges and/or costs, of the Association during the time period allowed for the payment of same. A member not in good standing with the Association may be denied the right to vote at the Association affairs or to hold office within the Association.

9. The Association through its membership shall have the right to modify all of the Restrictions contained herein by amendment, deletion and/or addition thereto upon the written direction of 75% or more of the membership in the Association; however, no amendment, deletion and/or addition thereto may be made that would affect the surface water management system of the Subdivision, including the water management portions of the common areas unless prior approval thereof is obtained from the Southwest Florida Water Management District. In effect, the Members' and the Association's obligation for the maintenance of the surface water management system of the Subdivision as specifically set forth in Paragraphs 24 and 24 A. 3. of these Restrictive Covenants and Conditions shall be perpetual unless otherwise allowed by the Southwest Florida Water Management District Covenants and Conditions.

IN WITNESS WHEREOF, R.F.H. III, INC., a Florida corporation, has executed these Restrictive Covenants and Conditions by its proper corporate officer and affixed its corporate seal this 9th day of July, 1997.

Signed, Sealed & Delivered
In the Presence of:

Bobbie J. Anderson
Bobbie J. Anderson

Betty J. Veinekamp
Betty J. Veinekamp

R.F.H. III, INC.

By:

Robert F. Harper, III
Robert F. Harper, III
President
P.O. Box 5400
Lakeland, Florida 33807-5400

(CORPORATE SEAL)

STATE OF FLORIDA)
COUNTY OF POLK)

THE FOREGOING RESTRICTIVE COVENANTS AND CONDITIONS was acknowledged before me by Robert F. Harper, III, President of R.F.H. III, INC., a Florida corporation, who is personally known to me and did not take an oath this 9th day of July, 1997.

(NOTARIAL SEAL)

Betty J. Veinekamp
Betty J. Veinekamp
NOTARY PUBLIC - STATE OF FLORIDA
My Commission Expires:



BETTY J. VEINEKAMP
MY COMMISSION # CC436707 EXPIRES
May 5, 1999
BONDED THRU TROY FAIR INSURANCE, INC.