

establishment of a critical habitat is set forth in Title 50 Code of Federal Regulations Section 17.95.

(B) In order to engage in construction and development activities on the Property, Developer applied for and received a permit from the Department of the Interior, U.S. Fish & Wildlife Service, under the authority of Title 16 U.S.C. Section 1539 (a)(1)(b) and the Regulations promulgated thereunder set forth at Title 50 Code of Federal Regulations Section 17.22 (the "Permit"), a copy of which is attached hereto as Exhibit "G" that permits, along with other activities, Developer and its authorized agents, pursuant to the terms and conditions of the Permit, to take the Alabama Beach Mouse incidental to construction of a Condominium Project on the Property and it further authorizes the monitoring of the Alabama Beach Mouse during the term of the Permit.

(C) As a condition to the issuance of the Permit, a habitat conservation plan (the "HCP") has been developed by Sage Development, L.L.C., the developer of the Planned Unit Development within which the Condominium Property is located, and the HCP is hereby adopted by the Association to be binding upon the Owners.

(D) Developer, subject to the conditions and limitations described below, does hereby proclaim that all of the Property shall be held, developed, improved, transferred, sold, conveyed, leased, occupied and used subject to the Alabama Beach Mouse Covenants recorded in the Office of the Judge of Probate of Baldwin County, Alabama in Miscellaneous Book 89, page 113, as may be amended, which shall be binding upon and inure to the benefit of all parties acquiring or having any right, title, or interest in any Unit, and their respective heirs, executor, administrator, personal representatives, successors and assigns.

15.02 Definitions. As used throughout this Article, the Capitalized words or phases shall have the meanings set forth in Section 1.02 of this Declaration, which meanings shall be applicable to both the singular and plural forms and tenses of such terms.

15.03 Property Subject to Covenants - Developer hereby proclaims the the Condominium Property is and shall be subject to the easements covenants, conditions, restrictions, charges, liens and regulations of the Alabama Beach Mouse Covenants, as applicable, and each Unit and the Common Area thereto shall be held, owned, sold, transferred, conveyed, hypothecated, encumbered, leased, occupied, built upon and otherwise used, improved and maintained subject to the terms of the Alabama Beach Mouse Covenants, which easements, covenants, conditions, restrictions, charges, liens, and regulations shall run with the title to the Property and shall be binding upon and inure to the benefit of the Developer and upon all Owners of a Unit and Occupants of the Property and Common Area thereof.

15.04 Withdrawal of Property is Prohibited. No portion of the Condominium Property that is subject to the Alabama Beach Mouse Covenants may be withdrawn from the Alabama Beach Mouse Covenants without the prior written consent of FWS, if the Permit is still in effect and prohibits such removal.

15.05 Grant of Access Easements for Monitoring Compliance with Covenants. Developer does hereby establish and reserve for itself, the Master Association and the Association, their respective agents, employees, representatives, invitees, successors and assigns, a permanent and perpetual nonexclusive easement appurtenant over, across, through and upon the Common Area for the purpose of providing ingress to and egress from the Common Area to (a) conduct the trapping requirements set forth in the HCP, Alabama Beach Mouse Covenants or the Permit, and (c) perform the respective duties of Developer, Master Association and the Association hereunder, including, without limitation, taking any action required or permitted to be taken by Developer and/or the Association pursuant to any of the terms or provisions of the Alabama Beach Mouse Covenants, the HCP, the Rules and Regulations or the Association Bylaws.

15.06 Access to Beach. Developer does declare for itself, the Association, and their respective successors and assigns, and all Owners and Occupants, that all access to the Beach or Gulf of Mexico shall be pedestrian access via the use of a dune walkover boardwalk to be located as set forth on the recorded subdivision plats for the Dunes, a subdivision.

15.07 Easement to Governmental Authorities for Monitoring of Permit Requirements. Developer does hereby grant to each branch, bureau, department and agency of any Governmental Authority and its respective agents, employees and representatives, a permanent, perpetual and nonexclusive easement over, across, through and upon the Common Areas for the purposes of performing such duties and activities related to monitoring compliance with the Permit, including, but not limited to trapping of the Alabama Beach Mouse; provided, however, such access shall only be allowed during reasonable hours and at reasonable intervals, unless an emergency exists. In addition, FWS is hereby granted a license during the term of the Permit to enter the Property at reasonable times and at reasonable hours for the general purposes specified in Part 50 Code of Federal Regulations Section 13.2(d)(2) and to trap and monitor the Alabama Beach Mouse; provided, however, FWS, its agents or assigns shall not enter a Unit without obtaining the Owner's Prior consent which consent shall not be unreasonably withheld and provided that FWS, its agents and assigns shall enter the Property at their own risk and by acceptance of this license do hereby waive any and all claims for any injury, loss or damage suffered by said FWS, their agents and assigns while on the Property or in a Unit.

15.08 Covenants to Protect and Conserve the Habitat of the Alabama Beach Mouse and to Implement the HCP.

(A) Copy of Permit to be Placed in Each Unit. Each Owner, by acceptance of a deed to a Unit shall be a permittee under the express terms of the Permit. As a permittee, each Owner shall be bound by the terms and conditions of the Permit and this Declaration, and the Rules and Regulations promulgated by the Association hereunder. Each Owner shall receive a copy of the Permit and the Rules and Regulations at the closing of the purchase of a Unit. Each Owner must maintain a copy of the Permit in their Unit and shall inform all Occupants of the Unit of the Permit and shall require such persons to read and abide by the Permit.

(B) No Cats. No Owner or Occupant shall maintain any cat as a pet on the Condominium Property or in a Unit. Owners are prohibited from supporting the presence of free-roaming stray cats by providing food, shelter or any other life support elements. Any free roaming cats observed by an Owner shall be reported immediately to the Association.

(C) Trash Containers. In addition to the requirements herein concerning trash containers, all trash containers used by an Owner or Occupant of a Unit that is located outside, must be a type that is rodent-proof, meaning that such container must be designed to prevent access to the interior of such container by any rodent.

(D) Informational Brochures. The Master Association shall prepare and publish a brochure giving information about the protection and conservation of the Alabama Beach Mouse and provide the same to the Association for disbursement to its Unit Owners or Occupants. The Master Association shall update the information contained in the brochures every five years. Funds from the Alabama Beach Mouse Fund shall be used for purposes of preparing such brochures and updating such brochures.

(E) Notification of FWS of Location of Alabama Beach Mouse. Any Owner or Occupant who locates a dead, injured or sick Alabama Beach Mouse shall immediately notify the FWS. The name and address of the contact person to notify shall be listed and updated in the Rules and Regulations. If a Alabama Beach Mouse is killed during construction activity on the Property, the Developer or the Association, or said party's contractor shall immediately place the specimen in a secure refrigerated storage and shall contact the FWS for instructions on disposition thereof. If an Alabama Beach Mouse is injured during construction activity on the Property and may be safely captured without additional injury or trauma, the Developer or the Association, or said party's contractor shall immediately place the specimen in a secure indoor area and shall contact the FWS for instruction on the care of the injured Alabama Beach Mouse.

(F) Beach Access. No access to beach area shall be permitted except in the common dune walkover boardwalk or as otherwise allowed pursuant to the requirements of the Permit or written authorization from FWS.

15.09 Assessments and Creation of Lien. In addition to any other assessments required under this Declaration or any other agreements, each Owner of a Unit, by acceptance of a deed or other instruments conveying any interest therein, regardless of whether such deed or instrument contains a reference to the Alabama Beach Mouse Covenants, is hereby deemed to covenant and agree to pay to the Association a Alabama Beach Mouse Assessment, as established and to be collected as provided in 15.10 below. The Alabama Beach Mouse Assessment, together with late charges and interest as provided in 15.11 below, and all court costs and attorneys' fees incurred by the Association to enforce or collect such Alabama Beach Mouse Assessment, shall be an equitable charge and a continuing lien upon each Unit of which the Owner thereof is responsible for the payment of the same, which lien may be enforced in the manner provided in 15.12 below. Each Owner shall be personally liable for the payment of all Alabama Beach Mouse Assessments coming due while he, she or it is the Owner of any Unit and such Owner's grantee shall take title to such Unit subject to the equitable charge and continuing lien therefor, but without prejudice to the rights of such grantee to the Association that were the legal obligations of such grantor. All Alabama Beach Mouse Assessments, together with late charges and interest at the Applicable Rate, as specified in 15.12(a) below, court costs and attorney's fees incurred with respect thereto by the Association, shall also be a personal obligation of the person who was the Owner of the Unit at the time such Alabama Beach Mouse Assessments and other costs and charges were assessed or incurred. If there is co-Ownership of any Unit, all of the co-Owners shall be jointly and severally liable for the entire amount of such Alabama Beach Mouse Assessment. The Alabama Beach Mouse Assessment shall be paid in such manner and on such dates as may be fixed by the Association. All Alabama Beach Mouse Assessments shall be payable in all events without offset, diminution or abatement by reason of fire or other casualty or any taking as a result of, in lieu of or in anticipation of the exercise of the right of eminent domain, condemnation or by private purchase in lieu thereof with respect to any Unit or Common Area or any other cause or reason of any nature.

15.10 Purpose of Alabama Beach Mouse Assessment. The Alabama Beach Mouse Assessment provided for herein shall be used for the general purposes of promoting compliance with these Alabama Beach Mouse Covenants, the HCP, the Rules and Regulations and the Permit, all as may be more specifically authorized from time to time by the Master Association or the Association; provided, however, nothing set forth herein shall be construed to limit the use of such Alabama Beach Mouse Assessment or the ability of the Association from making or establishing other assessments, a portion of which may be used for compliance with these Alabama Beach Mouse Covenants, the HCP or the Permit. The

Alabama Beach Mouse Assessment shall be paid to the Master Association in accordance with instructions from the Master Association.

15.11 Computation of Assessments.

(A) Commencing with the fiscal year of the Association that begins on January 1, 200__ (i.e., from January 1, 2002 through December 31, 2002), and annually thereafter, the Master Association shall determine whether the Alabama Beach Mouse Assessment is necessary for said fiscal year. If the Master Association, in its sole discretion, deems the Alabama Beach Mouse Assessment necessary for the then applicable year, it shall notify the Association and each Owner of each Unit shall pay to the Association the amount designated by the Master Association and allowed by the Permit.

(B) In addition to the assessments set forth above, any and all levies, fines or other charges imposed by the Association on Owners or Occupants for violations of the terms of the Alabama Beach Mouse Covenants or the Rules and Regulations shall be deemed to be a part of the Alabama Beach Mouse Assessment for the purposes of the enforcement and remedies provisions contained herein.

(C) All funds collected by the Association through the Alabama Beach Mouse Assessment, shall be paid to the Master Association and retained by the Master Association in the Alabama Beach Mouse Fund.

15.12 Effect of Non-Payment; Remedies of the Association.

(A) Each Owner of a Unit is and shall be deemed to covenant and agree to pay to the Association the Alabama Beach Mouse Assessments provided for herein. If any Alabama Beach Mouse Assessment or any portion thereof are not paid when due, the same shall be subject to a late charge in an amount determined and uniformly applied by Association Board from time to time and the Owner of such Unit shall be deemed in default herewith. If any Alabama Beach Mouse Assessments or any portion thereof are not paid within thirty days after the due date of the same, then the unpaid portion of the Alabama Beach Mouse Assessment shall accrue simple interest at the lesser of eighteen percent (18%) per annum or the highest rate that may be charged to said Owner by law (the "Applicable Rate") from and after the thirtieth day from the due date until the same is paid in full. If the Association employs an attorney or otherwise takes any legal action in attempting to collect any amounts due from any Owner, such Owner agrees to pay all attorneys' fees, court costs and all other expense paid or incurred by the Association. The lien and equitable charge upon each Unit for Alabama Beach Mouse Assessments as provided above shall also include all late charges, interest at the Applicable Rate and all Attorneys' fees, court costs and all other expenses paid or incurred by the Association in attempting to collect any unpaid Alabama Beach Mouse Assessments.

