

COUNTY OF BALDWIN
STATE OF ALABAMA

DECLARATION OF CONDOMINIUM
OF
SUNSET BAY VILLAS, A Condominium

THIS DECLARATION, made this _____ day of _____ 2001, by
SUNSET BAY VILLAS, L.L.C., an Alabama limited liability company, herein called
the "DEVELOPER", for itself, its successors, grantees and assigns.

DISCLOSURE

THIS DECLARATION RELATES TO SUNSET BAY VILLAS, A CONDOMINIUM. THIS CONDOMINIUM HAS NOT BEEN BUILT. THE DEVELOPER IS RESERVING THE RIGHT TO ELECT NOT TO BUILD THE CONDOMINIUM. THIS RIGHT, AS PROVIDED FOR IN THE PRECONSTRUCTION PURCHASE AND ESCROW AGREEMENT, EXPIRES OCTOBER 1, 2005, AND IS BASED ON THE SALE OF FEWER THAN TWENTY(20) CONDOMINIUM UNITS. THEREFORE, THE CONDOMINIUM IMPROVEMENTS NEED NOT BE BUILT.

RECITALS

1. The DEVELOPER is the fee simple Owner of that certain parcel of Real Property situated in the County of Baldwin, State of Alabama, hereinafter more particularly described, and intends to improve said Real Property in the manner set out herein.

2. The DEVELOPER proposes to establish a Condominium pursuant to the provisions of the Alabama Uniform Condominium Act of 1991.

3. The DEVELOPER proposes to develop the Condominium in up to twenty (20) phases, but reserves the right and option, in its sole discretion, to complete only the phase or phases which market or other relevant conditions may dictate.

4. Phase I-A will consist of seven (7) buildings containing a total of twenty-one (21) Units, together with access, parking and appurtenant facilities as hereinafter described.

5. The DEVELOPER proposes by the terms of this DECLARATION to submit to the condominium form of ownership that certain real property more specifically described on Exhibit "A" attached hereto and by reference made a part hereof, said property sometimes being referred to herein as "Phase I-A" of the CONDOMINIUM. Provided, however, the DEVELOPER reserves the right not to submit the property described on EXHIBIT "A" to the condominium form of ownership as set forth in the "DISCLOSURE" paragraph above.

6. The DEVELOPER may improve the Real Property described on Exhibit "B" attached hereto and made a part hereof by constructing thereon additional Condominium Units, which said lands and improvements may be submitted to the condominium form of ownership and use, by amendment or amendments to this Declaration, in one or more additional phases.

7. It is the intent of the DEVELOPER that should all or a portion of the property described on Exhibit "B" be submitted to the terms of this Declaration by amendment or amendments thereto as a subsequent phase of the Condominium, as hereinafter provided, such property shall be operated and administered as a condominium Property in the same manner as Phase I-A.

8. Phase I-A of the condominium will be created by the recording of this Declaration, which may be amended by the DEVELOPER as herein provided without requiring the approval or consent of any of the Unit Owners. In no event will Phase II or any subsequent phase have the benefit of the common elements created and established for Phase I-A, nor will Phase I-A have the benefit of the common elements created and established for Phase II or any subsequent phase unless and until such subsequent phase or phases is included in the Condominium by appropriate Incremental Certificate of Amendment to this Declaration as hereinafter provided.

9. The DEVELOPER proposes to construct the CONDOMINIUM substantially in accordance with the PLANS, subject, however, to modifications and amendments approved solely by the DEVELOPER. In the event that there is a conflict or ambiguity between the PLANS and the brochures, advertisement, or other drawings, it is agreed that the PLANS shall govern. The DEVELOPER, at its sole option, may develop the project on an incremental basis by filing, within twenty (20) years from the date of the recording of the DECLARATION OF CONDOMINIUM, a certificate or certificates of incremental amendment to the DECLARATION at the time of or prior to the recordation of the conveyance of the first UNIT in a subsequent phase; provided, however, that if any subsequent phase be not incorporated in the

CONDOMINIUM by filing of such certificate or certificates of incremental

development amendment on or before twenty (20) years from the date of the recording of the DECLARATION or if the DEVELOPER shall at any time elect not to proceed with the development of a subsequent phase or phases, then the property not so incorporated into the CONDOMINIUM by the filing of such certificate or certificates, and the improvements to be constructed thereon, shall not be or become a part of the CONDOMINIUM except by amendment of the DECLARATION in the manner provided for therein, and the DEVELOPER shall have the right to use and/or dispose of, and to lease, rent, mortgage, encumber, use, occupy, construct, improve or otherwise utilize any such property for any present or future use that is permitted under the laws of the State of Alabama free and clear and discharged of the provisions of the DECLARATION and of this AGREEMENT and the total CONDOMINIUM PROPERTY shall consist only of the CONDOMINIUM PROPERTY created by the condominium documents. The improvements referred to in the PLANS and in this PRECONSTRUCTION PURCHASE AND ESCROW AGREEMENT "NEED NOT BE BUILT", and the DEVELOPER is not obligated to complete any improvements.

NOW, THEREFORE, the DEVELOPER, hereby makes the following Declaration.

DEFINITIONS

The terms used in this Declaration and in the Bylaws shall have the meanings stated in the Alabama Uniform Condominium Act of 1991, and as follows, unless the context otherwise requires:

1.01. "ACT" means the Alabama Uniform Condominium Act of 1991, Code of Alabama (1975), Section 35-8A-101, et seq.

1.02. "ARTICLES" means the Articles of Incorporation of the Association, recorded in the office of the Judge of Probate of Baldwin County, Alabama, identified as EXHIBIT "C" attached hereto and made a part hereof as if set out fully herein.

1.03. "ASSESSMENT" means a proportionate share of the funds required for the payment of the COMMON EXPENSES which from time to time may be levied against each UNIT OWNER.

1.04. "ASSOCIATION" means SUNSET BAY VILLAS CONDOMINIUM OWNERS ASSOCIATION, INC., an Alabama not for profit corporation, and its successors, and is the corporation organized under the ACT.

1.05. "BOARD" means the Board of Directors of the Association.

1.06. "BUILDING" means all structures or structural improvements located on the REAL PROPERTY and forming part of the CONDOMINIUM.

1.07. "BYLAWS" means the duly adopted BYLAWS of the ASSOCIATION, identified as EXHIBIT "D" attached hereto and made a part hereof as if set out fully herein.

1.08. "COMMON ELEMENTS" means all portions of the condominium other than the UNITS.

1.09. "COMMON EXPENSES" means expenditures made by or financial liabilities of the ASSOCIATION, together with any allocations to reserves.

1.10. "COMMON SURPLUS" means the excess of all receipts of the Association arising out of the COMMON ELEMENTS over the amount of the COMMON EXPENSES.

1.11. "CONDOMINIUM" means SUNSET BAY VILLAS, a condominium, and consists of the CONDOMINIUM PROPERTY submitted to the CONDOMINIUM form of ownership by this DECLARATION.

1.12. "CONDOMINIUM DOCUMENTS" means the DECLARATION, BYLAWS, ARTICLES and all rules and regulations adopted by the ASSOCIATION and all exhibits attached thereto as the same may be amended from time to time.

1.13. "CONDOMINIUM PROPERTY" or "PROPERTY" means all property, both real, personal or mixed, which is submitted to the CONDOMINIUM form of ownership as provided for herein and includes the REAL PROPERTY and all improvements now existing or hereafter placed thereon and all easements, rights, interests or appurtenances thereto, and all personal property now or hereafter used in connection therewith.

1.14. "DECLARATION" means this DECLARATION of CONDOMINIUM and any amendments thereto which may be made from time to time.

1.15. "DEVELOPER" means SUNSET BAY VILLAS, L.L.C., an Alabama Limited Liability Company, and its successors and assigns.

1.16. "DEVELOPMENT" shall have the same meaning as "CONDOMINIUM PROPERTY" or "PROPERTY".

1.17. "DEVELOPMENT RIGHTS" shall have the same meaning as is defined in the ACT and as set out in the DECLARATION.

1.18. "ELIGIBLE MORTGAGEE" means any MORTGAGEE who has submitted to the ASSOCIATION a written request for notice of any proposed action concerning the CONDOMINIUM.

1.19. "LIMITED COMMON ELEMENT" shall have the same meaning as is defined in the ACT and as set out in the DECLARATION.

1.20. "MEMBER" means a member of the Association, membership in which is confined to Unit Owners.

1.21. "MORTGAGEE" means any lender holding a mortgage or vendor's lien on any part or all of the CONDOMINIUM PROPERTY.

1.22. "OCCUPANT" means a person or persons in possession of a Unit, regardless of whether that person is the Unit Owner.

1.23. "PERSON" means a natural person, a corporation, a partnership, a limited partnership, the Association, a Trustee, or other legal entity.

1.24. "PLANS" mean the site plan, floor plans, and elevations of the CONDOMINIUM prepared by an independent registered engineer or registered architect, which are marked EXHIBIT "E" and attached hereto and expressly made a part hereof as though fully set out herein. The PLANS contain a certificate of completion executed by an independent registered engineer or registered architect in accordance with the ACT. The PLANS contain a certification that the PLANS contain all information required by the ACT.

1.25. "REAL PROPERTY" means the REAL PROPERTY which is submitted to the CONDOMINIUM form of ownership as provided herein.

1.26. "SPECIAL DECLARANT RIGHTS" shall have the meaning as is defined in the ACT and as set out in the DECLARATION.

1.27. "UNIT" or "PRIVATE ELEMENT" shall have the meaning as "UNIT" is defined in the ACT. The UNITS are designated on the PLANS. A CONDOMINIUM RESIDENTIAL UNIT is a UNIT which will be used as a single family residence as provided for in the DECLARATION. The CONDOMINIUM RESIDENTIAL UNITS shall be located on levels one (1) (the ground level) through three (3), inclusive, in the BUILDING. The definitions of the UNITS enumerated above and other matters pertaining to the UNITS will be further defined and set out in this DECLARATION.

1.28. "UNIT OWNER" means any person (including the DEVELOPER) who owns a Unit but does not include a person having an interest in a Unit solely as security for an obligation.

1.29. "UTILITY SERVICES" shall include but not be limited to electrical power, water, gas, cable television, garbage and sewage disposal.

When the context permits, use of the plural shall include the singular, use of the singular shall include the plural, and the of any gender shall be deemed to include all genders.

NAME

2.01. The name by which this CONDOMINIUM is to be known as SUNSET BAY VILLAS, a Condominium. The CONDOMINIUM is located at 4 Yacht Club Drive, Daphne, County of Baldwin, State of Alabama.

THE REAL PROPERTY

3.01. The REAL PROPERTY owned by the DEVELOPER, which is herewith submitted to the CONDOMINIUM form of ownership, is that certain parcel of REAL PROPERTY lying and being in Baldwin County, Alabama, more particularly described in EXHIBIT "A", which is attached hereto and expressly made a part hereof as though fully set forth herein.

The REAL PROPERTY is subject to the following:

- A. Zoning, planning and other restrictions, regulations and other limitations imposed on the REAL PROPERTY, or the use thereof, by or under the Federal Coastal Zone Management Act, or other Federal law or regulation, or any Baldwin County zoning district or any other governmental authorities having jurisdiction over the REAL PROPERTY.
- B. Current ad valorem taxes not yet due and payable.
- C. Any easements which may be granted to public authorities and/or utility companies to provide for utility lines, equipment, etc., for utilities serving the CONDOMINIUM.

- D. Easements or claims of easements not shown by the public records.
- E. Encroachments, overlaps, boundary line disputes, and any other matter which would be disclosed by an accurate survey and inspection of the REAL PROPERTY.
- F. Inc., dated September 18, 1984 and recorded in Real Property Book 191, page 636.
- M. Non-exclusive easement permit for use of Sewer Line and Water line by and between Bay Village Partnership, an Alabama general partnership and Jerry W. Crawford, his heirs and assigns, dated October 31, 1984 and recorded in Real Property Book 195, page 1050.
- N. Rights of other parties to the non-exclusive easement for ingress and egress as described in Schedule A.
- O. The terms, conditions, covenants and provisions of the DECLARATION OF CONDOMINIUM, as amended, the ARTICLES OF INCORPORATION of the ASSOCIATION, the BYLAWS and RULES AND REGULATIONS of the ASSOCIATION.
- P. Construction Easement reserved by Developer Sunset Bay Villas, L.L.C. over the streets, common areas and limited common areas of Phase I-A.

PURPOSE

4.01. The DEVELOPER hereby submits the REAL PROPERTY described on EXHIBIT "A" together with all improvements, Buildings, structures, and all other permanent fixtures thereon, and all rights and privileges belonging or in any way pertaining thereto, to the CONDOMINIUM form of ownership and use in the manner provided for by the "Alabama Uniform Condominium Act of 1991",

Code of Alabama (1975), Section 35-8A-101, et seq. Said REAL PROPERTY described on Exhibit "A" is sometimes herein referred to as "Phase I-A" of the CONDOMINIUM.

DEVELOPMENT PLAN

5.01. Plans. The improvements for Phase I-A are substantially completed in accordance with the PLANS, as evidenced by the Certificate of Completion executed by an independent registered architect or registered engineer.

5.02. Amendment. The DEVELOPER shall have the unilateral right, privilege, and option from time to time at any time (subject to the provisions of this DECLARATION) to subject any part or all of the property described in EXHIBIT "B" to the provisions of this DECLARATION. This DECLARATION may be amended by the DEVELOPER without the consent of any UNIT OWNER, MORTGAGEE, or other PERSON in order to exercise any DEVELOPMENT RIGHTS or SPECIAL DECLARANT RIGHTS so long as said amendment complies with the requirements of the ACT.

5.03. Subsequent Phases.

A. Generally. The property described on EXHIBIT "B", which the DEVELOPER may or may not submit to the CONDOMINIUM form of ownership and use at a future date or dates as Phase II or any subsequent phase of the CONDOMINIUM, is not hereby submitted to the CONDOMINIUM form of ownership and use. However, subject to and in accordance with the following terms and provisions, said property, or a portion or portions thereof, including any portion or portions of Phase II or any subsequent phase, may be submitted to the CONDOMINIUM form of ownership and use in separate or different parcels at different times by amendment or amendments to this DECLARATION. No assurance is made concerning whether or not Phase II or portion thereof, or any subsequent phase or phases or portion thereof, will be or will not be submitted to the CONDOMINIUM form of ownership nor is any assurance made concerning the boundaries of Phase II, or portion thereof or any subsequent phase or phases or portion thereof. The exercise by the DEVELOPER of any DEVELOPMENT RIGHTS on any portion of the REAL ESTATE does not obligate the DEVELOPER to exercise said right in all or any other portion of the remainder of the REAL ESTATE. The maximum number of UNITS which the DEVELOPER reserves the right to create is one hundred forty (140).

B. Common Elements and Limited Common Elements. Phase II and any subsequent phase, if submitted to the terms of this DECLARATION, shall contain COMMON ELEMENTS and LIMITED COMMON ELEMENTS consistent, but not identical, with and complimentary to those existing in Phase I.

C. Phasing Amendments. Phase II and any subsequent phase, may, or may not, be added to, and made subject to, this DECLARATION by the execution, by the DEVELOPER alone, of an amendment to this DECLARATION, which said amendment shall comply with the provisions of the ACT and shall be recorded in the Probate Court Records of Baldwin County, Alabama. Such amendment shall have attached to it exhibits similar to those attached to this DECLARATION, describing the PROPERTY so submitted to the DECLARATION and containing such other information concerning said PROPERTY and the improvements constructed, or to be constructed, thereon as is required by law.

D. Time Limitation. The right of the DEVELOPER to add Phase II and any subsequent phase, to the CONDOMINIUM as herein provided shall cease and terminate twenty (20) years from the date of the recording of this DECLARATION in the office of the Judge of Probate of Baldwin County, Alabama, and only that property which shall have been submitted to this DECLARATION prior to said date shall be deemed to have been validly submitted to this DECLARATION. Except as provided in the preceding sentence, no other time limitation shall be imposed on the right of the DEVELOPER to add any additional phases.

E. Effect. Once Phase II and any subsequent phase has been submitted to the terms and provisions of this DECLARATION, it shall comprise a portion of the CONDOMINIUM, to be governed by and subject to all of the provisions of the CONDOMINIUM DOCUMENTS to the extent that said documents are not inconsistent with the provisions of the amendment adding such phase or phases to this DECLARATION.

5.04 Agreement. Each PERSON or entity who shall acquire any UNIT in the CONDOMINIUM or interest in or lien upon any such UNIT, regardless of whether said UNIT shall be located in Phase I or any subsequent phase or any portion of said phases shall be deemed, by accepting a conveyance of or otherwise acquiring such UNIT, interest or lien, to have agreed and consented, within the meaning of this DECLARATION and of the ACT to be bound by the terms and provisions hereof and to have further agreed and consented that any amendment to this DECLARATION executed by the DEVELOPER alone pursuant hereto shall be binding and effective as written notwithstanding the fact that the undivided interest of the UNIT OWNERS in the COMMON ELEMENTS will be changed thereby.

5.05 Proviso. Anything contained herein to the contrary notwithstanding, DEVELOPER does not hereby commit itself to submit Phase II or any subsequent phase or phases, in whole or in part, to the CONDOMINIUM form of ownership and use under the terms of this DECLARATION, and unless submitted to the terms of this DECLARATION under the provisions hereof, DEVELOPER shall have the right to develop the same or any portion thereof, in any manner and to any extent that it sees fit or to decline to develop said property entirely.

5.06. Easements. Easements are reserved to the DEVELOPER throughout the COMMON ELEMENTS as may be reasonably necessary for the purpose of discharging the DEVELOPER'S obligations or exercising any SPECIAL DECLARANT RIGHTS. Developer also reserves a construction easement over the streets and COMMON ELEMENTS of Phase I-A for the purpose of constructing and maintaining all phases of the CONDOMINIUM.

Each of the following easements are reserved to the Association for the benefit of the UNIT OWNERS, their guests and lessees and is a covenant running with the REAL PROPERTY:

A. Utilities and Drainage. Easements are reserved throughout the CONDOMINIUM PROPERTY as may be required for UTILITY SERVICES and drainage in order to adequately serve the CONDOMINIUM; provided, however, such easements to a UNIT shall be only in accordance with the PLANS or as the improvements are constructed, unless approved in writing by the UNIT OWNER. Each UNIT shall have an easement as may be required to drain the CONDOMINIUM PROPERTY adequately. Each UNIT OWNER shall have an easement in common with the OWNERS of all other UNITS to use all pipes, wires, ducts, cables, conduits, public utility lines and other COMMON ELEMENTS located in any of the other UNITS and serving his UNIT. Each UNIT shall be subject to an easement in favor of the OWNERS of all other UNITS to use all pipes, ducts, cables, wires, conduits, public utility lines and other COMMON ELEMENTS serving such other UNITS and located in such T. The Association shall have a right of access to each UNIT to inspect the same, to remove violations therefrom, and to maintain, repair or replace the COMMON ELEMENTS contained therein or elsewhere on the CONDOMINIUM PROPERTY; provided such right of access, except in the event of an emergency, shall not unreasonably interfere with the UNIT OWNERS permitted use of the UNIT, and except in the event of emergency, entries shall not be made without prior notice to the UNIT OWNER.

B. Encroachments. If any portion of the COMMON ELEMENTS encroaches upon any UNIT, or if any UNIT encroaches upon any other UNIT or upon any portion of the COMMON ELEMENTS as a result of the construction of any Building, or if any such encroachment shall occur hereafter as a result of settling or shifting of any BUILDING, a valid easement for the encroachment and for the maintenance of the same shall exist so long as such BUILDING stands. In the event any BUILDING, any UNIT, any adjoining UNIT, or any adjoining COMMON ELEMENT shall be partially or totally destroyed as a result of fire, or other casualty or as a result of condemnation or eminent domain proceedings, and then rebuilt, encroachments of parts of the COMMON ELEMENTS upon any UNIT or of any UNIT upon any other UNIT or upon any portion of the COMMON ELEMENTS due to such rebuilding, shall be permitted, and valid easements for such encroachments

and the maintenance thereof shall exist so long as such BUILDING or BUILDINGS shall stand.

C. Support. Each UNIT shall have an easement of support and of necessity and shall be subject to an easement of support and of necessity in favor of all other UNITS, and COMMON ELEMENTS.

D. Access. Each UNIT shall have an easement for pedestrian traffic over, through, and across sidewalks, walks, lobbies, stairways, walkways and lanes, and passage ways, as the same may from time to time exist in the COMMON ELEMENTS; and for ingress and egress over, through and across such portions of the COMMON ELEMENTS as may from time to time be paved and intended for such purposes, but the same shall not give or create in any PERSON the right to park on any portion of the CONDOMINIUM PROPERTY not designated as a parking area nor shall it give or create in any PERSON the right to use or occupy a LIMITED COMMON ELEMENT designated for the exclusive use of others. This easement shall be non-exclusive and shall include the right of ingress and egress to a public street or highway upon and over COMMON ELEMENTS providing such access and as shown on the PLANS.

E. Pond Easement. Each UNIT shall have an easement for pedestrian traffic to the pier located on the pond described in Exhibit A.

5.07. General Description of Improvements. Phase I-A of the CONDOMINIUM PROPERTY consists essentially of seven (7) buildings, together with automobile parking areas, lawn and landscaping, and other facilities as more particularly set forth in the PLANS. The BUILDINGS comprising Phase I-A of the CONDOMINIUM will contain one (1) building with four (4) units of one (1) level and four (4) units of one and one-half (1 ½) levels; five (5) buildings each with two (2) units of two (2) levels; and one (1) building with three (3) units of two levels. There are eight (8) types of CONDOMINIUM RESIDENTIAL UNITS, in the DECLARATION OF CONDOMINIUM and on the PLANS.. All will additionally include covered parking and storage space on the ground level of each building as shown on the PLANS. There are eight (8) types of CONDOMINIUM RESIDENTIAL UNITS, which are more specifically described below in this DECLARATION OF CONDOMINIUM and on the PLANS. The amenities in the CONDOMINIUM will include a dock on Mobile Bay, a swimming pool, and a pier on the pond. NO other recreational amenities need be built by the Developer.

5.08. Units. (Private Elements). Each UNIT is assigned a number or letter or a combination thereof, which is indicated on the PLANS so that no UNIT bears the same designation as any other T. The legal description of each UNIT shall consist of the identifying number or letter or a combination thereof as shown on the PLANS, the name of the CONDOMINIUM, the name of the County

in which the UNIT is situated, the name of the office in which this DECLARATION is recorded, and the book and page number where the first page of this DECLARATION is recorded, the description and location of the particular UNITS and the appurtenances are determined with the aid of the PLANS. The UNIT boundaries are determined as follows:

A. Horizontal Boundaries. (Planes). The upper and lower boundaries extended to their planer intersections with the vertical boundaries of each UNIT shall be:

(1) Upper Boundary. The horizontal plane of the unfinished lower interior surface of the uppermost ceiling.

(2) Lower Boundary. The horizontal plane of the unfinished upper interior surface of the floor.