(B) If any Alabama Beach Mouse Assessments or other amounts due to the Association are not paid by any Owner when the same become due, then in addition to all other rights and remedies provided at law or in equity, the Association, acting through its Board or through any of its officers or authorized representatives, may undertake any or all of the following remedies:

(1) The Association may commence and maintain a suit at law against any Owner to enforce such charges and obligations for Alabama Beach Mouse Assessments and any such judgment rendered in any such action all include the late charge and interest at the Applicable Rate, as specified in Section 15.12(a) above, together with attorneys' fees, court costs and all other expenses paid and incurred by the Master Association in collecting such unpaid Alabama Beach Mouse Assessments; and/or

(2) The Association may enforce the lien created pursuant to Section 15.09 above in the manner hereinafter provided.

(C) There is hereby created a continuing lien on each Unit, with power of sale as defined in the Act, that secures the payment to the Association of any and all Alabama Beach Mouse Assessments, levied against and upon such Unit, all late charges and interest at the Applicable Rate assessed pursuant to Section 15.11(a) above and all attorneys fees, court costs and all other expenses paid or incurred by the Association in collecting any Alabama Beach Mouse Assessments. If any Alabama Beach Mouse Assessments remain unpaid for more than sixty days, then the Association, through its Board or any officer or authorized representative thereof, may, but shall not be obligated to, make written demand on such defaulting Owner, which demand shall state the date and amount of delinquency. Each default shall constitute a separate basis for a demand and claim of lien, but any number of defaults may be included in a single demand. If such delinquency is not paid in full within ten (10) days after the giving of such demand or, even without giving demand, the Association may file a claim of lien and perfect its lien against the Unit of such delinquent Owner, which claim shall be executed by any member of the Board of the Association or any officer of the Association, contain the following information and be recorded in the Probate Office of Baldwin County, Alabama:

(1) The name of the delinquent Owner;

(2) The Unit number and street address of the Unit upon which the lien claim is made; and,

(3) The total amount claimed to be due including late charges, interest at the Applicable Rate, collection costs and attorney's fees incurred to date and a statement, if applicable, that such charges and costs shall continue to accrue and be charged until full payment has been received; and,

(4) A statement that the claim of lien is made by the Association pursuant to this Declaration and the Alabama Beach Mouse Covenants and is claimed against such Unit in an amount equal to that stated therein.

The lien provided for herein shall be in favor of the Association, shall be for the benefit of all other Owners (other than those Owners in default) and may be foreclosed in the same manner as now provided by law in the case of past-due mortgages, and the Association shall be authorized, at its option, to sell the Unit under the power of sale that is hereby given to the Association, at public outcry, to the highest bidder for cash, at the front or main door or the Baldwin County Courthouse, after first given notice by publication once a week for four successive weeks of the time, place and terms of such sale, together with a description of the Unit to be sold, by publication in some newspaper published in Baldwin County, Alabama. The sale shall be held between the hours of 11:00 a.m. and 4:00 p.m. on the day designated for the exercise of the power of sale hereunder. The Association shall have the right and power to bid at any such foreclosure sale to purchase, acquire, hold, lease, mortgage, convey and sell any such Unit. Each Owner, by acceptance of a deed to any Unit, shall be deemed to (1) grant to and vest in the Association and/or its agents the right and power to exercise the power of sale granted herein and foreclose the lien created herein, (2) grant to and vest in the Association and/or its agents the right and power to bring all actions against such Owner personally for the collection of all amounts due from such Owner, (3) expressly waive any objection to the enforcement and foreclosure of the lien created herein and (4) expressly waive the defense of the statute of limitations that may be applicable to the commencement of any such suit or action for foreclosure.

15.13 Subordination of Lien. Notwithstanding anything provided herein to the contrary, the lien for Alabama Beach Mouse Assessments and other charges, fines or levies authorized herein with respect to any Unit is and shall be subordinate to the lien of any Mortgagee held by a Mortgagee, but only to the extent that the Mortgage held by any such Mortgagee is recorded in the Probate Office of Baldwin County, Alabama, prior to the filing of a claim of lien by the Association pursuant to Section 15.12(c) above. When an Mortgagee exercises its foreclosure rights provided in its Mortgage and acquires title to or sells to a third party its interest in any Unit, then such Mortgagee or its purchaser or transferee at such foreclosure sale shall (a) not be liable for any Alabama Beach Mouse Assessments or other charges incurred prior to the date of transfer or acquisition of title by foreclosure so long as the Mortgage held by such Mortgagee was recorded in the Probate Office of Baldwin County, Alabama prior to the filing of a claim of lien by the Association pursuant to Section 15.12(c) above, but (b) be liable for all Alabama Beach Mouse Assessments together with other charges levied, assessed or incurred with respect to such Unit from and after the date of such foreclosure sale or as provided for in the Act. The foregoing shall not relieve any Owner whose Unit has been foreclosed from

the personal obligation to pay all Alabama Beach Mouse Assessments and any other charges levied, assessed or incurred by the Association and the Association shall have the right to pursue all rights and remedies against a defaulting Owner notwithstanding the foreclosure of a Mortgage by a Mortgagee on such Owner's Unit.

15.14 Authority and Enforcement. In addition to the provisions of Section 15.11 above, if any Owner or Occupant or their respective agents, employees, families or invitees, violates any of the provisions of the Alabama Beach Mouse Covenant, the Rules and Regulations adopted by the Association Board from time to time, the Board shall have the power to (i) impose reasonable monetary fines that shall constitute an equitable charge and continuing lien upon the Unit and shall be a personal obligation of such owner that is guilty of such violation, or (ii) suspend an Owner's or Occupant's rights (and the right of such Owner's or Occupant's family member, guests and tenants) to use any of the facilities located in or upon the Common Areas, and the Board shall have the power to impose all or any combination of any of the foregoing sanctions. Any such suspension of rights may be for the duration of the infraction.

15.15 Procedure. If any of the terms or provisions of the Alabama Beach Mouse Covenants or any Rules or Regulations of the Association are violated by an Owner or Occupant, or the respective agent, contractors or invitees of any Owner or Occupant, the Association Board shall not suspend or infringe upon or suspend any other rights pursuant to Section 15.12 above unless written demand to cease and desist from an alleged violation shall be served upon the Owner responsible for such violations which demand shall specify:

(A) The alleged violation;

(B) The action required to abate such violation; and

(C) A time period of not less than two days during which the violation may be abated without further sanction (if such violation is a continuing one), or (if the violation is not a continuing one, a statement that any further violation of the same provision of the Alabama Beach Mouse Covenants or any of the Alabama Beach Mouse Rules and Regulations may result in the imposition of sanctions. The foregoing procedure shall only be applicable to the enforcement rights specified in Section 15.13 above concerning suspension of use rights and shall not apply to the exercise of any of the rights and remedies specified in any other provisions of this Article XV.

15.16 Nonexclusive Remedies. Notwithstanding anything provided to the contrary in this Article XV, the authority, enforcement and procedural rights set forth above are in addition to and shall not be deemed to limit the other rights and remedies set forth in the Alabama Beach Mouse Covenants or which the Association, acting through the Board, would have the right to exercise at law or in equity.

15.17 Term. The terms, covenant, conditions and restrictions set forth in the Alabama Beach Mouse Covenants shall run with and bind all of the Property, shall inure to the benefit of all Owners and Mortgagees and their respective heirs, executors, personal representative, administrators, successors and assigns, and shall be and remain in effect until May 31, 2026, after which time the Alabama Beach Mouse Covenants shall be automatically renewed and extended for successive and continuous period of five years each, unless, at any time after the earlier of (a) May 31, 2026, or (b) the date the Permit becomes ineffective or is terminated, and an agreement executed by the Owners of at least two-thirds or more of the Units within the Property agreeing to terminate or modify this Article XV has been recorded in the Probate Office of Baldwin County, Alabama; provided, however, that such modification or termination does not violate the Permit or any subsequent permit issued in replacement of the Permit.

15.18 Amendments. Any amendment to this Article XV proposed by Developer or the Association which violates the terms of the Permit, shall be valid only upon the written consent of FWS. Any amendment made pursuant to this Section 15.18 shall be certified by Developer or the Association and shall be effective when it is recorded in the Probate Office of Baldwin County, Alabama. Each Owner, by acceptance of a deed or other conveyance to a Unit and each Mortgagee, by acceptance of a Mortgage on any Unit, agrees to be bound by all amendments permitted by this Section 15.18 and further agrees that, if requested to do so by Developer or the Association, such Owner and Mortgagee will consent to the amendment of these Covenants or any other instrument relating to the Property or the Association if such amendment is (i) necessary to bring any provision hereof into compliance or conformity with the provisions of any law, ordinance, statute, rule or regulation of any applicable Governmental Authority (including, but not limited to, the Permit) or the judicial decision of any state or federal court; (ii) necessary to enable any reputable title insurance company to issue insurance coverage with respect to any Unit; mortgage loan on any Unit or (iii) necessary to enable any governmental agency or reputable private insurance company to insure mortgages on any Unit located within the Property.

15.19 Amendment of the HCP. To allow the Master Association to comply with changing conditions as contemplated by the HCP and to allow flexibility in compliance with the Permit, each Owner by acceptance of a deed, agrees that the Master Association may amend, modify, clarify, expand the scope of, limit the scope of, or otherwise change the HCP.

15.20 Rules and Regulations. The Association Board may establish and enforce the Rules and Regulations governing the use of all Units, including, without limitation, Rules and Regulations that govern the enforcement of all the provisions of the Alabama Beach Mouse Covenants, the Permit and the HCP. Each such rule and regulation shall be binding upon all Owners and Occupants.

15.21 Legal Expenses. In addition to the rights and remedies set forth above, in the event either the Master Association, its agents or representatives or the Association, its agents or representatives or Developer under take any legal equitable action that any of them deem necessary to abate, enjoin, remove or extinguish any violation or breach of the Alabama Beach Mouse Covenants, then all costs and expense incurred by either of them, including, without limitation, attorneys' fees and court costs, in enforcing any for the terms provisions, covenants or conditions in the Alabama Beach Mouse Covenants shall be paid for by the Owner against whom such action was initiated. Developer, its agents and representative and the Master Association, its agents and representatives are each hereby authorized to take any and all legal or equitable action as may be necessary under the circumstance to restrain or enjoin any such violation or breach or to otherwise seek monetary damages as a result of any expenses incurred by either Developer, Master Association or the Association to cure such violation or breach.

15.22 Interpretation. In all cases, the provisions set forth and provided for in the Alabama Beach Mouse Covenants shall be construed together and given that interpretation or construction that, in the opinion of Developer, or the Master Association, or the Association, as the case may be, will best effect the protection and conservation of the Alabama Beach Mouse and to prevent violation of the Permit or the HCP. If there is any direct conflict between the requirements of this Article and the Alabama Beach Mouse Covenants shall prevail. If there is any direct conflict between the requirements of the Alabama Beach Mouse Covenants and the requirements of the Permit, the requirements of the Permit shall prevail and this Article or the Alabama Beach Mouse Covenants, as the case may be, shall be deemed to prevent such conflict. The provisions hereof shall be liberally interpreted and, if necessary, they shall be so extended or enlarged by implication so as to make them fully effective. The provisions of the Alabama Beach Mouse Covenants shall be given full force and effect notwithstanding the existence of any zoning ordinance or building codes that are less restrictive.

15.23 Further Assurances. Each Owner covenants and agrees to execute, sign and deliver, or cause to be executed, signed and delivered and to otherwise do or make or cause to be done and made, any and all agreements, instruments, papers, deed, acts or things, supplemental, conformity or otherwise, that may be reasonably requested by Developer or the Association, for the purpose of or in connection with clarifying, amending or other consummating any of the transactions and matters set forth in this Article XV.