B. Vertical Boundaries. (Planes). The vertical boundaries of each UNIT shall be the vertical planes of the interior surfaces of exterior windows and glass doors bounding a UNIT and the unfinished interior surfaces of the walls and entry doors bounding the UNIT, excluding paint, wall paper, and light coverings, extended to their planer intersections with each other and with the upper and lower boundaries.

5.09. Type of Units. All Condominium Units are Residential Condominium Units. The different types of UNITS are more specifically shown on the PLANS and are generally described as follows: There are eight (8) types, Cove, Bay, Gulf, Inlet, Moorings, Port, Lagoon, and Harbor. Cove units shall consist of one (1) level containing approximately 972 square feet. Bay units shall consist of one (1) level containing 1010 square feet. Gulf units shall consist of one and one half (1 1/2) levels containing 1584 square feet. Inlet units shall consist of one and one half (1 1/2) levels containing 1690 square feet. Moorings, and Port units will consist of two (2) levels containing approximately 1680 square feet of living space per unit. Lagoon units will consist of two (2) levels containing approximately 1440 square feet. Harbor units will consist of two(2) levels containing approximately 1680 square feet. Cove, Bay, Lagoon, Moorings and Port, and Harbor units shall also include as part of the units the interior surfaces of the enclosed parking and storage area located immediately beneath the units as shown on the PLANS. Gulf and Inlet units shall all include and be assigned by the Developer, as part of the units one half (1/2) of the enclosed parking and storage space beneath the units as a designated parking area for that units.. The DEVELOPER retains the right to modify the size, number and floor plan of any Units hereafter constructed in any subsequent phase of the Condominium.

5.10. Unit Ownership. Each UNIT OWNER shall be entitled to the exclusive ownership and possession of his UNIT, which shall be owned in fee simple. Each UNIT OWNER shall have the um^mestricted right of ingress and egress

to his UNIT, which right shall be an appurtenance to his T. Each UNIT OWNER is subject to all the rights and duties assigned to UNIT OWNERS under the terms of the CONDOMINIUM DOCUMENTS. The DEVELOPER shall enjoy the same rights and shall have the same duties (as any other UNIT OWNER) with respect to UNITS owned by the DEVELOPER. The private elements of each UNIT shall consist of the following:

- A. The air space of the area of the BUILDING lying within the UNIT boundaries.
- B. The surfacing materials on the interior of the exterior walls and on interior walls separating one UNIT from another UNIT.
- C. The surfacing materials of all interior walls located within the boundaries of the UNIT.
- D. The surfacing materials of the floors and ceilings of the T.
- E. Whether or not furnished by the DEVELOPER all bathtubs, toilets and sinks, ranges, stove tops, refrigerators, dishwashers, garbage disposals, washers, dryers, air conditioning and heating units, lighting fixtures and all hardware and interior and exterior wall fixtures except those exterior lighting fixtures assigned to the common use of the CONDOMINIUM, and the power meter and its appurtenances.
- F. All interior trim and finishing materials.

5.11. Surfaces. A UNIT OWNER shall not be deemed to own the structural components of the perimeter wall and/or load-bearing walls, nor the windows and doors bounding the UNITS. A UNIT OWNER, however, shall be deemed to own and shall have the exclusive right and duty to repair and maintain, paint, repaint, tile, wax, paper, or otherwise finish and decorate the surfacing materials on the interior of exterior walls and on interior walls separating a UNIT from other UNITS, and the surfacing materials of the floors and ceilings of his UNIT; and all appurtenant installations, including all pipes, ducts, wires, cables, and conduits used connection therewith, for services such as power, light, telephone, sewer, water, heat and air conditioning, whether located in the boundaries of the UNIT or in common areas, which are for the exclusive use of the UNIT; and all ceilings and partition walls. A UNIT OWNER shall have the exclusive right and duty to wash and keep clean the interior and exterior surfaces of windows and doors bounding his UNIT.

5.12. Changes. The DEVELOPER reserves the right to change the interior design and arrangement of any or all UNITS owned by it, and also the right

to subdivide UNITS and convert UNITS into COMMON ELEMENTS.

5.13. Common Elements. Any right, title or interest in a UNIT shall automatically carry with it as an appurtenance and without the necessity of specific reference thereto its respective undivided share of the COMMON ELEMENTS and a right to use the COMMON ELEMENTS in conjunction with the other UNIT OWNERS. The COMMON ELEMENTS of the CONDOMINIUM are all portions of the CONDOMINIUM other than the UNITS and will include the common areas and facilities located substantially as shown on the PLANS. Such common areas and facilities will include the following:

- A. All of the REAL PROPERTY.
- B. All improvements and parts of the REAL PROPERTY which are not a UNIT or PRIVATE ELEMENT.
- C. All parking areas (even if assigned to the exclusive use of a UNIT), driveways and other means of ingress and egress, except the interior of the parking/storage areas assigned to each unit which is made a part of each unit.
- D. The mechanical systems and installations providing service to a BUILDING, or to any UNIT, such as electrical power, gas, light, hot and cold water, heating and air conditioning, sanitary and storm sewer facilities, and including all lines, pipes, ducts, flues, chutes,, conduits, cables, wires, and all other apparatus and installations in connection therewith, whether located in the COMMON ELEMENTS or in the UNITS, except when situated entirely within a UNIT for service only of that UNIT.
- E. All tangible personal property required for the maintenance and operation of the CONDOMINIUM and for the common use and enjoyment of the UNIT OWNERS.
- F. All foundations, slabs, columns, beams and supports of the BUILDING and such component parts of exterior walls and walls separating UNITS, roofs, floors and ceilings as are not described herein as PRIVATE ELEMENTS.
- G. Lawn areas, landscaping, walkways, sidewalks, curbs and steps.
- H. Exterior steps, ramps, handrails, stairs and stairwells.
- I. All tanks, pumps, pump houses, wells, motors, fans, compressors and control equipment, fire fighting equipment, elevator equipment, and garbage equipment which are not reserved for the use of certain OWNERS.
- J. All area outdoor and exterior lights metered to individual UNITS and supports and all entrance and related type signs.

K. The patios, balconies, terraces, porches, storage areas, and doorsteps or stoops affixed to each UNIT, though designated as a LIMITED COMMON ELEMENT.

L. One or more outdoor non-heated swimming pools and one (1) whirlpool, together with 2 outdoor covered pavilions measuring approximately 20 feet by 30 feet.

M. A walkway and dock approximately 225 feet long on Mobile Bay / D' Olive Bay.

N. An approximately 60 foot long pier in the pond or the property; together with a footbridge over the pond.

O. One (1) main entrance gate with a keypad or card controlled access system.

P. A private street through the condominium complex.

Q• All other parts of the CONDOMINIUM PROPERTY existing for the common use or necessity of the existence, maintenance and safety of the CONDOMINIUM

R. All other items listed as such in the ACT.

5.14. Limited Common Elements. The LIMITED COMMON ELEMENTS located on the PROPERTY and the UNIT to which they are assigned are as follows:

The patio, balcony, terrace, or porch abutting each CONDOMINIUM RESIDENTIAL UNIT are LIMITED COMMON ELEMENTS appurtenant to those UNITS to which they attach and whose use is restricted to UNITS they are appurtenant. Doorsteps or stoops, if any, providing access to a patio, balcony, terrace, or porch are assigned as a LIMITED COMMON ELEMENT to the UNIT to which the patio, balcony, terrace, or porch serves. The maintenance, repair, upkeep, and replacement of each patio, balcony, terrace, or porch, and the doorsteps or stoops, if any, providing access thereto shall be the responsibility of the ASSOCIATION. The boundary lines of each patio, balcony, terrace, or porch and attached to a UNIT are the interior vertical surfaces thereof and the exterior unpainted finished surface of the perimeter baluster or railing abutting the patio, balcony, terrace, or porch.

5.15. Development Rights. The DEVELOPER reserves the right to (1) add real estate to the CONDOMINIUM in the form of future phases and the

right to create UNITS, COMMON ELEMENTS and LIMITED COMMON ELEMENTS as provided for in Sections 5.02, 5.03, 5.04 and 5.05 of this DECLARATION; and (2) change the interior and exterior design and arrangement of any or all units owned by it, and also the right to subdivide units and convert UNITS into COMMON ELEMENTS as provided for in Section 5.12 of this DECLARATION. Provided, however, such DEVELOPMENT RIGHTS must be exercised on or before twenty (20) years from the date of the recording of this DECLARATION in the Office of the Judge of Probate of Baldwin County, Alabama. Nothing in §5.15 or any part of this DECLARATION or the OFFERING STATEMENT shall require the DEVELOPER to submit or add real estate to the CONDOMINIUM in the form of future phases.

5.16. Special Declarant Rights. In addition to the DEVELOPMENT RIGHTS reserved by DEVELOPER in Section 5.15 above, DEVELOPER also reserves the right to (1) complete improvements indicated on the plats and plans filed with this DECLARATION; (2) maintain one sales office, management office and model unit in each phase of the condominium and signs advertising the condominium. DEVELOPER reserves the right to devote such unit to all uses permitted by law, including, without limitation, the right to lease, rent, mortgage or convey said unit as DEVELOPER shall deem appropriate in its sole discretion; (3) use easements through the COMMON ELEMENTS for the purpose of making improvements within the CONDOMINIUM or within real estate which may be added to the CONDOMINIUM, or for the purpose of discharging DEVELOPER'S obligations or exercising SPECIAL DECLARANT RIGHTS, whether arising by law or reserved to DEVELOPER in the DECLARATION; and (4) appoint or remove any officer of the ASSOCIATION or any board member thereof during the period of DEVELOPER'S control as set forth in Section 7.11 of this DECLARATION. Provided, however, such SPECIAL DECLARANT RIGHTS must be exercised on or before twenty (20) years from the date of the recording of this DECLARATION in the Office of the Judge of Probate of Baldwin County, Alabama.

COMMON ELEMENTS

6.01. Ownership. A schedule setting forth the percentage of undivided interest in Phase I-A of each UNIT in the COMMON ELEMENTS is attached hereto, marked EXHIBIT "F" and by reference made a part hereof. The percentage of undivided interest in Phase I-A of each UNIT in the COMMON ELEMENTS is determined by dividing the total number of square feet of interior area of each UNIT in Phase I-A by the total number of square feet of interior area in all UNITS in Phase I-A. Upon the incorporation of Phase II or any subsequent phase into the CONDOMINIUM by incremental increase as elsewhere provided, the percentage of undivided interest of each UNIT in the COMMON ELEMENTS shall be redetermined in accordance with the schedule set out on EXHIBIT "F". For purposes of percentage of ownership in the COMMON ELEMENTS, percentage of

COMMON EXPENSES, and percentage of COMMON SURPLUS, and voting on all matters requiring action by the OWNERS, (all within Phase I-A), the percentages as set out on EXHIBIT "F," shall govern. The ownership interest in the COMMON ELEMENTS shall be an undivided interest, and except as provided in the ACT and this DECLARATION shall remain undivided. No UNIT OWNER shall bring any action for partition or division of the COMMON ELEMENTS. The ownership interest in the COMMON ELEMENTS shall not be conveyed, transferred, encumbered or otherwise affected separate from the ownership of the UNIT, and any agreement to the contrary shall be void. Each UNIT OWNER, and the holder of any Mortgage or lien on or other interest in any UNIT, shall be deemed by the acceptance of a conveyance of, title to, or Mortgage or lien on such UNIT, to have agreed and consented, within the meaning of this DECLARATION and the ACT to such change or changes in the UNIT'S interest in the COMMON ELEMENTS and COMMON SURPLUS and each UNIT'S share of the COMMON EXPENSES as may result from the addition, if any, of further phases, and to have so agreed and consented to any amendment or amendments to this DECLARATION effectuating the same.

6.02. Use. Each UNIT OWNER shall have the right to the COMMON ELEMENTS (except any portions thereof designated LIMITED COMMON ELEMENT and restricted to the exclusive use of and as an appurtenance to a UNIT and subject to any portion subject to leases made by or assigned to the BOARD and the exclusive and semi-exclusive parking spaces and areas) in conjunction with the OWNERS of other UNITS as may be required for the purposes of access, ingress to, egress from, use, occupancy, and enjoyment of the CONDOMINIUM PROPERTY. The right to use the COMMON ELEMENTS shall be subject to and governed by the provisions of the ACT, CONDOMINIUM DOCUMENTS, and the Rules and Regulations of the Association. In addition, the Association shall have the authority to lease, grant concessions, or grant easements with respect to parts of the COMMON ELEMENTS subject to the provisions of the DECLARATION and BYLAWS.

6.03. Share of Common Expenses and Limited Common Expenses. Each UNIT OWNER shall be assessed and is individually liable for a proportionate share of the COMMON EXPENSES and the proportionate share of the COMMON EXPENSES shall be the same ratio as the UNIT OWNER'S percentage ownership in the COMMON ELEMENTS as the case may be. Each UNIT OWNER shall be assessed and is individually liable for the LIMITED COMMON EXPENSES in connection with the patio, balcony, terrace, or porch and storage area and the doorsteps or stoops, if any, as set out in Paragraph 5.14 above. Payment of COMMON EXPENSES and LIMITED COMMON EXPENSES shall be in such amounts and at such times as determined in the BYLAWS. Assessments shall be collected by the ASSOCIATION on a monthly basis. No UNIT OWNER shall be exempt from payment of his or her proportionate share of the COMMON EXPENSES or LIMITED COMMON EXPENSES by waiver or non-use or non-enjoyment of the

COMMON ELEMENTS or LIMITED COMMON ELEMENTS, or by abandonment of his T. COMMON EXPENSES and LIMITED COMMON EXPENSES shall include but shall not necessarily be limited to expenditures made or liabilities incurred by the ASSOCIATION, together with payments or obligations to reserve accounts.

6.04. Late Payment of Assessments. ASSESSMENTS for COMMON EXPENSES and LIMITED COMMON EXPENSES, and installments thereon, paid on or before fifteen (15) days after the date when due shall bear no interest, but all sums not paid on or before fifteen (15) days after the date when due shall bear such late charges, penalties, interest and other costs and expenses, at a rate set by the Board, but not to exceed the maximum legal rate, together with all expenses, including court costs and Attorney's fees incurred by the Association in any undertaking to collect such unpaid Assessments and expenses. All payments upon account shall be first applied to such charges, penalties, interests and other costs and expenses, including Attorney's fees, and then to the Assessment payment due. The ASSOCIATION may, in the manner provided for in the BYLAWS, after notice and an opportunity to be heard, levy reasonable fines for violations of the DECLARATION, BYLAWS, and rules and regulations of the ASSOCIATION.

6.05. Liens for Assessments. The Association is hereby granted a lien upon each UNIT and its appurtenant undivided interest in COMMON ELEMENTS and upon the goods, furniture and effects belonging to the UNIT OWNER and located in such UNIT, which lien shall secure and does secure the moneys due for all Assessments now or hereafter levied or subject to being levied against the UNIT OWNER which lien shall also secure such late charges, penalties and interest, if any, which may be due on the amount of any delinquent ASSESSMENT owing to the ASSOCIATION, which lien shall also secure all costs and expenses, including court costs and reasonable attorney's fees, which may be incurred by the ASSOCIATION in enforcing this lien upon said UNIT and its appurtenant undivided interest in the COMMON ELEMENTS.

6.06. Priority of Lien and Forfeiture of Voting Privileges. The ASSOCIATION shall have a lien for nonpayment of COMMON EXPENSES and LIMITED COMMON EXPENSES as is provided by the ACT. Such lien will be subordinate to any first mortgage of any UNIT if the mortgage was recorded before the delinquent ASSESSMENT became due. In any suit for the foreclosure of a lien for ASSESSMENTS, the ASSOCIATION shall be entitled to rental from the UNIT OWNER from the date on which the payment of any ASSESSMENT or installment thereof becomes delinquent and shall be entitled to the appointment of a receiver for said UNIT, without notice to the UNIT OWNER. The rental required to be paid shall be equal to the rental charged on comparable type of dwelling UNITS in the area in which the CONDOMINIUM is located. The lien granted to the ASSOCIATION shall further secure such advances for taxes and other payments which may be required to

be advanced or paid by the ASSOCIATION in order to preserve and protect its lien, and the ASSOCIATION shall further be entitled to interest at a rate set by the BOARD of the ASSOCIATION but in no case shall said interest exceed the maximum legal rate on any such advances made for such purposes. All PERSONS, firms or corporations who shall acquire, by whatever means, any interest in the ownership of any UNIT, or who may be given or acquire a mortgage, lien or other encumbrance thereon, are hereby placed on notice of the lien granted to the ASSOCIATION. A lien for COMMON EXPENSES or LIMITED COMMON EXPENSES shall not be affected by any sale or transfer of a UNIT, except as herein provided. A sale or transfer pursuant to a foreclosure of a mortgage or first vendor's lien shall extinguish a subordinate lien for Assessments which became payable prior to such sale or transfer; provided, however, a sale or transfer pursuant to a foreclosure of a first mortgage or first vendor's lien shall not extinguish the lien of the ASSOCIATION to the extent of the COMMON EXPENSE ASSESSMENTS and LIMITED COMMON EXPENSE ASSESSMENTS based on the periodic budget adopted by the ASSOCIATION pursuant to the ACT which would have become due in the absence of acceleration during the six months immediately preceding the institution of an action to enforce the lien. However, any such delinquent Assessments, which were extinguished pursuant to the foregoing provision may be reallocated and assessed to all of the UNITS as a Common Expense. Any such sale or transfer pursuant to foreclosure does not relieve the purchaser or transferee of a UNIT from liability for, nor the UNIT from the lien of, any Assessments made thereafter. In addition to any other right given to the Association, the Association may prohibit the UNIT OWNER or representative of the UNIT OWNER of any UNIT for which any payment of a regular or special assessment is currently in default from voting the interest of that unit at any meeting of the Association or upon any action taken by the Association or its Board of Directors.

6.07. Disposition of Surplus. Each UNIT shall carry with it a proportionate share of COMMON SURPLUS or LIMITED COMMON SURPLUS, as the case may be, and the proportionate share of COMMON SURPLUS or LIMITED COMMON SURPLUS shall be the same ratio as that UNIT OWNER'S percentage ownership of the COMMON ELEMENTS or LIMITED COMMON ELEMENTS; or in the alternative, such surplus or any portion thereof may be added to a reserve fund for maintenance, repair, and replacement of the COMMON ELEMENTS or the LIMITED COMMON ELEMENTS, as the case may be, at the sole discretion of the Association.

THE ASSOCIATION

7.01. Powers and Duties. The operation and administration of the CONDOMINIUM shall be by the ASSOCIATION of the UNIT OWNERS, pursuant to the provisions of the ACT. The ASSOCIATION shall be a not for profit Alabama corporation incorporated by Articles of Incorporation recorded in the office of the

Judge of Probate of Baldwin County, Alabama. The ASSOCIATION shall be an entity which shall have the capability of bringing suit and being sued with respect to the exercise or nonexercise of its powers. The ASSOCIATION shall have exclusive authority and power to maintain a class action and to settle a cause of action on behalf of UNIT OWNERS of the CONDOMINIUM with reference to the COMMON ELEMENTS or the LIMITED COMMON ELEMENTS, the roof and structural components of a BUILDING or other improvement, and mechanical, electrical and plumbing elements serving an improvement or a BUILDING as distinguished from mechanical elements serving only a UNIT; and with reference to any and all other matters in which all the UNIT OWNERS have a common interest. The ASSOCIATION shall have all the powers and duties set forth in the ACT, as well as all the power; and duties granted to or imposed on it under the BYLAWS and other CONDOMINIUM DOCUMENTS as they may be amended from time to time. The ASSOCIATION is specifically authorized to enter into agreements by which its powers and duties, or some of them, may be exercised or performed by some other PERSON or PERSONS. The ASSOCIATION shall have a reasonable right of entry upon any UNIT to make emergency repairs and to do other work reasonably necessary for the proper maintenance and operation of the DEVELOPMENT and further, shall have the right to grant permits, licenses, and easements over the common areas for utilities, roads, and other purposes; reasonably necessary or useful for the proper maintenance or operation of the DEVELOPMENT. The Board shall have the authority and duty to levy and enforce the collection of general and specific Assessments for COMMON EXPENSES and LIMITED COMMON EXPENSES and is further authorized to provide adequate remedies for failure to pay such Assessments.

7.02. Name. The name of the Association shall be SUNSET BAY VILLAS CONDOMINIUM OWNERS ASSOCIATION, INC.

7.03. Members. Each UNIT OWNER shall be a MEMBER of the Association so long as he is a UNIT OWNER. A UNIT OWNER'S membership shall immediately terminate when he ceases to be a UNIT OWNER. The membership of a UNIT OWNER cannot be assigned or transferred in any manner except as an appurtenance to his T.

7.04. Voting Rights. Subject to the provisions of §6.02, each UNIT shall be entitled to one (1) which is not divisible, the numerical value of which shall be the percentage of undivided interest in the COMMON ELEMENTS assigned to the UNIT of which the MEMBER is the OWNER. The vote for a UNIT shall be cast by the OWNER thereof in the manner provided for herein and in the BYLAWS. However, should the Association be a UNIT OWNER, it shall not have the voting right for that UNIT.

7.05. Designation of Voting Representative. In the event a UNIT is owned by one (1) PERSON, his right to vote shall be established by the record title to his UNIT. If a UNIT is owned by more than one (1) PERSON, the PERSON entitled to cast the vote for the UNIT shall be designated by a certificate signed by all of the record OWNERS of the UNIT and filed with the Secretary of the Association. If a UNIT is owned by a corporation, partnership or limited partnership, the officer, employee or individual entitled to cast the vote for the UNIT shall be designated by a certificate of appointment signed by the president or vice president and attested by the secretary or assistant secretary of the corporation (in the case of a corporation) or by the general partner or partners if more than one (in the case of a partnership or limited partnership), which certificate shall be filed with the Secretary of the ASSOCIATION. If such a certificate is not on file with the Secretary of the Association for a UNIT owned by more than one (1) PERSON or by a corporation, partnership or limited partnership, the membership or vote of the UNIT concerned may be cast in accordance with the ACT. Such certificate shall be valid until revoked or until superseded by a subsequent certificate or until a change in the ownership of the UNIT concerned is effected. A certificate designating the PERSON entitled to cast the vote of a UNIT may be revoked by any OWNER thereof.

7.06. Restraint upon Assignment of Shares in Assets. The share of a MEMBER in the funds and assets of the ASSOCIATION cannot be assigned, hypothecated, or transferred in any manner except as an appurtenance to his T.

7.07. Board of Directors. The affairs of the ASSOCIATION shall be conducted by a Board of Directors which shall consist of such number not fewer than three (3) nor more than nine (9) as shall, from time to time, be determined and fixed by a vote of a majority of the voting rights present at any annual meeting of the MEMBERS.