15.24 Owners Responsibility for Compliance with Permit. Each Owner agrees and acknowledges that by acceptance of a deed to the Property they are a permittee pursuant to the terms of the Permit. As such permittee the Owner's are solely responsible for their full and complete compliance with the Permit.

15.25 No Waiver. All rights, remedies and privileges granted to Developer, Master Association and the Association pursuant to the terms and provisions of the Alabama Beach Mouse Covenants shall be deemed to be cumulative and the exercise of any one or more of such rights, remedies or privileges shall not be deemed to constitute an election of remedies nor shall it preclude the party exercising the same, or any other party, from pursuing such other and/or additional rights, remedies or privileges as may be available to such party at law or in equity. The failure at any time to enforce any covenant or restriction set forth herein or the Alabama Beach Mouse Covenants shall in no event be deemed a waiver of the right thereafter to such covenant or restriction.

ARTICLE XVI

MISCELLANEOUS

16.01 Rights and Powers of Successors and Assignees. The rights and powers reserved to or exercisable by the Developer under the Condominium Documents or the Act may be exercised by any successor or assignee of the Developer (i) who acquires title from the Developer by foreclosure or other judicial sale or deed in lieu of foreclosure, or (ii) to whom the Developer specifically assigns such rights and powers.

16.02 Headings. The captions herein are used solely as a matter of convenience and shall not define, limit or expand any term or provision of this Declaration.

16.03 Gender/Number. Whenever the context so permits, the use of the plural shall include the singular, the singular shall include the plural, and any gender shall be deemed to include all genders.

16.04 Exhibits. Exhibits "A", "B", "C", "D", "E", "F", "G", and "H" attached to this Declaration are an integral part of this Declaration.

16.05 Invalidity and Severability. It is the intention of the Developer that the provisions of this Declaration are severable so that if any provision is invalid or void under any applicable federal, state or local law or ordinance, decree, order, judgment or otherwise, the remainder shall be unaffected thereby.

16.06 Interpretation. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development and operation of a condominium project in accordance with Alabama law. Failure to enforce any provision hereof shall not constitute a waiver of the right to enforce said provision or any other provision hereof.

16.07 Conflict or Ambiguity. If any conflict or ambiguity in the terms and provisions of Declaration, the general rules of construction against one party as a result of that party having drafted this Declaration are hereby waived by each Owner and, to the fullest extent allowed by law, no conflicts or ambiguity shall be resolved in favor or to the advantage of one party as opposed to another in interpreting any ambiguity or conflict contained herein.

IN WITNESS WHEREOF, DUNES PARCEL, L.L.C., an Alabama limited liability company, has caused this instrument to be executed, under seal, by its duly authorized General Manager, whose names are set forth below, this 29 day of August, 2001.

DUNES PARCEL, L.L.C.,
an Alabama limited liability co.

By: *Rick A. Phillips* (SEAL)
Its: General Manager

STATE OF ALABAMA
BALDWIN COUNTY

ACKNOWLEDGEMENT

I, the undersigned, a Notary Public, in and for said county, in said State, hereby certify that Rick A. Phillips, whose name as General Manager of DUNES PARCEL, L.L.C., an Alabama limited liability company, 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 the instrument, he, as such General Manager and with full authority, executed the same voluntarily for and as the act of the limited liability company, on the day the same bears date.

Given under my hand and official seal this the 29
day of August, 2001.

J. W. Klyce
NOTARY PUBLIC

My commission expires: 10/21/2002

This instrument prepared by: Thomas W. Klyce, P.C., Attorney at Law, Post Office Box 2301, Gulf Shores, AL 36547

EXHIBIT "A"

LEGAL DESCRIPTION OF PHASE I

Lot 51A, of a resubdivision of Lot 51, The Dunes, a subdivision, Phase II, as the same is recorded on Slide 1937-A, in the office of the Judge of Probate, Baldwin County, Alabama.

TOGETHER WITH a non-exclusive easement for ingress, egress and placement of utilities and providing access to Dune Drive, over under and across, the following, to-wit: COMMENCE AT THE SOUTHWEST CORNER OF LOT 51-B OF A RESUBDIVISION OF LOT 51 AS RECORDED ON SLIDE 1937A, PROBATE RECORDS, BALDWIN COUNTY, ALABAMA; RUN THENCE NORTH 01 DEGREES 50 MINUTES 36 SECONDS WEST ALONG THE WEST LINE OF SAID LOT 51-B FOR 50.0 FEET; RUN THENCE NORTH 88 DEGREES 09 MINUTES 24 SECONDS EAST FOR 135.56 FEET; RUN THENCE SOUTH 01 DEGREES 50 MINUTES 36 SECONDS EAST FOR 10.0 FEET; RUN THENCE IN A SOUTHWESTERLY DIRECTION ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 80.0 FEET FOR AN ARC DISTANCE OF 83.78 FEET, A CHORD OF SOUTH 58 DEGREES 09 MINUTES 24 SECONDS WEST FOR 80.0 FEET TO THE SOUTH LINE OF SAID LOT 51-B; RUN THENCE SOUTH 88 DEGREES 09 MINUTES 24 SECONDS WEST ALONG THE SOUTH LINE OF SAID LOT 51-B TO THE SOUTHWEST CORNER OF SAID LOT 51-B AND THE POINT OF BEGINNING.

TOGETHER WITH a nonexclusive easement for ingress and egress and the placement of utilities, over, under and across the access driveway easement granted by the State of Alabama, Department of Conservation as the the same is recorded in Real Property Book 695, page 998, in the office of the Judge of Probate, Baldwin County, Alabama.

TOGETHER WITH a nonexclusive easement for ingress and egress and the placement of utilities, over, under and across Dune Drive as the same is recorded on Slides 1705-B and 1706-A, as the same was revised and re-recorded on Slides 1907-B and 1908-A in the office of the Judge of Probate, Baldwin County, Alabama for the purpose of obtaining access to the property described above.

EXHIBIT "B"

BY-LAWS

OF

THE DUNES CONDOMINIUM ASSOCIATION, INC.

ARTICLE I.

THE ASSOCIATION

Section 1. Identity. These are the By-Laws of The Dunes Condominium Association, Inc., a not for profit corporation (the "Association"), which was formed under the Alabama Non-Profit Corporation Act [Code of Alabama 1975 10-3A-1 et seq] by filing the Articles of Incorporation of The Dunes Condominium Association, Inc., (the "Articles"), with the Office of the Judge of Probate of Baldwin County, Alabama, on September 11, 2001. The Association has been organized for the purposes of providing for the acquisition, operation, management, maintenance, care, control and administration of The Dunes, a condominium (the "Condominium"), pursuant to the provisions of the Alabama Uniform Condominium Act of 1991 [Code of Alabama 35-8A-101 et seq.] (the "Condominium Act") and the Declaration of Condominium of The Dunes, a condominium (the "Declaration"), as filed with the Office of the Judge of Probate of Baldwin County, Alabama, in accordance with the provisions of said Act. The terms capitalized herein shall be deemed to have the meanings set forth in the Declaration and the Condominium Act.

Section 2. Principal Office. The principal office of the Association in the State of Alabama shall be located in the City of Gulf Shores, County of Baldwin. The Association may have such other offices, either within or without the State of Alabama, as the Board of Directors may designate or as the business of the Association may require from time to time.

Section 3. Registered Office. The registered office of the Association, required by the Alabama Non-Profit Corporation Act to be maintained in the State of Alabama, may be, but need not be, identical with the principal office in the State of Alabama, and the address of the registered office may be changed from time to time by the Board of Directors.

ARTICLE II

MEMBERSHIP

Section 1. Annual Meeting. The annual meeting of the Membership will be held on the third Saturday in the month of October in each year, beginning with the year 200__ at the hour of 11:00 a.m., or at such other time on such other day within such

month as shall be fixed by the Board of Directors, for the purpose of electing directors, if the period of Developer control has ended, and in any event, for the transaction of such other business as may come before the meeting. If the day fixed for the annual meeting shall be a legal holiday in the State of Alabama, such meeting shall be held on the next succeeding business day. If the election of directors shall not be held on the day designated herein for any annual meeting of the Membership, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the Membership as soon thereafter as conveniently may be.

Section 2. Special Meetings. Special meetings of the Membership, for any purpose or purposes, unless otherwise prescribed by statute, may be called by the President or by a majority of the Board of Directors and shall be called by the President or the Secretary at the request of holders of not less than twenty (20%) percent of all the outstanding votes of the Membership.

Section 3. Place of Meeting. The Board of Directors may designate any place, within or without the State of Alabama, as the place of meeting for any annual meeting or for any special meeting of the Membership. If no designation is made, or if a special meeting is otherwise called, the place of the meeting shall be the principal office of the Association in the State of Alabama.

Section 4. Notice of Meeting. Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting, or of a meeting which is required by statute to be held for any special purpose, or of an annual meeting at which special action is to be taken, the purpose or purposes for which the meeting is called, or the special action which is proposed to be taken, shall, unless otherwise prescribed by statute, be delivered not less than ten (10) nor more than sixty (60) days before the date of meeting, either personally or by mail, by or at the direction of the President, the Secretary, or the persons calling the meeting, to each member of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Association, with postage thereon prepaid.

Section 5. Fixing of Record Date. The Board of Directors may fix in advance a date as the record date for the purpose of determining the members entitled to notice of or to vote at any meeting of members or any adjournment thereof, or for any other proper purpose, such date in any case to be not more than thirty (30) days and, in case of a meeting of the Membership, not less than ten (10) days prior to the date on which the particular action requiring such determination of members is to be taken. If no record date is fixed for the determination of members entitled to notice of or to vote at a meeting of the Membership, the date on which notice of the meeting is mailed shall be the record date for

such determination of members. When a determination has been made, as provided in this section, such determination shall apply to any adjournment thereof.

Section 6. Voting Lists. The officer or agent having charge of the records of members of the Association shall make, at least ten (10) days before each meeting of the Membership, a complete list of the members entitled to vote at such meeting, or any adjournment thereof, arranged in alphabetical order, with the address of each member and the number of votes to which he is entitled, which list, for a period of ten (10) days prior to such meeting, shall be kept on file at the principal office of the Association and shall be subject to inspection by a member making written request therefor at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any member during the whole time of the meeting.

Section 7. Quorum. The presence at any meeting of the Membership of the members entitled to cast more than fifty (50%) percent of the votes in the Association, represented in person or by proxy, shall constitute a quorum. If a quorum is not present at any meeting, a majority of the members so represented may adjourn the meeting and reconvene from time to time without further notice. At any such reconvened meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. The members present or represented at a meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum.

Section 8. Majority Vote. The vote of members entitled to cast a majority of the votes represented at a meeting of the Membership at which a quorum is present shall be the act of the members of the Association, unless the vote of a greater number is required by law, the Declaration, the Articles, or these By-Laws.

Section 9. Proxies. At all meeting of the Membership, a member may vote in person or by proxy executed in writing by the member or by his duly authorized attorney in fact. A proxy is void if it is not dated or purports to be revocable without notice. Such proxy shall be filed with the Secretary of the Association before or at the time of the meeting. No proxy shall be valid after one year from the date of its execution, unless a shorter terms is provided in the proxy.

Section 10. Voting Rights. If only one of the multiple Owners of a Unit is present at a meeting of the Association, he is entitled to cast the votes allocated to that Unit. If more than one of the multiple Owners are present, the votes allocated to that Unit may be case only in accordance with the agreement of a majority in interest of the multiple Owners. There is a majority agreement if any one of the multiple Owners cast as the votes

allocated to that Unit without protest being made promptly to the person presiding over the meeting by any of the other Owners of the Unit.

Section 11. Informal Action by Members. Any action required to be taken at a meeting of the Membership, or any other action which may be taken at any meeting of the Membership, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all the members entitled to vote with respect to the subject matter thereof.

ARTICLE III

BOARD OF DIRECTORS

Section 1. General Powers. The business and affairs of the Association shall be managed by or under the direction of its Board of Directors.