7.08. Indemnification. Every Director and every officer of the ASSOCIATION shall be indemnified by the ASSOCIATION against all expenses and liabilities, or any settlement thereof, including counsel fees, reasonably incurred by or imposed upon him in connection with any proceeding to which he may be a party, or in which he may become involved, by reason of his being or having been a Director or officer of the ASSOCIATION, whether or not he is a Director or officer at the time such expenses are incurred, except in such cases wherein the Director or officer is adjudged guilty of willful misfeasance or malfeasance in the performance of his duties; provided that in the event of a settlement, the indemnification herein shall apply only when the Board of Directors approves such settlement and reimbursement as being in the best interest of the ASSOCIATION. The foregoing rights of indemnification shall be in addition to and not exclusive of all other rights to which such Director or officer may be entitled.

7.09. Limitation of Liability. Notwithstanding the liability of the ASSOCIATION to maintain and repair parts of the CONDOMINIUM PROPERTY, the ASSOCIATION shall not be liable for injury or damage caused by a latent condition of the PROPERTY to be maintained and repaired by the ASSOCIATION nor for injury or damage caused by the elements, or other OWNERS or PERSONS.

7.10. Bylaws. The ASSOCIATION and its MEMBERS shall be governed by the BYLAWS.

7.11. Proviso. Subject to the provisions herein, until the earlier of (i) sixty (60) days after conveyance of seventy-five percent (75%) of the UNITS which may be created to UNIT OWNERS other than the DEVELOPER; or (ii) two (2) years after the DEVELOPER, its successors or assigns have ceased to offer UNITS for sale in the ordinary course of business; the BYLAWS and rules adopted by the DEVELOPER shall govern and the DEVELOPER shall have the exclusive right to appoint, remove, and designate the officers and members of the BOARD OF DIRECTORS, and neither the UNIT OWNERS nor the ASSOCIATION nor the use of the CONDOMINIUM PROPERTY by UNIT OCCUPANTS shall interfere with the completion of the contemplated improvements and the sale of the UNITS. The DEVELOPER may voluntarily surrender the right to appoint and remove officers and members of the BOARD; but, in that event, the DEVELOPER may require, for the duration of the period of DEVELOPER control, that specified actions of the ASSOCIATION or BOARD, as described in a recorded instrument executed by the DEVELOPER, be approved by the DEVELOPER before they become effective. Provided, however, not later than ninety (90) days after conveyance of twenty-five percent (25%) of the UNITS which may be created to UNIT OWNERS other than the DEVELOPER, at least one (1) member and not less than twenty-five percent (25%) of the members of the BOARD must be elected by UNIT OWNERS other than the DEVELOPER. Not later than ninety (90) days after conveyance of fifty percent (50%) of the UNITS which may be created to UNIT OWNERS other than the DEVELOPER, not less than thirty-three and one-third percent of the members of the BOARD must be elected by UNIT OWNERS other than the DEVELOPER. Except as provided for in the ACT, not later than the termination of any period of DEVELOPER control, the UNIT OWNERS shall elect a BOARD of at least three (3) members, at least a majority of whom must be UNIT OWNERS other than the DEVELOPER.

The DEVELOPER may make such use of the unsold UNITS and of the common areas and facilities as may facilitate such completion and sale, including but not limited to showing of the PROPERTY and the display of signs. The DEVELOPER may maintain sales offices and models in any UNIT of the CONDOMINIUM or on COMMON ELEMENTS in the CONDOMINIUM without restriction as to the number, size, or location of said sales offices and models. The DEVELOPER shall be permitted to relocate said sales offices and models from one

UNIT location to another or from one area of the COMMON ELEMENTS to another area of the COMMON ELEMENTS in the CONDOMINIUM. The DEVELOPER may maintain signs , on the COMMON ELEMENTS advertisin^g the CONDOMINIUM. The rights of the DEVELOPER as provided for in this paragraph shall cease and terminate ten (10) years from the date of the recording of this DECLARATION in the office of the Judge of Probate of Baldwin County, Alabama.

7.12. Contracts. If entered into before the BOARD elected by the UNIT OWNERS pursuant to the ACT takes office, any management contract, employment contract, or lease of recreational or parking areas or facilities and any other contract or lease between the ASSOCIATION and the DEVELOPER may be terminated without penalty and upon not less than ninety (90) days notice to the other party by the ASSOCIATION at any time after the BOARD elected by the UNIT OWNERS pursuant to the ACT takes office.

7.13. Availability of Records. The ASSOCIATION shall keep financial records sufficiently detailed to enable the ASSOCIATION to comply with the ACT. The ASSOCIATION shall make reasonably available in the county where the CONDOMINIUM is located for examination by UNIT OWNERS, prospective purchasers, first MORTGAGEES and insurers and/or guarantors of first MORTGAGES of any UNIT, or their authorized agents, current copies of the DECLARATION, BYLAWS, Rules and Regulations and other books, records, financial statements and the most recent annual financial statement of the ASSOCIATION. Reasonably available shall mean available for inspection upon request, during normal business hours or under reasonable circumstances. Any ELIGIBLE MORTGAGEE shall have the right to have prepared at its expense an audited financial statement of the ASSOCIATION.

7.14. Reserve Fund and Working Capital Fund.

A. Reserve Fund. The ASSOCIATION shall establish and maintain an adequate reserve fund for the replacement of improvements to the COMMON ELEMENTS and LIMITED COMMON ELEMENTS which the ASSOCIATION is obligated to maintain. The fund shall be maintained out of regular ASSESSMENTS for COMMON ELEMENTS and LIMITED COMMON EXPENSES.

B. Workin^g Capital Fund. The ASSOCIATION shall also have a working capital fund to meet unforeseen expenditures or to purchase any additional equipment or services. The PURCHASE AND ESCROW AGREEMENT for any UNIT (in connection with the original sale of any UNIT by the DEVELOPER) shall require the purchaser thereunder to pay to the ASSOCIATION at closing a sum equal to a two month installment of ASSESSMENTS as a

nonrefundable contribution to the initial working capital fund, which payment shall not be considered as advance payments of regular ASSESSMENTS. The working capital fund shall be transferred to the ASSOCIATION for deposit into a segregated account when control of the ASSOCIATION is transferred to the UNIT OWNERS. The DEVELOPER is prohibited from using working capital funds to defray any of the DEVELOPER'S expenses, reserve contributions, or construction costs or to make up any budget deficits while the DEVELOPER is in control of the ASSOCIATION.

MAINTENANCE

8.01. Maintenance by the Association. The ASSOCIATION is responsible for maintenance, repair, and replacement of the COMMON ELEMENTS.

8.02. Maintenance by Unit Owner. Each UNIT OWNER is responsible for the maintenance, repair, and replacement of his UNIT. Each UNIT OWNER is responsible for the maintenance, repair, and replacement of the LIMITED COMMON ELEMENTS, if any, attached to his UNIT as provided in Paragraph 5.14, above.

8.03. Addition, Alteration and Improvement of the Common Elements. Except as may be prohibited by the ACT, after the completion of the improvements included in the COMMON ELEMENTS or LIMITED COMMON ELEMENTS which are contemplated by this DECLARATION, there shall be no addition, alteration, change, or further improvement of COMMON ELEMENTS or LIMITED COMMON ELEMENTS without prior approval of the ASSOCIATION.

8.04. Unit Owner's Covenants. Each UNIT OWNER covenants and agrees as follows:

A. To perform all maintenance, repairs, and replacements that are the UNIT OWNER's obligations under this DECLARATION and the ACT.

B. To pay for all the UNIT OWNER's utilities, including electricity, gas, water, and telephone used within the UNIT and all taxes levied against the UNIT OWNER's UNIT.

C. Not to make, or cause to be made, any repairs to any plumbing, heating, ventilation or air conditioning systems located outside the UNIT OWNER's UNIT but required to be maintained by the UNIT OWNER pursuant to the provisions hereof, except by licensed plumbers or electricians authorized to do such work by the ASSOCIATION or its agent.

D. Not to make any addition or alteration to a UNIT or to the COMMON ELEMENTS or to the LIMITED COMMON ELEMENTS or to do any act that would impair the structural soundness or safety of any part of the CONDOMINIUM PROPERTY. Structural alterations within a UNIT may be made only with the written consent of the ASSOCIATION.

E. To make no alterations, additions, improvements, repairs,, replacements, or changes to the COMMON ELEMENTS or the LIMITED COMMON ELEMENTS or to any outside or exterior portion of the BUILDING, specifically including, but not limited to screening or enclosing balconies, installing garage or other exterior doors or affixing out shutters to windows without the prior written consent of the ASSOCIATION. If consent is granted, the UNIT OWNER shall use only a licensed contractor who shall comply with the Rules and Regulations with respect to the work which may be adopted by the ASSOCIATION. The UNIT OWNER shall be liable for all damages to another UNIT and to the COMMON ELEMENTS or LIMITED COMMON ELEMENTS caused by any contractor employed by such UNIT OWNER or by the subcontractor or employees of such contractor, whether said damages are caused by negligence, accident, or otherwise.

F. To allow the ASSOCIATION, its delegates, agents, or employees at all reasonable times to enter into any UNIT or LIMITED COMMON ELEMENT for the purpose of maintaining, inspecting, repairing, or replacing COMMON ELEMENTS or LIMITED COMMON ELEMENTS or for repairing, maintaining or replacing any plumbing, heating, ventilation or air conditioning system located within such UNIT but serving other parts of the CONDOMINIUM PROPERTY; or to determine, in case of emergency, the circumstances threatening UNITS or COMMON ELEMENTS or LIMITED COMMON ELEMENTS and to correct the same; or, to determine compliance with the provisions of the CONDOMINIUM DOCUMENTS.

G. To promptly report to the ASSOCIATION any defects or needed repairs for which the ASSOCIATION is responsible.

H. To reimburse the ASSOCIATION for any repairs or replacements which are made necessary because of abuse or negligent use by a UNIT OWNER of the CONDOMINIUM PROPERTY, the cost of such repair or replacement may be assessed against such UNIT OWNER.

I. To comply with all of the obligations of a UNIT OWNER under the ACT.

8.05. Contracts for Maintenance. The ASSOCIATION may enter into a contract with any firm, PERSON or corporation, or may join with other entities in contracting for the maintenance and repair of the CONDOMINIUM PROPERTY,

and may delegate to such agent all or any portion of the powers and duties of the ASSOCIATION, except such as are specifically required by the CONDOMINIUM DOCUMENTS to have the approval of the MEMBERS of the ASSOCIATION. This paragraph shall be subject to the provisions of Paragraph 7.12, above.

8.06. Exterior Surface. The ASSOCIATION shall determine the exterior color scheme of the CONDOMINIUM PROPERTY and shall be responsible for the maintenance thereof, except as may be otherwise provided for herein. No UNIT OWNER shall paint any exterior surface or add or replace anything thereon or affix thereto without the written consent of the ASSOCIATION.

INSURANCE

9.01. Purchase of Insurance. Commencing not later than the time of the first conveyance of a UNIT to a person other than the DEVELOPER, the ASSOCIATION shall maintain insurance upon the CONDOMINIUM PROPERTY to the extent reasonably available as provided for in the ACT and as follows.

9.02. Locations of Policies. The ASSOCIATION shall retain the original of all insurance policies in a place of safe keeping such as a safe or a safety deposit box.

9.03. Copies to Mortgagees. One copy of each insurance policy and of all endorsements thereto shall be furnished by the ASSOCIATION to any first MORTGAGEE requesting a copy.

9.04. Authorization to do Business and Ratings. All policies of insurance must be issued by companies specifically authorized by the laws of the State of Alabama to transact such business. Any company issuing any such policy must have a "B" general policyholder rating or a financial performance index of "6" or better in the Best's Key Rating Guide, or an "A" or better rating from Demotech, Inc.; provided, however that policies issued by a carrier not meeting the above requirements are acceptable if the particular issues are covered by 100% reinsurance with a company that does meet said requirements.

9.05. Coverage. The ASSOCIATION is required to maintain the following insurance coverage: v

A. Property and Casualty. The ASSOCIATION must obtain, maintain, and pay the premiums upon, as a COMMON EXPENSE, the property insurance required by the ACT and as follows. The type of policy shall be a "master" or "blanket" type policy of property insurance covering all of the COMMON ELEMENTS (except land, foundation, excavation, and other items usually excluded from coverage) including fixtures, to the extent they are part of the COMMON

ELEMENTS of the CONDOMINIUM PROPERTY, building service equipment and supplies, and other personal property and supplies belonging to the ASSOCIATION. All references herein to a "master" or "blanket" type of policy of property insurance are intended to denote single entity CONDOMINIUM insurance coverage. In addition, any fixtures, equipment, or other personal property within the UNITS which are to be financed by a first MORTGAGEE (regardless of whether or not such PROPERTY is a part of the COMMON ELEMENTS) must be covered by such "master" or "blanket" policy, if required by said first MORTGAGEE and/or by the ACT. The policy shall be in an amount of not less than one hundred percent (100%) of the insurable replacement cost of the PROPERTY, exclusive of land, excavation, foundation, and other items normally excluded from property policies. The policy shall include (i) an "Agreed Amount Endorsement" or its equivalent, (ii) if available, an "Inflation Guard Endorsement", and (iii) a "Building Ordinance or Law Endorsement". The property insurance shall provide, as a minimum coverage and protection against:

(1) Loss or damage by fire and all other hazards that are normally covered by the standard extended coverage endorsement;

(2) All other perils which are customarily covered with respect to condominiums similar in construction shall be obtained so as to meet the requirements of the ACT; and,

(3) All perils covered by the standard "all risk" endorsement, unless the policy includes the "broad form" covered causes of loss.

B. Liability Insurance. The ASSOCIATION must obtain, maintain, and pay the premiums upon, as a COMMON EXPENSE, a comprehensive general liability insurance policy, including medical payments insurance, as required by the ACT and covering all the COMMON ELEMENTS, commercial space owned or leased by the ASSOCIATION, and public ways of the CONDOMINIUM. Coverage limits shall be in amounts generally required by private institutional mortgage investors for projects similar in construction, location, and use. However, such coverage shall be, if reasonably available, for at least one million dollars (\$1,000,000.00) for bodily injury, including deaths of persons and property damage arising out of a single occurrence, and in no event less than \$1,000,000.00. Coverage under this policy shall include, if reasonably available, without limitation, legal liability of the insureds for property damage, bodily injuries and deaths of persons in connection with the operation, maintenance or use of the COMMON ELEMENTS, and legal liability arising out of lawsuits related to employment contracts of the ASSOCIATION. The policy shall also include, if reasonably available, coverage for protection against, water damage liability and, if applicable, elevator collision and garage keepers liability. If required by any first mortgage holder and, if reasonably available, the policy shall include protection against such other risks as are

customarily covered with respect to CONDOMINIUMS similar in construction, location and use, including but not limited to host liquor liability, employers liability insurance, contractual and all written contract insurance and comprehensive automobile liability insurance. If such policy does not include "severability of interests" the policy must include a specific endorsement that precludes the insurer's denial of an owner's claim because of negligent acts of the ASSOCIATION or other OWNERS.

C. Flood Insurance. If any part of the CONDOMINIUM PROPERTY shall be deemed to be in a special flood hazard area, as defined by the Federal Emergency Management Agency or other governmental agency, the ASSOCIATION shall obtain, maintain, and pay the premiums upon, as a COMMON EXPENSE, a "master" or "blanket" type of flood insurance policy. The policy shall cover the COMMON ELEMENTS falling within the designated flood hazard area. The insurance shall be in an amount deemed appropriate by the ASSOCIATION, but not less than an amount equal to the lesser of:

(1) One Hundred percent (100%) of the insurable value of the PROPERTY located within the flood hazard area, including fixtures, equipment and other personal property within any UNIT (but excluding land, foundations, excavations, and other items usually excluded from such coverage); or

(2) The maximum coverage available for the PROPERTY under the National Flood Insurance Program. The policy shall be in a form which meets the criterion set forth in the most current guidelines issued on the subject by the Federal Government.

The deductible shall not exceed the lesser of \$5,000.00 or one percent (1%) of the policy's face amount.

D. Personnel Covera^ges. Should the ASSOCIATION employ personnel, all coverages required by law, including worker's compensation, shall be obtained so as to meet the requirements of the law.

E. Fidelity Bonds. The ASSOCIATION shall obtain, maintain and pay the premiums upon, as a COMMON EXPENSE, a fidelity bond to protect against loss of money by dishonest acts on the part of all officers, directors and employees of the ASSOCIATION and all other persons handling, or responsible for, funds of the ASSOCIATION or fiends administered by the ASSOCIATION. Where a management agent has the responsibility for handling or administering funds of the ASSOCIATION, the management agent shall be required to maintain fidelity bond coverage for its officers, employees and agents handling or responsible for funds of, or administered on behalf of, the ASSOCIATION. The fidelity bond shall name the ASSOCIATION as the obligee and shall not be less than the estimated maximum of

funds, including reserve funds, in the custody of the ASSOCIATION or the management agent, as the case may be, at any given time during the term of each bond. However, in no event may the aggregate amount of such bonds be less than one hundred and fifty percent (150%) of the estimated annual COMMON EXPENSES. The bonds shall contain waivers by the issuers of the bonds of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees," or similar terms or expressions. The premiums on all bonds required herein to be maintained by the management agent shall be paid by the management agent. The bond shall provide that the ASSOCIATION and any first MORTGAGEE shall be given ten (10) days written notice before the policy/bond may be cancelled or modified for any reason.

F. Other Insurance. The ASSOCIATION shall obtain other insurance required by the ACT and shall have authority to obtain such other insurance as it deems desirable, in such amounts, from such sources and in such forms as it deems desirable. The premiums for such insurance shall be a Common Expense.

If the insurance described above which is required to be maintained is not reasonably available, the ASSOCIATION promptly shall give notice of that fact to be hand delivered or sent prepaid by United States Mail to all UNIT OWNERS.

9.06. Individual Insurance. Nothing contained herein shall be construed to prevent a UNIT OWNER from obtaining insurance for his own benefit.

9.07. Provisions. Insurance coverage must comply with the requirements of the ACT, this DECLARATION, and the applicable requirements (even if such requirements are in addition to those required in the ACT or this DECLARATION) of the Federal Home Loan Mortgage Corporation and The Federal National Mortgage Association as they apply to condominium loans, and shall in substance and effect:

A. Provide that the policy shall be primary, even if the UNIT OWNER has other insurance that covers that same loss, and further provide that the liability of the insurer thereunder shall not be affected by, and that the insurer shall not claim any right of set-off, counterclaim, apportionment, proration or contribution by reason of any other insurance obtained by or for any UNIT OWNER.

B. Contain no provision relieving the insurer from liability for a loss occurring because the hazard to such BUILDING is increased, whether or not within the knowledge or control of the ASSOCIATION, or because of any breach of warranty or condition or any other act or neglect by the ASSOCIATION or any UNIT OWNER or any other PERSONS under either of them.

C. Provide that such policy may not be canceled or substantially modified and the insurer may not refuse to renew said policy (whether or not requested by the ASSOCIATION) except by the insurer giving at least thirty (30) days prior written notice thereof to the ASSOCIATION, the UNIT OWNER, each holder of a first mortgage on an individual UNIT, and every other PERSON in interest who shall have requested such notice of the insurer.

D. Contain a waiver by the insurer of any right of subrogation to any right of the ASSOCIATION, or either against the OWNER or lessee of any UNIT.

E. Contain a standard MORTGAGEE clause which, among any other provisions included in a standard mortgage clause, shall:

(1) Provide that any reference to a MORTGAGEE in such policy shall mean and include all holders of mortgages of any UNIT, whether or not named herein; and

(2) Provide that such insurance as to the interest of any MORTGAGEE shall not be invalidated by any act or neglect of the ASSOCIATION or UNIT OWNERS or any PERSONS under any of them; and

(3) Waive any provisions invalidating such MORTGAGEE clause by reason of the failure of the MORTGAGEE to notify the insurer of any hazardous use or conveyance, any requirement that the MORTGAGEE pay any premium thereon, and any contribution clause.

F. Provide that the insurance will not be prejudiced by any acts or omissions of UNIT OWNERS.

G. Provide that any Insurance Trust Agreement will be recognized.

H. Except with respect to flood insurance, provide for a deductible of not greater than the lesser of \$10,000.00 or one percent (1%) of the policy face amount.

9.08. Liabilities and Responsibilities of Unit Owner. UNIT OWNER shall be liable for any claim, damage or judgment entered as a result of the use or operation of his UNIT caused by his conduct. Each UNIT OWNER shall be responsible for obtaining insurance for his own benefit.

9.09. Insurance Premiums. Insurance premiums maintained by the ASSOCIATION shall be paid by the ASSOCIATION as a COMMON EXPENSE.

Should the ASSOCIATION fail to pay such insurance premiums when due, or should the ASSOCIATION fail to comply with other insurance requirements of a MORTGAGEE, the MORTGAGEE shall have the right, at its option, to order insurance policies and to advance such sums as are required to maintain or procure such insurance. To the extent of any money so advanced, the MORTGAGEE shall be subrogated to the Assessment and the lien rights of the ASSOCIATION as against the individual UNIT OWNERS for the payment of such item of COMMON EXPENSE.

9.10. Insurance Trustee: Shares of Proceeds. All insurance policies purchased by the ASSOCIATION shall be for the benefit of the ASSOCIATION and the UNIT OWNERS and their MORTGAGEES (when appropriate, the policies may name the Federal National Mortgage Association as MORTGAGEE or the servicer of the MORTGAGE, and when the servicer is named as the MORTGAGEE, its name should be followed by the phrase "its successors and assigns") as their interest may appear, and shall provide that all proceeds covering PROPERTY losses shall be paid to the ASSOCIATION, as Insurance Trustee for each of the UNIT OWNERS in the percentages as established by the DECLARATION, which said ASSOCIATION, for the purpose of these provisions, is herein referred to as the Insurance Trustee. The duty of the Insurance Trustee shall be to receive such proceeds as are paid and hold the same in trust for the purposes elsewhere stated herein and for the benefit of the UNIT OWNERS and their MORTGAGEES. The Insurance Trustee shall have the power (and each UNIT OWNER hereby appoints the Trustee for this purpose as attorney-in-fact) to adjust all claims arising under insurance policies purchased by the ASSOCIATION; to bring suit thereon in its name and/or in the name of other insured; to deliver releases on payment of claims; to compromise and settle such claims; and otherwise to exercise all the rights, powers, and privileges of the ASSOCIATION and each UNIT OWNER and any other holder of an insured interest in the CONDOMINIUM PROPERTY under such insurance policies, however, the actions of the Insurance Trustee shall be subject to the approval of any first MORTGAGEE if the claim shall involve more than one UNIT, and if only one UNIT is involved, such actions shall be subject to approval of any first MORTGAGEE holding a mortgage and encumbering such UNIT.

9.11. Shares of Proceeds. The ASSOCIATION as Insurance Trustee shall receive such insurance proceeds as are paid to it and shall hold the same in trust for the purposes stated herein and for the benefit of the UNIT OWNERS and their MORTGAGEES in the following shares:

A. Common Elements. An undivided share of the proceeds on account of damage to COMMON ELEMENTS shall be held for each UNIT OWNER, with such share's portion of the total proceeds being the same percentage as the share of the COMMON ELEMENTS appurtenant to his T.