Section 2. Number, Tenure and Qualifications. The initial Board of Directors shall consist of five (5) directors. The By-Laws may be amended from time to time as provided for herein to increase or decrease the number of directors of the Association to not less than three (3) nor more than eleven (11) directors. Except for directors appointed by the Developer, a director shall be a Unit owner and if the Unit owner is a corporation or other entity that is not a person, then an officer, partner, trustee or employee of such Unit owner may be the director. Each director shall hold office until the next annual meeting of the members and until his successor shall have been duly elected and shall have qualified or until his death or until he shall have resigned or shall have been removed, as provided for herein.

(a) Increase in the Number of Directors. In the event the Developer dedicates an additional phase or phases to the condominium form of ownership as provided for in the Declaration, the number of Directors shall be increased by a minimum of five (5) new directorships for each additional phase. There is no requirement that a certain number of directors be owners of Units in any particular phase of the Condominium Property.

Section 3. Election of Directors.

(a) Election of directors entitled to be elected by the members shall be held at the annual meeting, or, if required in accordance with sub-paragraph (b) below, at a special meeting of the Membership. The election shall be by secret ballot (unless dispensed with by unanimous consent) and by an affirmative vote of a majority of the votes cast, or a plurality of the votes cast if more than two persons have been nominated for a directorship, to elect a new director. The Owner of each whole Unit shall be entitled to cast a vote for one nominee for each vacancy to be filled at the time of the election. There shall be not cumulative voting.

(b) Notwithstanding the provisions of Sub-paragraph (a) above, or anything in these By-Laws to the contrary, the Developer (as defined in the Declaration), its successors and assigns, and not members of the Association, shall have the exclusive right to control the Association by electing all of the members of the Board of Directors of the Association, and in the event of vacancies, the Developer shall fill the vacancies, until no later than the earlier of either (i) sixty (60) days after seventy-five percent (75%) of the total number of Units which may be created in the Condominium have been conveyed to purchasers of Units, or (ii) two (2) years have elapsed from the date the Developer has ceased to offer Units for sale in the ordinary course of business, or (iii) four (4) years after any Development Rights to add new Units was last exercised; provided that the Developer may, at its option, terminate its control of the Association at an earlier date. Notwithstanding the foregoing, within ninety (90) days after conveyance of twenty-five percent (25%) of the Units which may be created in the Condominium have been conveyed, the Unit Owners other than Developer shall be entitled to elect twenty-five percent (25%) of the members of the Board of Directors. Not later than ninety (90) days after conveyance of fifty percent (50%) of the Units which may be created in the Condominium have been conveyed to Unit Owners other than Developer, not less than thirty-three and one-third (33 1/3%) of the members of the Board shall be elected by the Unit Owners. The Developer shall be entitled to appoint at least one (1) member of the Board of Directors as long as the Developer has Development Rights or holds for sale in the ordinary course of business at least one Unit in the Condominium, and such right is not contrary to the other provisions of the Condominium Act. Within sixty (60) days before the date of termination of control the Association by the Developer, the Board of Directors shall call and give not less than ten (10) nor more than thirty (30) days notice of a special meeting of the membership for the purpose of electing the members of the Board of Directors.

Section 4. Regular Meetings. A regular meeting of the Board of Directors shall be held without other notice than this By-Law immediately after, and at the same place as, the annual meeting of the Membership, provided, however, any such regular meeting may be held at any other time or place which shall be specified in a notice given as hereinafter provided for special meetings, or in a consent and waiver of notice hereof, signed by all directors. The Board of Directors may provide, by resolution, the time and place, within or without the State of Alabama, for the holding of additional regular meetings without other notice than such resolution.

Section 5. Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the President or any two (2) directors.

Section 6. Notice. Notice of any special meeting shall be given at least three (3) days previously thereto by written notice delivered personally or mailed to each director at his business address, or by telegram. If mailed, such notice shall be deemed to

be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegram company. Any director may waive notice of any meeting. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business, because the meeting is not lawfully called or convened. neither the business to be transacted at, nor the purpose of, any regular or special meeting of the board of Directors need be specified in the notice or waiver of notice of such meeting.

Section 7. Quorum. A majority of the number of directors determined in the manner fixed by Section 2 of this Article III shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but if less than such majority is present at a meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

Section 8. Manner of Acting. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 9. Action Without a Meeting. Any action that may be taken by the Board of Directors at a meeting may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors.

Section 10. Vacancies. Any vacancy occurring in the Board of Directors and any directorship to be filled by reason of an increase in the number of directors may be filled by a majority of the remaining directors, except as otherwise provided in Section 3 above. A director elected or appointed, as the case may be, shall be elected or appointed for the unexpired term of his predecessor in office.

Section 11. Compensation. By resolution of the Board of Directors, the directors may be paid their expense, if any, of attendance at each meeting of the Board of directors, and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as a director or both. No such payment shall preclude any director from serving the Association in any other capacity and receiving compensation therefor.

Section 12. Committees. The Board of Directors may, by resolution or resolutions, passed by a majority of the whole Board, designate on one or more committees, each of which shall consist of two (2) or more directors and which, to the extent provided in said resolution or resolutions or in the By-Laws of the Association shall have and may exercise all of the powers of the Board of Directors in the management of the activities and affairs of the Association and may have power to authorize the seal of the Association to be affixed to all papers which may require it, except that no such committee shall have the authority of the Board

of Directors in reference to amending, altering or repealing the By-Laws; electing, appointing or removing any member of any such committee or any director or officer of the Association; amending the Articles, restating the Articles, adopting a plan of merger or adopting a plan of consolidation with another corporation; authorizing the sale, lease, exchange, or mortgage of all or substantially all of the property and assets of the Association; authorizing the voluntary dissolution of the Association or revoking proceedings therefor; adopting a plan for the distribution of assets of the Association; or amending, alerting or repealing any action or resolution of the Board of Directors which by its terms provides that it shall not be amended, altered, or repealed by such committee. The designation of such committee or committees or the delegation thereto of authority shall not operate to relieve the Board of Directors or any individual director of any responsibility imposed upon it or him by law.

Section 13. Resignations. Any director of the Association may resign at any time, either by oral tender of resignation at any meeting of the Board or by giving written notice thereof to the Secretary of the Association. Such resignation shall take effect at the time specified therefor and the acceptance of such resignation shall not be necessary to make it effective.

Section 14. Place of Meeting. The Board of Directors may designate any place within or without the State of Alabama as the place of meeting for any regular or special meeting of the Board.

Section 15. Presumption of Assent. A director of the Association who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the Secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Association immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

Section 16. Open Meetings. All meetings of the Board of Directors shall be open to the Members of the Association, except meetings or portions thereof which concern the character of an individual, and notice of any meeting shall be posted in a conspicuous area of the Condominium Property at least three days prior to said meeting, except in the event of an emergency meeting.

Section 17. Order of Business. The order of business at either a Director's meeting or a meeting of the Members shall be: (i) Call of Roll; (ii) Proof of due notice of the meeting; (iii) Reading and disposal of unapproved minutes; (iv) Reports of officers and committees; (v) Election of officers or directors, as the case may be; (vi) Unfinished business; (vii) New business; and (viii) Adjournment.

ARTICLE IV

OFFICERS

Section 1. Number. The officers of the Association shall be a President, one or more Vice President(s) (the number thereof to be determined by the Board of Directors), a Secretary, and a Treasurer, each of whom shall be elected by the Board of Directors. Such other officers and assistant officers as may be deemed necessary may be elected or appointed by the Board of Directors. Any two or more offices may be held by the same person, except the President and Secretary. An officer must be a member of the Association. The failure of the Board of Directors to elect any officers other than a President, a Treasurer and a Secretary shall not constitute a violation of the By-Laws.

Section 2. Election and Term of Office. The officers of the Association to be elected by the Board of Directors shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the Membership. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as may be convenient. Each officer shall hold office until his successor shall have been duly elected and shall have qualified or until his death or until he shall have resigned or shall have been removed in the manner hereinafter provided.

Section 3. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed at any time, by the affirmative vote of the Board of Directors, whenever in their judgment the best interests of the Association will be served thereby. Any such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer shall not of itself create any contract rights in favor of such officer.

Section 4. Vacancies. A vacancy in any office elected or appointed by the Board of Directors because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors of the unexpired portion of the term.

Section 5. President. The President shall be the chief executive officer of the Association and, subject to the control of the Board of Directors, shall in general supervise and control all of the business and affairs of the Association. He shall preside at all meetings of the Membership. He may sign, with the Secretary or an Assistant Secretary, any deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-Laws to some other officer or agent of the Association, or shall be required by law to be otherwise signed or executed; and in general, shall perform all duties incident to the office of the President and such other duties as may be prescribed by the Board of Directors from time to time.

Section 6. Vice President. In the absence of the President or in the event of his death, inability or refusal to act, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated that the time of their election, or in the absence of any designation, then in the order of their election) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President shall perform such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

Section 7. Secretary. The Secretary shall: (a) keep the minutes of the proceedings of the Members and of the Board of Directors in one or more books provided for the purpose; (b) see that all notices are duly given in accordance with the provisions of these By-Laws or as required by law; (c) be custodian of the corporate records and of the seal of the Association and see that the seal of the Association is affixed to all documents the execution of which on behalf of the Association under its seal is duly authorized; (d) keep a register of the mailing address of each member which shall be furnished to the Secretary by such member; (e) have general charge of the transfer books of the members of the Association; and (f) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

Section 8. Treasurer. The Treasurer shall: (a) have charge and custody of and be responsible for all funds and securities of the Association; (b) receive and give receipts for monies due and payable to the Association from any source whatsoever, and deposit all such monies in the name of the Association in such banks, trust companies or other depositories as shall be selected in accordance with the provision of Article V of these By-Laws; and (c) in general perform all of the duties as from time to time may be assigned to him by the President or by the Board of Directors. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such sum and with such surety or sureties as the Board of Directors shall determine.

Section 9. Assistant Secretaries and Assistant Treasurer. The Assistant Secretaries and Assistant Treasures, in general, shall perform such duties as shall be assigned to them by the Secretary or the Treasurer, respectively, or by the President or the Board of Directors. The Assistant Treasurers shall respectively, if required by the Board of Directors, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine.

Section 10. Salaries. The salaries of the officers, if any, shall be fixed from time to time by the Board of Directors and no officer shall be prevented from receiving such salary by reason of the fact that he is also a director of the Association.

ARTICLE V

CONTRACTS, LOANS, CHECKS AND DEPOSITS

Section 1. Contracts. The Board of Directors may authorized any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Association, and such authority may be general or confined to specific instances.

Section 2. Loans. No loans shall be contracted on behalf of the Association and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

Section 3. Checks, Drafts, Etc. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Association, shall be signed by such officer or officers, agent or agents of the Association and in such manner as shall from time to time be determined by resolution of the Board of Directors.

Section 4. Deposits. All funds of the Association not otherwise employed shall be deposited from time to time to the credit of the Association in such banks, trust companies or other depositories as the Board of Directors may select.

Section 5. Proxies. Unless otherwise provided by resolution of the Board of Directors, the President may from time to time appoint an attorney or agent of the Association, in the name and on behalf of the Association, to cast the votes which the Association may be entitled to cast as the holder of stock or other securities in any other corporation any of whose stock or other securities may be held by the Association, in meetings of the holders of the stock or other securities of such other corporation, or to consent in writing, in the name and on behalf of the Association, as such holder, to any action by such other corporation, and may instruct the person or persons so appointed as to the manner of casting such votes or giving such consent, and may execute or cause to be executed, in the name and on behalf of the Association and under its corporate seal or otherwise, all such written proxies or other instruments as he may deem necessary or proper in the premises.