B. Units and Limited Common Elements. Except as provided elsewhere in this DECLARATION,

(1) When the CONDOMINIUM PROPERTY is to be restored, the proceeds shall be held for the UNIT OWNERS of damaged UNITS and damaged LIMITED COMMON ELEMENTS, with the share of each in the total proceeds being in the proportion that the cost of repairing the damage suffered by such UNIT OWNER bears to the total cost of repair, which cost shall be determined by the Board.

(2) When the CONDOMINIUM PROPERTY is not to be restored, the proceeds shall be held for the UNIT OWNERS in the undivided shares that are the same as their respective shares in the COMMON ELEMENTS.

C. Mortgagees. In the event a MORTGAGEE endorsement has been issued with respect to a UNIT, the share of the OWNER of that UNIT shall be held in trust for the MORTGAGEE and the UNIT OWNER as their interest may appear; provided, however, that no MORTGAGEE shall have any right to determine or participate in the determination of whether or not any damaged PROPERTY shall be reconstructed or repaired except as may be specifically provided to the contrary elsewhere in this DECLARATION.

9.12. Distribution of Proceeds. Proceeds of insurance policies received by the ASSOCIATION as Insurance Trustee shall be distributed to or for the benefit of the beneficial OWNERS:

A. Reconstruction or Repair. First, if the damages for which the proceeds are paid is to be repaired or reconstructed, the remaining proceeds shall be paid to defray the cost thereof. Any proceeds remaining after defraying such costs shall be distributed to the beneficial OWNERS, with remittances to UNIT OWNERS and MORTGAGEES being payable jointly to them. This is a covenant for the benefit of any MORTGAGEE of a UNIT and may be enforced by any such MORTGAGEE.

B. Failure to Reconstruct or Repair. If it is determined that the damage for which the proceeds are paid shall not be reconstructed or repaired, the remaining proceeds shall be distributed to the beneficial OWNERS with remittances to UNIT OWNERS and their MORTGAGEE being payable jointly to them. This is a covenant for the benefit of any MORTGAGEE of a UNIT and may be enforced by any such MORTGAGEE.

9.13. General. To the extent that any insurance program specifications (including limits of liability, endorsements, and deductible maximums) required under Article 9 are not customarily met by prudent owners associations of comparable condominiums located in the Eastern Shore area of Baldwin County, are

unduly expensive to meet, or require coverage which is not reasonably available, then less stringent insurance program specifications shall be permitted hereunder so long as the same comply with (a) the ACT and, (b) if any mortgage then encumbering any Unit is insured by either the Federal National Mortgage Association ("FNMA") or the Federal Home Loan Mortgage Corporation ("FHLMC"), with the requirements of said FNMA or FHLMC as the same pertain to said mortgage.

RECONSTRUCTION OR REPAIR AFTER CASUALTY

10.01. Determination to Reconstruct or Repair. Any portion of the CONDOMINIUM for which insurance is required under this DECLARATION which is damaged or destroyed must be repaired or replaced promptly by the ASSOCIATION unless:

A. The CONDOMINIUM is terminated in accordance with the ACT;

B. Repair or replacement would be illegal under any state or local statute or ordinance governing health or safety; or

C. Eighty percent (80%) of the UNIT OWNERS, including every owner of UNIT or assigned LIMITED COMMON ELEMENT which will not be rebuilt, vote not to rebuild. The cost of repair or replacement of a COMMON ELEMENT in excess of insurance proceeds in reserves is a COMMON EXPENSE as provided in this DECLARATION.

10.02. Plans. Any reconstruction or repair must be substantially in accordance with the ACT and in accordance with the PLANS for the original improvements or as the CONDOMINIUM PROPERTY was last constructed; or if not, then according to PLANS approved by the Board of Directors of the ASSOCIATION and by one hundred percent (100%) of the UNIT OWNERS.

10.03. Responsibility. If the damage is only to those parts of a UNIT or LIMITED COMMON ELEMENTS for which the responsibility of maintenance and repair is that of the UNIT OWNER, then the UNIT OWNER shall be responsible for reconstruction and repair after casualty. In all other instances, the responsibility of reconstruction and repair after casualty shall be that of the ASSOCIATION.

10.04. Estimate of Cost. Immediately after a casualty causing damage to the CONDOMINIUM PROPERTY for which the ASSOCIATION has the responsibility of maintenance and repair, the ASSOCIATION shall obtain reliable and detailed estimates of the cost to rebuild or repair.

10.05. Assessments. If the proceeds of insurance are not sufficient to defray the estimated costs of reconstruction and repair of the UNIT and LIMITED COMMON ELEMENTS by the ASSOCIATION, ASSESSMENTS shall be made against the UNIT OWNERS who own the damaged PROPERTY or have the exclusive right to use the LIMITED COMMON ELEMENT attached to his UNIT, and against all UNIT OWNERS in the case of damage to common areas and facilities in sufficient amounts to provide funds to pay the estimated costs. If at any time during reconstruction and repair, or upon completion of reconstruction and repair, the funds for the payment of the costs thereof are insufficient, Assessments shall be made against the UNIT OWNERS who own the damaged UNIT and have exclusive right to use the LIMITED COMMON ELEMENTS attached to his UNIT, and against all UNIT OWNERS in the case of damage to common areas and facilities in sufficient amounts to provide funds for the payment of such costs. Such Assessments against UNIT OWNERS for reconstruction and/or repair of damage to UNITS and LIMITED COMMON ELEMENTS shall be in proportion to the cost of reconstruction and repair of their respective UNITS or LIMITED COMMON ELEMENTS. Such Assessments for reconstruction and/or repair of damage to common areas and facilities shall be in proportion to the OWNER's share in the COMMON ELEMENTS. Assessments for reconstruction and repair may be collected, and the collection enforced, in the same manner as provided for Assessments elsewhere herein.

10.06. Construction Funds. The funds for payment of costs of reconstruction and repair after casualty for which the ASSOCIATION is responsible, which shall consist of proceeds of insurance held by the ASSOCIATION as Insurance Trustee and funds collected by the ASSOCIATION from Assessment against UNIT OWNERS on account of such casualty, shall constitute a construction fund which shall be disbursed in payment of the cost of reconstruction and repair in the following manner and order:

A. Disbursement. The construction fund shall be disbursed in payment of such costs on the order and in the manner provided by the Board of the ASSOCIATION.

B. Unit Owner. If there is a balance of insurance proceeds after the payment of the cost of reconstruction and repair that are the responsibility of the ASSOCIATION, this balance shall be distributed to UNIT OWNERS of damaged UNITS or damaged LIMITED COMMON ELEMENTS who are responsible for the reconstruction and repair of the damaged portions of their UNITS or LIMITED COMMON ELEMENTS. The distribution to each UNIT OWNER shall be made in the proportion that the estimated costs of reconstruction and repair of such damage to his UNIT or LIMITED COMMON ELEMENT bears to the total of such estimated costs in all damaged UNITS and LIMITED COMMON ELEMENTS. However, no UNIT OWNER shall be paid an amount in excess of such

estimated cost for his UNIT

or LIMITED COMMON ELEMENT. If there is a first MORTGAGEE, the distribution shall be paid to the UNIT OWNER and to the first MORTGAGEE jointly.

C. Surplus. It shall be presumed that the first moneys distributed in payment of costs of reconstruction and repair shall be from insurance proceeds. If there is a balance in a construction fund after payment of all costs of the reconstruction and repair for which the fund is established, such balance shall be distributed to the beneficial OWNERS of the fund.

EMINENT DOMAIN

11.01. Proceeds. The taking of a portion of a UNIT or of the COMMON ELEMENTS by eminent domain shall be deemed to be a casualty and the determination as to whether the CONDOMINIUM will be reconstructed or repaired or continued after condemnation will be determined in the manner provided for in the ACT and under Reconstruction or Repair after casualty and the awards for such taking shall be deemed proceeds from insurance on account of the casualty and shall be deposited with the ASSOCIATION as Insurance Trustee. Even though the awards may be payable to a UNIT OWNER, the UNIT OWNER shall deposit the awards with the ASSOCIATION as Insurance Trustee; and in the event of failure to do so, in the discretion of the Board of Directors of the ASSOCIATION an Assessment shall be made against a defaulting UNIT OWNER in the amount of his award, or the amount of such award shall be set off against the sums hereafter made payable to such UNIT OWNER.

11.02. Disbursement of Funds. If the CONDOMINIUM is terminated after condemnation, the proceeds of the condemnation awards will be deemed to be insurance proceeds and shall be owned and distributed in the manner provided in this DECLARATION for the distribution of insurance proceeds if the CONDOMINIUM is terminated after damage to the COMMON ELEMENTS. If the CONDOMINIUM is not terminated after condemnation, the size of the CONDOMINIUM PROPERTY will be reduced and the PROPERTY damaged by the taking will be made usable in the manner provided by the ACT and as provided below. The proceeds of such award shall be used for these purposes and shall be disbursed in the manner provided for disbursement of funds by the ASSOCIATION after damage to the COMMON ELEMENTS.

11.03. Unit Reduced But Habitable. If the taking reduces the size of a UNIT and the remaining portion of the UNIT can be made habitable, the award for the taking of a portion of the UNIT shall be used for the following purposes in the order stated, and the following changes shall be effected in the CONDOMINIUM:

A. Restoration of Unit. The UNIT shall be made habitable. If the cost of the restoration exceeds the amount of the award, and the OWNER of the UNIT does not within a reasonable period of time provide the additional funds required for restoration, such additional funds may, in the discretion of the Board of Directors, be extended for restoration by the ASSOCIATION and be assessed against the UNIT OWNER as an Assessment.

B. Distribution of Surplus. The balance of the award, if any, shall be distributed to the OWNER of the UNIT and to any first MORTGAGEE of a UNIT, the remittance being made payable jointly to the UNIT OWNER and any such first MORTGAGEE.

C. Adjustment of Shares in Common Elements. If the floor area of the UNIT is reduced by the taking, the percentage representing the share in the COMMON ELEMENTS, the COMMON EXPENSES and the COMMON SURPLUS appertaining to the UNIT shall be reduced in accordance with the ACT.

11.04. Unit Made Unhabitable. If the taking is of the entire UNIT, or so reduces the size of the UNIT that it cannot be used practically or lawfully for any purpose permitted by the DECLARATION, the award for the taking of the UNIT shall be used for the following purposes in the order stated, and the following changes shall be effected in the CONDOMINIUM:

A. Payment of Award. The award shall be paid first to any first MORTGAGEE in an amount sufficient to pay off its mortgage on such UNIT; and then jointly to the UNIT OWNER and other MORTGAGEES of the UNIT in an amount not to exceed the market value of the CONDOMINIUM parcel immediately prior to the taking as diminished by any sums from the award previously reserved for any first MORTGAGEE; and the balance, if any, to the repairing and replacing of the COMMON ELEMENTS damaged by the taking.

B. Addition to Common Elements. The remaining portion of the UNIT, if any, shall become part of the COMMON ELEMENTS and shall be placed in condition for use by all of the UNIT OWNERS in the manner approved by the Board of Directors; provided that if the cost of the work shall exceed the balance of the fund from the award for the taking, the work shall be approved in the manner elsewhere required in this DECLARATION for further improvement of the COMMON ELEMENTS.

C. Adjustment of Shares in Common Elements, Common Expenses, and Common Surplus. The shares in the COMMON ELEMENTS, the COMMON EXPENSES, and the COMMON SURPLUS appurtenant to the UNITS that continue as part of the CONDOMINIUM shall be adjusted to distribute the ownership of the other shares among the reduced number of UNIT OWNERS. This

adjustment shall be done by restating said share of the continuing UNIT OWNERS as percentages aggregating one hundred percent (100%) so that the shares appurtenant to the UNITS of the continuing OWNERS shall be in the same proportions to each other as before the adjustment.