ARTICLE VI

BOOKS AND RECORDS

Section 1. Accounting. The Association shall keep correct and complete books and records of account and shall keep minutes of the proceedings of the members, Board of Directors and committees thereof and shall keep at its registered or principal office in Alabama a record of the names and addresses of the members entitled to vote, directors and officers. The accounting records shall be maintained in accordance with generally accepted accounting

principles. All books and records of the Association shall be open to inspection by the members of their authorized representatives for any proper purpose at any reasonable time in Baldwin County, Alabama. Such records shall include:

(a) Association Accounts. The receipts and expenditures of the Association shall be credited and charged to the appropriate account as set forth below.

(i) Current Expenses. All funds to be expended during the year for the maintenance of the Common Elements and Limited Common Elements (as defined in the Declaration) and the operation and working capital of the Association shall be held in the Current Expense Account. Any balance in this fund at the end of each year may be used to pay Common Expenses and Limited Common Expenses incurred in any successive year or may be placed in the Reserve Fund Account.

(ii) Reserve Funds. All funds to be expended for replacement, acquisition and repair of capital improvements which are a part of Common Elements and Limited Common Elements shall be held in the Reserve Fund Account.

(b) Member Accounts. An account for each member shall be maintained setting forth the name and address of the member, the interest percentage in the Common Elements and Limited Common Elements, if any, the amount of each assessment, the amounts and dates on which the assessments become due, the amounts paid upon the account and the balance due.

Section 2. Budget. The Board of Directors shall adopt a proposed budget for each calendar and /or fiscal year that shall include the estimated funds required to defray the Common Expenses and Limited Common Expenses and to provide and maintain funds for the foregoing accounts and reserves according to good accounting practices. Within thirty (30) days of adoption of the proposed budget copies of the budget and proposed assessments shall be transmitted to each member of the Association and a date set for a meeting of the Unit Owners to consider ratification of the budget, not less than fourteen (14) days nor more than thirty (30) days after delivery of the budget to the Unit Owners. Unless, at the meeting, a majority of all Unit Owners present in person or by proxy reject the budget, the budget is ratified, whether or not a quorum is present. In the event the proposed budget is rejected, the budget for the last year shall continue in effect until such time a new budget is ratified.

Section 3. Assessments. Subject to the terms and conditions of the Declaration, assessments against the members for their shares of the items of the budget shall be made for the calendar year annually in advance on or before December 31, preceding the year for which the assessments are made. Such assessments shall be due in quarterly or monthly installments, as may be determined by the Board of Directors of the Association. In the event the annual assessment proves to be insufficient, the

budget and assessments may be amended at any time by the Board of Directors. Such assessments shall constitute a lien as provided for in the Declaration.

Section 4. Assessments for Emergencies. Subject to the terms and conditions of the Declaration, assessments for Common Expenses for emergencies that cannot be paid from the annual assessments for Common Expenses shall be made only after notice of the need for such is given to the members concerned, and it shall be due thirty (30) days after such notice in such manner as the Board of Directors of the Association may require in the notice of assessment. Such assessment shall constitute a lien as provided for in the Declaration.

Section 5. Audit or Compilation. The Board of Directors shall have the authority to require an audit or compilation of the accounts of the Association, at any time, by a majority vote of said Directors, and a copy of the audit report shall be made available for review by each member in Baldwin County, Alabama.

Section 6. Bonds. Fidelity bonds shall be required, if obtainable, by the Board of Directors from all persons handling or responsible for Association funds. The amount of such funds shall be determined by the Board of Directors, but shall not be less than two times the amount of the total annual assessments against members for Common Expenses and Limited Common Expenses. The premiums of such bonds shall be paid by the Association.

Section 7. Rules and Regulations and Violation of any Documents. Subject to the terms and conditions of the Declaration, the Board of Directors may establish, abolish or amend reasonable rules and regulations concerning the use of the Common Elements and Limited Common Elements. The text of such rules and regulations shall be furnished or made available to the members no less than ten days prior to its effective date. The Board shall have the power, upon violation of the rules and regulations, or upon violation of the terms of the Declaration or By-Laws to impose monetary fines on a member which shall constitute a lien and shall be enforceable in like manner as provided for assessments or to suspend for a reasonable period of time either the member's right to the use of Common facilities within the Common Elements or the member's right to vote. Provided however, the members of Association may overrule or terminate any rule or regulation or modification thereof by a vote of a majority of the members at a duly called meeting.

ARTICLE VII

WAIVER OF NOTICE

Whenever any notice is required to be given to any member or director of the Association under the provisions of these By-Laws, the Articles of Incorporation, the Declaration, the provisions of the Alabama Non-Profit Corporation Act, and any act amendatory thereof, supplementary thereto or substituted therefor,

the provisions of the Condominium Ownership Act of Alabama, and any act amendatory thereof, supplemental thereto or substituted therefor, or the Alabama Constitution, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE VIII

FISCAL YEAR

The fiscal year of the Association shall be fixed by resolution of the Board of Directors.

ARTICLE IX

INDEMNIFICATION

Section 1. 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 action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Association) by reason of the fact that he 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, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, finds and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Association, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best criminal action or proceeding, had reasonable cause to believe that this conduct was unlawful.

Section 2. 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 action or suit by or in the right of the Association to procure a judgment in its favor by reason of the fact that he 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, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Association and except that no indemnification shall be made in respect of any claim, issue or matter as to which

such person shall have been adjudged to be liable for negligence or misconduct in the performance of his 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 the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper.

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 subsection (a) and (b), or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

Any indemnification under Sections (1) and (2) 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 the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in Sections (1) and (2). Such determination shall be made (1) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable, or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the membership.

Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the Association in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors in the specific case upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the Association as authorized in this section.

The indemnification provided by this section shall not be deemed excessive of any other rights to which those seeking indemnification may be entitled under any by-law, agreement, vote of members or disinterested directors or to otherwise, both as to action in this 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, officer, employee or agent and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

ARTICLE X

AMENDMENT

Section 1. Amendment to By-Laws. These By-Laws may be amended, altered or repealed in the following manner:

(a) By the Developer until such time as the Developer relinquishes its control of the Association in accordance with Article III, Section 3 herein; or

(b) By the members at any regular or special meeting upon the affirmative vote of the holders of not less than two-thirds (2/3) of the outstanding votes present at such meeting in person or represented by proxy.

Section 2. Recitation. No modification or amendment to the By-Laws shall be valid and effective until the President and Secretary of the Association shall certify as to the adoption of such amendment and shall file their certificate setting forth the text of the amendment with the Office of the Judge of Probate of Baldwin County, Alabama.

EXHIBIT "C"

"AS - BUILT" PLANS AND CERTIFICATION FOR THE DUNES, A CONDOMINIUM, PHASE I, AS THE SAME ARE RECORDED IN THE OFFICE OF THE JUDGE OF PROBATE, BALDWIN COUNTY, ALABAMA IN APARTMENT BOOK 21, PAGES 136, ET SEQ.

EXHIBIT "D"

EASEMENTS, RESTRICTIONS AND OTHER ENCUMBRANCES
ON THE CONDOMINIUM PROPERTY

(a) All ad valorem taxes and assessments for the year of closing and thereafter.

(b) Development Rights and Special Declarant Rights granted Developer by the Condominium Documents and by the Act.

(c) Subject to the Articles of Incorporation of Dunes Condominium Association, Inc., a not for profit corporation, as the same is recorded in the Office of the Judge of Probate as Instrument No. 615933.

(d) Subject to the Declaration of Condominium of Dunes, a condominium, and all exhibits thereto, as the same is recorded in the Office of the Judge of Probate, Baldwin County, Alabama as Instrument No. 615931.

(e) Zoning, planning, and other restrictions or regulations upon the use of the Property as may be imposed by District 25 zoning authority or Baldwin County Planning Commission or any other governmental authorities having jurisdiction over the Property.

(f) Subject to any future adjustment made by either the Tax Assessor's office or the Board of Equalization.

(g) Utility easement and right-of-way granted Baldwin County E. M. C. by instrument dated _____ and recorded as Instrument No. _____.

(h) Building setback lines and drainage and utility easements as shown on the recorded plat or Plans of said condominium.

(i) Reservation of oil, gas and other minerals in, on, and under said real property, together with all rights or easements in connection therewith, as have previously been reserved by or conveyed to others and presently of record.

(j) Reservation of all interest in and to all oil, gas and minerals and rights in connection therewith as contained in deed from Gulf Beach Land and Development Company to Lloyd L. Bryan, dated December 7, 1949, and recorded in Deed Book 152, page 419.

(k) Reservation of all interest in and to all oil, gas and mineral and rights in connection therewith as contained in deed from Gulf Beach Land and Development Company to T. C. King, dated October 15, 1949 and recorded in Deed Book 147, page 147.

(l) Reservation of all interest in and to all oil, gas and minerals and rights in connection therewith as contained in deed from T. C. King to Lloyd Bryan, recorded in Deed Book 152, page 423.

(m) Reservation of 1/2 interest in and to all oil, gas and minerals and rights in connection therewith as contained in deed from Lloyd Bryan to Liddle Hammond, LTD dated January 20, 1974, and recorded in Deed Book 457, page 888.

(n) Reservation of all interest in and to all oil, gas and minerals and rights in connection therewith as contained in deed from Charles O. Mason, Jr., et al., to Liddle Hammond, LTD., dated January 29, 1974 and recorded in Deed Book 457, page 876.

(o) Reservation of all interest in and to all oil, gas and minerals and rights in connection therewith as contained in deed from Lloyd L. Bryan, Jr., and Miller A. Widemier to Liddle Hammond, LTD., dated January 29, 1974 and recorded in Deed Book 457, page 884.

(p) Any adverse claim arising by reason of rules or regulations being imposed upon the property by any environmental agency of the State of Alabama or of the United States of America.

(q) Reservation of 2/3 interest in and to all oil, gas and minerals and rights in connection therewith as contained in deed from Pretoria Realty Corporation to E. Scott Cope, et al, dated July 1, 1974 and recorded in Deed Book 463, page 933.

(r) Reservation of all interest in and to all oil, gas and minerals and rights in connection therewith as contained in deed from Paul D. Eaves, et al to Norman R. Shirley, as Trustee, dated March 24, 1976 and recorded in Deed Book 494, page 540.

(s) Reservation of all interest in and to all oil, gas and minerals and rights in connection therewith as contained in deed from Norman R. Shirley, et al., to Raymond J. Stallings, dated May 13, 1976 and recorded in Deed Book 494, page 547.

(t) Reservation of all interest in and to all oil, gas and minerals and rights in connection therewith as contained in deed from Norman R. Shirley, as Trustee, et al to James A. Smith, et al, recorded in Deed Book 494, page 552.

(u) Reservation of all interest in and to all oil, gas and mineral and rights in connection therewith as contained in deed from Gulf Beach Land and Development Company, et al to Maude U. Miller, et al, dated August 18, 1947 and recorded in Deed Book 133, page 461.

(v) Reservation of all interest in and to all oil, gas and mineral and rights in connection therewith as contained in deed from Earl W. Long, III to Sage Development, L.L.C., dated June 26, 1996 and recorded in Real Property Book 695, page 988.

(w) Subject to the rights of others, in and to the use and enjoyment of the easements set out in the Declaration of Condominium of The Dunes, a condominium, as the same is recorded as Instrument No. 615931.

(x) Reservation of all interest in and to all oil, gas and mineral and rights in connection therewith as contained in deed from John A. Caddell to Sage Development, L.L.C., dated June 19, 1996 and recorded in Real Property Book 695, page 994.

(y) Reservation of all interest in and to all oil, gas and mineral and rights in connection therewith as contained in deed from Egerton S. Harris III to Sage Development, L.L.C., dated June 21, 1996 and recorded in Real Property Book 695, page 990.

(z) Electric Line - Right of Way Easement granted Baldwin County EMC by instrument dated June 27, 1996 and recorded in Real Property Book 695, page 1004.

(aa) Subject to the terms and conditions set forth in Driveway Easement, recorded as Instrument No. _____.

(bb) Subject to Declaration of Alabama Beach Mouse Protective Covenants for The Dunes, dated June 27, 1996, and recorded in Miscellaneous Book 89, page 113, et seq.

(cc) Reservation of all interest in and to all oil, gas and minerals and rights in connection therewith as contained in deed from T. A. Gaskin, Jr., et al., to Billy Hodges, et al., dated November 5, 1992, and recorded in Real Property Book 490, page 1376.

(dd) Reservation of all interest in and to all oil, gas and minerals and rights in connection therewith as contained in deed from T. J. Rester, et al., to T. A. Gaskin, dated November 22, 1946 and recorded in Deed Book 123, page 319.

(ff) Subject to the terms and conditions set forth in Driveway Easement, recorded in Real Property Book 695 Page 998.

(gg) Subject to any claim which could or may arise due to the actual bearings and the recorded bearings not being the same, as the distances set out on Exhibit "A" of the Driveway Easement, dated June 24, 1996, from the State of Alabama, Department of Conservation to Sage Development L.L.C. Said Driveway Easement being recorded in Real Property Book 695, page 998.

(hh) Subject to building setback lines, drainage and utility easements, common areas, roadway encroachments, reservations and other matters set forth on the recorded plat of said subdivision, said plat being recorded on Slides 1907-B and 1908-A and Slide 1937-A.

(ii) Subject to Articles of Incorporation of The Dunes Master Owner's Association, Inc., dated June 27, 1996, and recorded in Miscellaneous Book 89, page 37, et seq. (easement areas)

(jj) Subject to Declaration of Covenants, Conditions, and Restrictions of The Dunes, dated June 27, 1996, and recorded in Miscellaneous Book 89, page 51, et seq. as the same was amended by instrument recorded in Miscellaneous Book 101, page 400, et seq. (easement areas)

(kk) Water and/or sewer line easement granted Utilities Board of the City of Gulf Shores, dated January 8, 1997 and recorded in Real Property Book 742, page 298, et seq. (easement areas)

(ll) Electric line right of way to Baldwin County Electric Membership Corporation recorded in Real Property Book 838, page 1833.

(mm) Subject to the rights of other parties in and to the use of the easement areas described in the deed from Sage Development, L.L.C. to Dunes Parcel, L.L.C. as the same is recorded as Instrument No. 545046.

(nn) Subject to the terms and conditions set forth in ingress, egress, and use easement by and between Sage Development, L.L.C., The Dunes Master Homeowners' Association, Inc., Dune Parcel, L.L.C., and The Dunes Condominium Association, Inc., dated May 9, 2000 and recorded May 10, 2000, in the Office of the Judge of Probate of Baldwin County, Alabama, as Instrument Number 545045.

All recording references are to the official records in the office of the Judge of Probate, Baldwin County, Alabama.

EXHIBIT "E"

FRACTIONAL OWNERSHIP INTEREST IN COMMON ELEMENTS
(RESPECTIVE SHARE OF EACH UNIT)
AND
NUMERICAL VALUE OF TO
WHICH EACH UNIT IS ENTITLED

FORMULA:

The formula for arriving at the Percentage (Fractional) Ownership Interest in the Common Elements (respective share of each Unit) shall be a percentage interest, which shall be determined by dividing the interior square footage of a Unit by the total interior square footage of all the Units in all phases (both residential and commercial). Upon the dedication of any additional Phase to the condominium form of ownership, by the filing of an incremental phasing amendment in the Office of the Judge of Probate, Baldwin County, Alabama, the Percentage of Ownership Interest in the Common Elements shall be redetermined in accordance with the formula set forth above and restated in the incremental phasing amendment. The total percentage interest shall never exceed 100%. Each Unit shall be entitled to one vote. Each unit shall be entitled to one vote which is equal to its percentage interest. The Common Expenses shall be charged to Unit Owners according to the percentage undivided interest of the respective Units in the Common Elements. For the purpose of this Exhibit "E" the total number of square feet of interior area in any Unit shall be conclusively presumed to be as shown on the Plans or Plats, as last amended, to the Declaration.

EXHIBIT "E" CONTINUATION PAGE

<u>UNIT NUMBER</u>	<u>PERCENTAGE OWNERSHIP INTEREST IN COMMON & LIMITED COMMON ELEMENTS (Respective share of each unit)</u>	<u>NUMERICAL VALUE OF VOTE TO WHICH UNIT IS ENTITLED</u>
Residential Units:		
W-100 (Type A)	.0210670	1
W-101 (Type B)	.0158977	1
W-102 (Type C)	.0119802	1
W-103 (Type C)	.0119802	1
W-104 (Type C)	.0119802	1
W-105 (Type C)	.0119802	1
W-106 (Type B)	.0158977	1
W-107 (Type A)	.0210670	1
W-200 (Type A)	.0210670	1
W-201 (Type B)	.0158977	1
W-202 (Type C)	.0119802	1
W-203 (Type C)	.0119802	1
W-204 (Type C)	.0119802	1
W-205 (Type C)	.0119802	1
W-206 (Type C)	.0119802	1
W-207 (Type C)	.0119802	1
W-208 (Type B)	.0158977	1
W-209 (Type A)	.0210670	1
W-300 (Type A)	.0210670	1
W-301 (Type B)	.0158977	1
W-302 (Type C)	.0119802	1
W-303 (Type C)	.0119802	1
W-304 (Type C)	.0119802	1
W-305 (Type C)	.0119802	1
W-306 (Type C)	.0119802	1
W-307 (Type C)	.0119802	1
W-308 (Type B)	.0158977	1
W-309 (Type A)	.0210670	1
W-400 (Type A)	.0210670	1
W-401 (Type B)	.0158977	1
W-402 (Type C)	.0119802	1
W-403 (Type C)	.0119802	1
W-404 (Type C)	.0119802	1
W-405 (Type C)	.0119802	1
W-406 (Type C)	.0119802	1
W-407 (Type C)	.0119802	1
W-408 (Type B)	.0158977	1
W-409 (Type A)	.0210670	1
W-500 (Type A)	.0210670	1
W-501 (Type B)	.0158977	1

EXHIBIT "E" CONTINUATION PAGE

<u>UNIT NUMBER</u>	PERCENTAGE OWNERSHIP INTEREST IN COMMON & LIMITED COMMON ELEMENTS (Respective share of each unit)	NUMERICAL VALUE OF VOTE TO WHICH UNIT IS ENTITLED
W-502 (Type C)	.0119802	1
W-503 (Type C)	.0119802	1
W-504 (Type C)	.0119802	1
W-505 (Type C)	.0119802	1
W-506 (Type C)	.0119802	1
W-507 (Type C)	.0119802	1
W-508 (Type B)	.0158977	1
W-509 (Type A)	.0210670	1
W-600 (Type A)	.0210670	1
W-601 (Type B)	.0158977	1
W-602 (Type C)	.0119802	1
W-603 (Type C)	.0119802	1
W-604 (Type C)	.0119802	1
W-605 (Type C)	.0119802	1
W-606 (Type C)	.0119802	1
W-607 (Type C)	.0119802	1
W-608 (Type B)	.0158977	1
W-609 (Type A)	.0210670	1
W-700 (Type A)	.0210670	1
W-701 (Type B)	.0158977	1
W-702 (Type C)	.0119802	1
W-703 (Type C)	.0119802	1
W-704 (Type C)	.0119802	1
W-705 (Type C)	.0119802	1
W-706 (Type C)	.0119802	1
W-707 (Type C)	.0119802	1
W-708 (Type B)	.0158977	1
W-709 (Type A)	.0210670	1
Commercial Unit		
W-99	.0032862	1
TOTAL: 69	1.00000%	69

EXHIBIT "F"
PHASE I
DUNES OPERATING BUDGET
(based on 100% occupancy)

Projected Budget for the year after the conveyance of the first Unit

INCOME

Association Fees \$ 190,188.00

TOTAL INCOME ** SEE NOTE BELOW \$ 190,188.00

MAINTENANCE EXPENSE

Building Maintenance and Repairs	4,000.00
Property Improvements and Repairs	3,500.00
Miscellaneous Repairs & Contingencies	2,000.00
Elevator Maintenance/Contract	10,000.00
Grounds and Pool Maintenance Supply	5,000.00
Pool Maintenance/Contract	4,800.00
Grounds Maintenance	15,000.00
Exterminating Service	2,000.00
Employee Expense	15,000.00
Fire Alarms & Diesel Generator Maintenance	3,000.00

TOTAL MAINTENANCE EXPENSE \$ 63,500.00

UTILITIES EXPENSE

Electricity	12,000.00
Water service	8,000.00
Sewer service	12,600.00
Garbage and Trash Removal	8,400.00
Cable TV	8,000.00

TOTAL UTILITIES EXPENSE \$ 49,000.00

ADMINISTRATIVE EXPENSE

Management Fee	12,000.00
Postage	300.00
Phone Expense (includes elevator phones)	500.00
Supplies	1,500.00
Professional Fees	2,500.00
Security	7,500.00
Bank Charges	150.00

TOTAL ADMINISTRATIVE EXPENSE \$ 24,450.00

INSURANCE EXPENSE AND CAPITAL RESERVES

Capital Reserves	16,500.00
Property, Flood and Liability Insurance	31,500.00
Fidelity Coverage Insurance	5,000.00

TOTAL INSURANCE EXPENSE AND CAPITAL RESERVES \$ 53,000.00

TOTAL EXPENSES \$189,950.00

PROFIT/<LOSS> \$238.00

** NOTE: Total Income does not include assessment for the BEACH MOUSE FUND which will be separately assessed and kept in a separate account, nor does it include the contribution to the working capital fund which is collected from each initial purchaser at closing.

EXHIBIT "F" CONTINUATION PAGE

Projected monthly maintenance expense:
(monthly assessment rounded up to nearest 1/2 dollar)

Type "C" One bedroom units:	\$2,280.00 per year / \$190.00 per month
Type "B" Two bedroom units:	\$3,024.00 per year / \$252.00 per month
Type "A" Three bedroom units:	\$4,002.00 per year / \$333.50 per month
Commercial unit:	\$624.00 per year / \$52.00 per month

NOTES:

The above Estimated Operating Budget was prepared by the Developer, Dunes Parcel, L.L.C., and is based upon 100% occupancy. The Developer shall not be responsible for any increase in the Common Expenses of Dunes Condominium Association, Inc. ("Association") occasioned by increases in the respective cost of water, sewer, maintenance, utilities, insurance, or other matters. The fiscal management of the Association shall be governed by the Board of Directors of the Association as set forth in the Declaration and By-laws of the Association. Buyer is responsible for the payment of all utilities individually metered or connected to his Unit. The estimated Common Expense is deemed reasonably accurate and adequate as of the date of its preparation, but no warranty or guarantee is intended. The assessment for the Beach Mouse Fund, as determined by the Permit issued by the U.S. Fish and Wildlife Department will be individually assessed and is not considered as a part of the Budget. No unit owner shall be exempt from paying his/her proportionate share of the common or limited common expense or Beach Mouse assessment by waiver or nonuse or nonenjoyment of the common elements.

EXHIBIT "G"

COPY OF THE U. S. FISH AND WILDLIFE PERMIT ISSUED IN CONNECTION WITH
THE PLANNED UNIT DEVELOPMENT IN WHICH THIS CONDOMINIUM PROJECT IS
LOCATED.



FEDERAL FISH AND WILDLIFE PERMIT

3-201
(10/86)

2. AUTHORITY-STATUTES

16 USC1539(a)(1)(B)

REGULATIONS (attached)

50 CFR §13 & 17

3. NUMBER

PRT-811416

4. RENEWABLE

5. MAY COPY

XXXX YES

XXXX YES

NO

NO

6. EFFECTIVE

5/13/96

7. EXPIRES

5/31/2026

1. PERMITTEE

SAGE DEVELOPMENT COMPANY, LLC
307 WOODBRIDGE CIRCLE
DAPHNE, ALABAMA 36526
PHONE: 334/626-8123

8. NAME AND TITLE OF PRINCIPAL OFFICER (Name and Title)

KEN STRIPLIN, MANAGING MEMBER, INCIDENTAL TAKE

10. LOCATION WHERE AUTHORIZED ACTIVITY MAY BE CONDUCTED

A PROJECT SITE SOUTH OF HIGHWAY 180, 2.5 MILES WEST OF HWY 30 IN GULF SHORES, ALABAMA, 9/10 MILE EAST OF FORT MORGAN STATE PARK, BALDWIN COUNTY, ALABAMA SECTION 23, TOWNSHIP 9S, RANGE 1 EAST, ENCOMPASSING 25.7 ACRES.

11. CONDITIONS AND AUTHORIZATIONS

- A. GENERAL CONDITIONS SET OUT IN SUBPART D OF 50 CFR 13, AND SPECIFIC CONDITIONS CONTAINED IN FEDERAL REGULATIONS CITED IN BLOCK #2 ABOVE, ARE HEREBY MADE A PART OF THIS PERMIT. ALL ACTIVITIES AUTHORIZED HEREIN MUST BE CARRIED OUT IN ACCORD WITH AND FOR THE PURPOSES DESCRIBED IN THE APPLICATION SUBMITTED. CONTINUED VALIDITY, OR RENEWAL, OF THIS PERMIT IS SUBJECT TO COMPLETE AND TIMELY COMPLIANCE WITH ALL APPLICABLE CONDITIONS, INCLUDING THE FILING OF ALL REQUIRED INFORMATION AND REPORTS.
- B. THE VALIDITY OF THIS PERMIT IS ALSO CONDITIONED UPON STRICT OBSERVANCE OF ALL APPLICABLE FOREIGN, STATE, LOCAL OR OTHER FEDERAL LAW.
- C. VALID FOR USE BY PERMITTEE NAMED ABOVE, AND ANY AUTHORIZED AGENTS.
- D. ACCEPTANCE OF THIS PERMIT SERVES AS EVIDENCE THAT THE PERMITTEE AND ITS AUTHORIZED AGENTS UNDERSTAND AND AGREE TO ABIDE BY THE TERMS OF THIS PERMIT AND ALL SECTIONS OF TITLE 50 CODE OF FEDERAL REGULATIONS, PARTS 13 AND 17, PERTINENT TO ISSUED PERMITS. SECTION 11 OF THE ENDANGERED SPECIES ACT OF 1973, AS AMENDED, PROVIDES FOR CIVIL AND CRIMINAL PENALTIES FOR FAILURE TO COMPLY WITH PERMIT CONDITIONS.

XX BLOCK 11 OF THIS PERMIT CONSISTS OF ITEMS A-O (10 PAGES TOTAL)

12. REPORTING REQUIREMENTS

REPORTS WILL BE PROVIDED TO THE U.S. FISH AND WILDLIFE SERVICE OFFICES APPEARING IN CONDITIONS M, N, and O OF THIS PERMIT. THE FIRST REPORT IS DUE MAY 30, 1997.

ISSUED BY:

TITLE

DATE

DEPUTY REGIONAL DIRECTOR, FWS,
SOUTHEAST REGION

Instrument 615931 Page 91 of 101
MAY 15 1996

ORIGINAL

SAGE DEVELOPMENT COMPANY, LLC
 307 WOODBRIDGE CIRCLE
 DAPHNE, ALABAMA 36526
 PHONE: 334/626-8123
 PRT-811416

- E. The Permittee owns a ±25.7-acre tract on the Port Morgan Peninsula, Baldwin County, Alabama and plans a real estate development called The Dunes on the Site (Project). This permit authorizes incidental taking of *Peromyscus polionotus ammobates* on all of the Project's lands north and outside of the designated *Peromyscus polionotus ammobates* critical habitat as described in Title 50 Code of Federal Regulations § 17.95. For an area within the critical habitat of the project, encompassing approximately 8 acres, incidental taking of *Peromyscus polionotus ammobates* is restricted to only those reasonable activities associated with construction and maintenance of (one) dune walkover. Incidental take as described above is authorized for construction activities and subsequent human habitation of the project for a period of 30 years, subject to the continued validity of the permit.
- F. The nature of the Project is as a residential development, eventually transferring titles and control of the Project to properly zoned lots of the Port Morgan Community Owners Association, Incorporated (Association). The permittee, SAGE Development Company, LLC, is transferring the Project to the Association, using The Declaration (see Condition G.3, below), of their intent to transfer the Project to the Association as described in this permit. All conditions of this permit automatically can be assigned and transferred to each Owner and the Association and shall run with the real property encompassed by the Project. The permittee shall be defined as those entries which hold fee simple title to any portion of the real property identified in the HCP and this permit over the duration of the permit.
- G. The following measures will be employed by the permittee to ensure that *Peromyscus polionotus ammobates* take is minimized and fully mitigated.
1. For an approximately 8-acre area within *Peromyscus polionotus ammobates* designated critical habitat, the Permittee shall limit any disturbances to that reasonably expected to occur during construction of the Project's one elevated boardwalks. No vehicular equipment is allowed to operate within critical habitat for construction of the Project's boardwalk. Withstanding this exception, the permittee shall not disturb, nor grant permission to any person, firm, or entity which would result in a disturbance to this 8-acre area.
 2. The Permittee shall permit the U.S. Fish and Wildlife Service personnel, State of Alabama Department of Conservation personnel or other properly permitted and qualified persons designated by either agency to enter the Project boundaries at reasonable hours and times for the general purposes specified in Part 50 Code of Federal Regulations § 13.21(d)(2).

CONTINUED...

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SAGE DEVELOPMENT COMPANY, LLC
 307 WOODBRIDGE CIRCLE
 DAPHNE, ALABAMA 36526
 PHONE: 334/626-8123
 PRT-811416

G. (Continued)

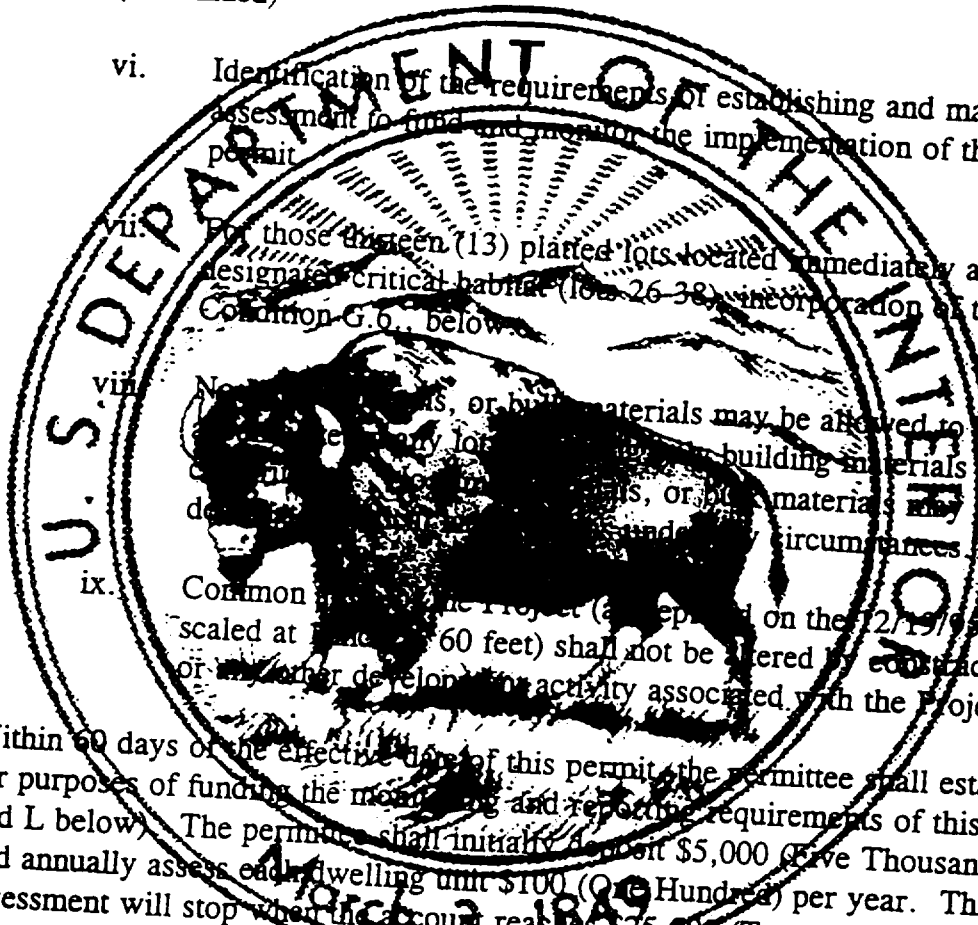
3. The permittee shall establish covenants, restrictions, and conditions, on each Owner and the Association (The Declaration). The Declaration must be approved by the U.S. Fish and Wildlife Service and properly executed as a legal instrument bound to any subsequent owners of the real property of the project. The Declaration must mandate the following minimum performance standards for purposes of protecting *Peromyscus polionotus ammobates*.
- A brief description of information on the need, intent, and purposes of this permit, and compliance of *Peromyscus polionotus ammobates*.
 - Identification of the responsibilities contained in the permit.
 The permittee is required to provide a copy of the permit to each Owner at or before closing of each lot in the Project. In addition, each Owner shall maintain a copy of the permit in the residence for use by lessees or others who hold under the Owner. The responsibilities to be identified include the following:
 - Cats are prohibited at all times within the Project.
 - Use of refuse containers which are scavenger proof and rodent-proof.
 - The necessity of compliance with the Project's Lighting Plan, including the requirements of specific performance and design standards for each dwelling unit and common areas as established in the Lighting Plan.
 - All plant species used for landscaping individual lots must be selected from an indigenous plant list approved by U.S. Fish and Wildlife Service. No turf grasses will be allowed. Variances or exceptions to this requirement for landscaping of individual lots will be considered by U.S. Fish and Wildlife Service upon request. This request may come from an Owner, or for the Project by Sage Development Company, LLC, or the Association.
 - Dune walkover design and placement shall be coordinated with the U.S. Fish and Wildlife Service so as to minimize damage to the dune system and *Peromyscus polionotus ammobates*.

CONTINUED...

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SAGE DEVELOPMENT COMPANY, LLC
 307 WOODBRIDGE CIRCLE
 DAPHNE, ALABAMA 36526
 PHONE: 334/626-8123
 PRT-811416

G. 3. b. (Continued)



- vi. Identification of the requirements of establishing and maintaining a special assessment to fund and monitor the implementation of the requirements of this permit.
- vii. For those thirteen (13) planted lots located immediately adjacent to the designated critical habitat (lots 26-38), incorporation of the requirements of Condition G.6., below.
- viii. No new trees, or building materials may be allowed to be kept, stored, or used on any lot adjacent to the building materials during home construction, or building materials may be placed in designated critical habitat under any circumstances.
- ix. Common to the Project (as depicted on the 12/19/95 Project site plan scaled at 1 inch = 60 feet) shall not be altered by construction, landscaping, or any other development activity associated with the Project.
4. Within 60 days of the effective date of this permit, the permittee shall establish an account for purposes of funding the monitoring and reporting requirements of this permit (Sections K and L below). The permittee shall initially deposit \$5,000 (Five Thousand) in good funds and annually assess each dwelling unit \$100 (One Hundred) per year. This annual assessment will stop when the account reaches \$25,000 (Twenty-five Thousand), at which time the assessments shall temporarily cease. At such time thereafter, as the fund balance falls below \$10,000 (Ten Thousand), the \$100 per year per dwelling unit assessment will resume and will continue until the fund balance again reaches \$15,000 to ensure the permit conditions are successfully implemented. The Declaration must identify that the special assessment for implementation of the permit cannot be dissolved under any procedures or circumstances outlined in the Declaration.
5. Within 60 days of the effective date of this permit, the permittee shall deposit, in a federally chartered bank or other financial institution acceptable to the U.S. Fish and Wildlife Service, \$50,000 (Fifty Thousand) in good funds. These monies will be used to acquire property of quantity and quality sufficient to compensate for unavoidable and minimize impacts in the project area, and may include pre-acquisition expenses. These funds may also be used for other purposes consistent with the conservation and recovery of *Peromyscus polionotus ammobates*. The U.S. Fish and Wildlife Service will direct the permittee on appropriate expenditures for this condition. The U.S. Fish and Wildlife Service must approve all fund expenditures.

CONTINUED...

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SAGE DEVELOPMENT COMPANY, LLC
 307 WOODBRIDGE CIRCLE
 DAPHNE, ALABAMA 36526
 PHONE: 334/626-8123
 PRT-811416

G. (Continued)

6. The following conservation measures are mandatory for thirteen (13) lots of the Project which are platted immediately adjacent to and abutting designated critical habitat:
- a. The Permittee will post signs and monument permanent reference points for the inland boundary of critical habitat prior to the initiation of any construction and/or land alteration. The Permittee's engineering consultant will relocate the position of critical habitat based on instrument survey from reference control points established during the original survey. At least two permanent monuments delimiting the inland boundary of critical habitat are required. The surveyor must also mark the location of the inland boundary between each single family lot (lots 26-38) adjacent to critical habitat. The Permittee must post signs denoting critical habitat at each point on the inland boundary between these lots.
 - b. A temporary fence will be placed on the boundary of critical habitat during residential construction on lots 26-38. The fence may consist of wire, wood, or plastic (e.g. silt fence), extending from the ground surface upward to a height of at least four feet. The fence must consist of materials and a design so that construction workers or their equipment may not pass through or accidentally pass onto critical habitat. Construction personnel and their equipment will be prohibited from working or otherwise operating within critical habitat on the seaward side of the construction fence.
 - c. The Permittee will establish covenants that prohibit construction, storage, and recreational or related uses in critical habitat fronting each residence on lots 26-38.
 - d. All construction contractors must be notified of the prohibitions against construction, equipment, or personnel within critical habitat.
 - (e) Landings and stairways to all decks located on the south side of residences 26-28, adjacent to critical habitat, must be placed on the east or west side of the deck structure. Stairs and landings are prohibited on the south side of decks, facing critical habitat. These measures will be identified and established as covenants on these lots in the Declaration (Condition G.3., above).

CONTINUED...

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SAGE DEVELOPMENT COMPANY, LLC
 307 WOODBRIDGE CIRCLE
 DAPHNE, ALABAMA 36526
 PHONE: 334/626-8123
 PRT 811416

G. 6. (Continued)

- f. After completion of the habitable structure on each lot, the respective owner shall restore an area not within the footprint with native landscaping. Upon approval and completion of construction, this area shall be surveyed and recorded on the individual lots as a preserve area for *Peromyscus polionotus annulatus*. A certified survey, as built, of each lot's construction and associated Dune Restoration Plan shall be provided to the U.S. Fish and Wildlife Service in the Permittee's annual reporting.

7. The Permittee shall, prior to the construction of the boardwalk and those dune features impacted by the construction, notify the U.S. Fish and Wildlife Service prior to the construction of the boardwalk and those dune features impacted by the construction. To ensure that the Permittee meets the requirements of the permit in compliance with the Alabama Department of Environmental Management permit (ADEM), the Permittee shall notify the U.S. Fish and Wildlife Service simultaneous to notification of ADEM. The U.S. Fish and Wildlife Service, ADEM, and the Permittee shall meet on-site to discuss the requirements and performance standards of this condition. The U.S. Fish and Wildlife Service must approve all requirements and standards of the restoration effort described in this condition. The objective of this condition is to ensure that any damaged or disturbed area is restored. The Permittee shall also provide a funding source for implementation of the Dune Restoration Plan, which is independent of the funding as described in Items G.4. and G.5. of this permit.

8. The permittee shall prepare a specific lighting plan for the Project (Lighting Plan). The Lighting Plan must be incorporated into the project's construction plan. The goals of the Lighting Plan will be: 1) No outdoor light sources will illuminate the wet beach or primary dune line; 2) All exterior lighting will be recessed or shielded so light will not fall on adjacent undeveloped areas; and 3) Interior lighting should be reduced using tinted glass on structures abutting critical habitat.

Impact reduction methodologies should follow those outlined in attached document (*Understanding, Assessing, and Resolving Light-Pollution Problems on Sea Turtle Nesting Beaches*) which is incorporated as a technical appendix to this permit. The U.S. Fish and Wildlife Service must approve the Lighting Plan.

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H. The following measures will be employed by the permittee to provide for permit implementation and monitoring.

1. Within 1 year of the effective date of this permit, the permittee shall prepare and publish for distribution within the Project an information and educational brochure on the conservation of *Peromyscus polionotus ammobates* and nesting marine sea turtles.
2. Within 1 year of the effective date of this permit, the permittee shall install and maintain a sign describing *Peromyscus polionotus ammobates*, and nesting marine sea turtles and its habitat. The sign shall be placed at the entrance of the common dune walkover of the Project frequented by nesting marine sea turtles.

I. The following measures shall be employed by the permittee to provide for permit monitoring. All items in this section concerning monitoring of the Project and clearing activities have been initiated on four of the thirteen months during the designated *Peromyscus polionotus ammobates* critical habitat. Where appropriate, specific performance measurements for noncompliance have been identified. Where noncompliance is indicated or discovered during routine or required reporting periods, immediate notification and remedial actions are required.

1. During spring, summer, and fall quarters of the calendar year, the permittee shall perform a survey documenting presence or absence of *Peromyscus polionotus ammobates* and of house mice, *Mus musculus*, a known competitor of *Peromyscus polionotus ammobates*. The survey shall be performed by qualified and permitted agents of the permittee, approved by the U.S. Fish and Wildlife Service. The methodology and design of the survey must be acceptable to the U.S. Fish and Wildlife Service. The presence of competitors shall not constitute noncompliance with protection of *Peromyscus polionotus ammobates* unless the presence of *Mus musculus* constitutes 15 percent or greater of the total captures. All *Mus musculus* are to be destroyed upon capture.

If the number of *Mus musculus* exceeds 15 percent of total captured rodents, then the permittee is not in compliance. The permittee shall immediately institute a monthly competitor control trapping program, funded by the special assessment fund identified in Item G.4., above. The trapping program shall remove all *Mus musculus* until such time this species' occurrence falls below 15 percent of the sample. Once *Mus musculus* occurrence falls below 15 percent, the control program shall cease, and the routine sampling (e.g., spring, summer, and fall) shall be reinstated.

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I. (Continued)

2. Simultaneous with the monitoring program as outlined in I.1., above, the permittee shall conduct a census for the presence or absence of free roaming cats (*Felis domesticus*) within the Project. The survey shall be performed by qualified and permitted agents of the permittee, approved by the U.S. Fish and Wildlife Service. Walking transects shall be established so as to provide census coverage of 100 percent of the Project's total area. Track and occurrence data should be recorded. If available, information on free-roaming cats obtained by residents should also be summarized in this report. Should the surveys or other reports document presence of free roaming cats, the permittee shall immediately institute a trapping program. All animals will be transported to the nearest animal shelter or adoption facility. In addition, the species-specific trapping program shall be employed until weekly trapping is no longer warranted in the presence of free-roaming cats in the Project.
3. Within 45 days after the initiation of the trapping effort, the permittee shall provide a report to the U.S. Fish and Wildlife Service. The report will document the results of the sampling efforts and update the status and progress of the competitor control program, if necessary. Information collected as a result of the activities in I.1. and I.2. must also be provided to the U.S. Fish and Wildlife Service during each annual reporting period.

J. For each year the permit is valid, the permittee will submit an annual report to U.S. Fish and Wildlife Service by May 30. The annual report shall outline and describe implementation and success of minimization measures. The permittee shall identify non-compliance and measures employed to remediate the non-compliance. The annual report shall address the following:

1. Control of *Mus musculus*.
2. Free-roaming cat control.
3. Garbage and refuse control.
4. Establishment of educational/informational materials and signage.
5. Dune integrity and status of the common dune crossovers.
6. Progress on landscaping requirements of the Project.
7. The Lighting Plan.

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J. (Continued)

8. The status of all restoration and maintenance efforts
9. Status of the \$50,000 endowment fund
10. Status and a description of changes made, if any, to the Declaration
11. Information explaining the extent of construction of the Project
12. An accounting of all costs incurred
13. Report any employment
14. Include any corrective measures or other changes that may be necessary to improve the efficacy of the permit.

K. The Permittee and the U.S. Fish and Wildlife Service acknowledge that even with the above detailed provisions for mitigating and/or minimizing impacts to *Peromyscus polionotus ammobates* or nesting marine sea turtles, circumstances could arise which were not fully anticipated by this Permit and which are considered unforeseen. Such circumstances may become apparent either to the Permittee, the Association, Owners, authorized agents, or to personnel of the U.S. Fish and Wildlife Service. For purposes of implementation of this condition, unforeseen circumstances are defined as any significant, unanticipated adverse change in the status of species; any significant, unanticipated adverse change in impacts of the Project or in other factors upon which the HCP and Permit are based; or any other significant new information relevant to the Permit and Project that was unforeseen by the Permittee and the U.S. Fish and Wildlife Service that could give rise to the need to review the Permittee's conservation program. If unforeseen circumstances arise, the Permittee and the contact office of the U.S. Fish and Wildlife Service shall meet within 20 (twenty) working days following notice of such unforeseen circumstances. The Permittee and the U.S. Fish and Wildlife Service shall agree to appropriate measures and begin their implementation within an additional 30 (thirty) working days. Failure by the Permittee to implement appropriate and reasonable measures within 90 (ninety) days of discovering unforeseen circumstances may constitute grounds for permit suspension or revocation.

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- L. Upon locating a dead, injured, or sick *Peromyscus polionotus annobates*, nesting sea turtles, or any other endangered or threatened species, initial notification must be made immediately to the U.S. Fish and Wildlife Service Law Enforcement Office, Atchafalaya Building, Room 819, 474 South Court Street, Montgomery, Alabama 36104. The phone number is 334/226-7228. Notification should also be made (by the next work day) to the local U.S. Fish and Wildlife Service, address and telephone number noted in Condition M below. Care should be taken in handling sick, injured, or dead specimens to ensure effective treatment or to preserve biological materials for later analysis. In conjunction with the care of sick or injured endangered species or preservation of biological materials from a dead animal, the permittee should take responsible steps to ensure that the site is not unnecessarily disturbed.

- M. For purposes of this monitoring, the permittee shall comply with the conditions of this permit, including unforeseen circumstances. The contact information for the nearest local U.S. Fish and Wildlife Service office is:

U.S. Fish and Wildlife Service
P.O. Drawer 1190
Daphne, Alabama 36526
Telephone: 334/441-5181

- N. Copies of annual reports and any other documentation submitted in response to the operation and management of this permit shall also be provided to:

Endangered and Threatened Species Permits
U.S. Fish and Wildlife Service (AES/TE/P)
1875 Century Boulevard, Suite 200
Atlanta, Georgia 30345
Telephone: 404/679-7110

- O. Copies of annual reports and any other documentation submitted in response to the operation and management of this permit shall also be provided to:

Field Supervisor
U.S. Fish and Wildlife Service
6578 Dogwood View Parkway, Suite A
Jackson, Mississippi 39213
Telephone: 601/965-4900

END

EXHIBIT "H"

LEGAL DESCRIPTION OF ADDITIONAL PHASE

Lot 51B, of a resubdivision of Lot 51, The Dunes, a subdivision, Phase II, as the same is recorded on Slide 1937-A, in the office of the Judge of Probate, Baldwin County, Alabama.

NOTE: THE DEVELOPER DOES NOT COMMIT ITSELF TO DEDICATING ALL OR ANY PART OF THE ABOVE DESCRIBED PROPERTY TO THE CONDOMINIUM FORM OF OWNERSHIP.