D. Assessments. If the balance of the award (after payments to the UNIT OWNER and such OWNERS' MORTGAGEES as above provided) for the taking is not sufficient to finance the alteration of the remaining portion of the UNIT for use as a part of the COMMON ELEMENTS, the additional funds required for such purposes shall be raised by Assessments against all the UNIT OWNERS who will continue as OWNERS of UNITS after the changes in the CONDOMINIUM effected by the taking. Such Assessments shall be made in proportion to the shares of those UNIT OWNERS in the COMMON ELEMENTS after the changes effected by the taking.

E. Arbitration. If the market value of a CONDOMINIUM parcel prior to the taking cannot be determined by agreement between the UNIT OWNERS, MORTGAGEES of the UNIT, and the ASSOCIATION within thirty (30) days after notice by either party, the value shall be determined by arbitration in accordance with the then existing rules of the American Arbitration Association, except that arbitrators shall be two appraisers appointed by the American Arbitration Association who shall base their determination on an average of their appraisals for the CONDOMINIUM parcels; and a judgment of specific performance on the decision rendered by the arbitrators may be entered into any court of competent jurisdiction. The cost of arbitration proceedings shall be assessed against all OWNERS of UNITS prior to the taking in proportion to the shares of the OWNERS in the COMMON ELEMENTS as they exist prior to the changes effected by the taking.

11.05. Taking of Common Elements. Awards for the taking of COMMON ELEMENTS shall be used to make the remaining portion of the COMMON ELEMENTS usable in the manner approved by the Board of Directors; provided that if the cost of the work shall exceed the balance of the funds from the awards for the taking, the work shall be approved in the manner required elsewhere in this DECLARATION for further improvement of the COMMON ELEMENTS. The balance of the awards for the taking of the COMMON ELEMENTS, if any, shall be distributed to the UNIT OWNERS in the shares in which they own the COMMON ELEMENTS, after adjustment of these shares on account of the condemnation, except that if a CONDOMINIUM UNIT is encumbered by a first mortgage, the distribution shall be paid jointly to the OWNER and the first MORTGAGEE of the CONDOMINIUM UNIT.

11.06. Authority of Insurance Trustee. The Insurance Trustee shall have the power (and each UNIT OWNER hereby appoints such Trustee

for this purpose as attorney-in-fact) to adjust all claims for an eminent domain taking; to bring suit in connection therewith; to deliver releases on payment of claims; to compromise and settle such claims; and otherwise to exercise all the rights, powers and privileges of the ASSOCIATION and each UNIT OWNER and any other holder of a taken interest in the CONDOMINIUM PROPERTY.

11.07. Conflict with ACT. If there is any conflict with the provisions of this article and the ACT, the provisions of the ACT shall control.

USE RESTRICTIONS

The use of the CONDOMINIUM PROPERTY shall be in accordance with the provisions of this DECLARATION and with the following provisions so long as the CONDOMINIUM exists.

12.01. Units. With the exception of one (1) SALES UNIT, MANAGEMENT OFFICE or MODEL UNIT, all UNITS within Phase I-A of the CONDOMINIUM shall be restricted exclusively to residential use. DEVELOPER reserves the right to devote such SALES UNIT, MANAGEMENT OFFICE or MODEL UNIT to all uses permitted by law, including, without limitation, the right to lease, rent, mortgage or convey said unit as DEVELOPER shall deem appropriate in its sole discretion. Each CONDOMINIUM RESIDENTIAL UNIT shall be occupied and used by a family, their employees, and guests only as a residence and for the furnishing of services and facilities herein provided for the enjoyment of such residence. The foregoing restrictions as to residence, however, shall not be construed in such manner as to prohibit a UNIT OWNER from:

- (i) Maintaining his personal professional libraries;
- (ii) Keeping his personal business or professional records or accounts;
- (iii) Handling his personal business or professional telephone calls or correspondence.

Such uses are declared expressly customarily incidental to the principal residential use and not in violation of said restrictions.

12.02. Miscellaneous Restrictions.

A. Nothing shall be stored in or upon the COMMON ELEMENTS or LIMITED COMMON ELEMENTS without prior consent of the BOARD except in storage areas or as otherwise herein expressly provided;

B. Nothing shall be done or kept in any UNIT or in the COMMON ELEMENTS which will increase the rate of insurance for the PROPERTY without the prior written consent of the BOARD. No UNIT OWNER shall permit anything to be done or kept in his UNIT or, in or on the COMMON ELEMENTS which will result in the cancellation of insurance of any UNIT or any part of the COMMON ELEMENTS or, which will be in violation of any law.

C. No waste shall be committed in or on the COMMON ELEMENTS.

D. In the event the Association provides a designated trash receptacle, each UNIT OWNER shall have the responsibility for placing garbage and trash in the designated trash receptacle. In the event the Association does not provide a designated common trash receptacle, each UNIT OWNER shall provide and maintain garbage and trash receptacles as may be directed by the BOARD, and all garbage and trash shall be kept in said receptacles.

E. No UNIT OWNER or occupant shall disturb or annoy other occupants of the CONDOMINIUM PROPERTY nor shall any occupant or UNIT OWNER commit or permit any nuisance, noxious, offensive, immoral or illegal act in his UNIT or on the PROPERTY.

F. Subject to the DEVELOPERS RIGHT to erect certain signs as provided in DEVELOPMENT RIGHTS under the DECLARATION, no sign of any kind shall be displayed to the public view on or from any UNIT or the COMMON ELEMENTS without the prior written consent of the BOARD or the written consent of the Managing Agent acting in accordance with the BOARD'S direction.

G. Except as expressly provided hereinabove, nothing shall be altered or constructed in or removed from the COMMON ELEMENTS, except upon the written consent of the BOARD.

H. No structure of a temporary character, trailer, tent, shack, garage, barn, or other outbuildings shall be permitted on the PROPERTY at any time temporarily or permanently, except with the prior written consent of the BOARD; provided, however, that temporary structures may be erected for use in connection with the repair or rebuilding of the BUILDINGS or any portion thereof.

I. Outdoor drying of clothes, bedding, or similar items is not permitted.

J. Parking of vehicles in driveways and parking areas shall be subject to the rules and regulations of the BOARD applicable thereto.

K. Except within individual UNITS, no planting, transplanting, or gardening shall be done, and no fences, hedges, or walls shall be erected or maintained upon the PROPERTY, except as approved by the BOARD.

L. Motorized vehicles, including, but not limited to, motorcycles, motor bikes, motor scooters, off road vehicles (ORVs/ATVs), dune buggies or other similar vehicles shall not be operated within the PROPERTY except for the purpose of transportation, it being intended that said vehicles shall not be operated within the PROPERTY so as to annoy or disturb persons or endanger persons or PROPERTY.

M. All parts of the PROPERTY shall be kept in a clean and sanitary condition and no rubbish, refuse or garbage allowed to accumulate nor any fire hazard allowed to exist shall be observed.

N. All valid laws, zoning ordinances and regulations of all governmental bodies having jurisdiction thereof shall be observed. The responsibility of meeting the requirements of governmental bodies which require maintenance, modification or repair of the CONDOMINIUM PROPERTY shall be the same as the responsibility for the maintenance and repair of the CONDOMINIUM PROPERTY concerned.

O. Neither the BOARD nor the ASSOCIATION shall take or permit to be taken any action that unlawfully discriminates against one or more UNIT OWNERS.

12.03. Pets. No animals or pets of any kind shall be kept in any UNIT or any PROPERTY of the CONDOMINIUM except with the written consent of and subject to the rules and regulations adopted for keeping such pets by the BOARD OF DIRECTORS of the ASSOCIATION; provided that such consent may be terminated without cause at any time by the BOARD OF DIRECTORS of the ASSOCIATION. No animals shall be kept for commercial purposes nor be allowed to create or cause any disturbance or nuisance of any kind, and if an animal or pet does cause or create a nuisance or an unreasonable disturbance, said animal or pet shall be permanently removed from the PROPERTY within three (3) days from the day the owner receives the written notice from the BOARD OF DIRECTORS of the ASSOCIATION. The Owner of any pet or animal shall be liable for any and all damage caused by such animal or pet to any part of the CONDOMINIUM PROPERTY or to any other PROPERTY operated by the ASSOCIATION.

12.04. Employees. No employee, customer, or patron of a UNIT OWNER shall be allowed either to use any of the facilities which are COMMON ELEMENTS of the CONDOMINIUM PROPERTY or to use any of the PROPERTY owned or operated by the ASSOCIATION.

12.05. Use of Common Elements. The COMMON ELEMENTS shall be used in accordance with this DECLARATION and only by the UNIT OWNERS and their agents, tenants, family members, invitees, and licensees for access, ingress to, and egress from the respective UNITS and for such other purposes incidental to the use of the UNITS. However, other areas designated for a specific use shall be used for the purposes approved by the Board. The use, maintenance and operation of the COMMON ELEMENTS shall not be obstructed, damaged, or unreasonably interfered with by any UNIT OWNER, and shall be subject to any lease, concession, or easement, presently in existence or entered into by the Board at some future time, affecting any part or all of said COMMON ELEMENTS.

- 12.06. Leases. **Entire UNITS may be leased by the UNIT OWNERS; provided, however, that such lease and the rights of any tenant thereunder are hereby made expressly subject to the provisions of the CONDOMINIUM DOCUMENTS and the power of the ASSOCIATION to prescribe reasonable rules and regulations relating to the lease and rental of UNITS and to enforce the same directly against such tenant or other occupant by the exercise of such remedies as the Board deems appropriate, including eviction; provided however that any rules or regulations promulgated by the ASSOCIATION shall not (i) set a minimum rental period of less than six months or (ii) materially limit the practicability of a UNIT OWNER to rent his UNIT. All leases or rental agreements must be in writing. No individual rooms within any UNIT may be rented, and no unit shall be rented for a term of more than twenty-four (24) months. NO MORE THAN TWENTY PERCENT (20%) OF ALL UNITS CONTAINED IN THE CONDOMINIUM MAY BE RENTED AT ANY ONE TIME. Anything to the contrary notwithstanding, the DEVELOPER, and its assigns, retain the right to maintain sales offices, management offices, leasing and operations offices and models on the CONDOMINIUM property as provided in Paragraph 7.11 above.**

12.07. Regulations. Reasonable regulations concerning the use of the CONDOMINIUM PROPERTY may be made by the DEVELOPER and amended from time to time by the Board of Directors of the ASSOCIATION; provided, however, that all such amendments thereto shall be approved by not less than a majority of the votes of the ASSOCIATION before such shall become effective. MEMBERS not present at meetings considering such regulations or amendments thereto may express their approval or disapproval in writing. Copies of such regulations or amendments thereto shall be furnished by the ASSOCIATION to all UNIT OWNERS and residents of the CONDOMINIUM upon request.

12.08. Parking. Other than the interior storage and parking space specifically made a part of each unit as shown on the PLANS, other parking spaces treated as common for unit owners and guests.

12.09. No Restrictions on Mortgage
construed in any of the CONDOMINIUM DOCUMENTS to the contrary, there shall
be no restrictions on the right of a UNIT OWNER to mortgage his T.

AMENDMENT

13. This DECLARATION and the ASSOCIATION Articles of Incorporation and Bylaws may be amended only by the affirmative vote or agreement of UNIT OWNERS of UNITS to which at least two-thirds (2/3) of the votes in the ASSOCIATION are allocated. Additionally, material changes to these CONDOMINIUM DOCUMENTS shall require the approval of ELIGIBLE MORTGAGEES who represent at least fifty-one percent (51%) of the UNITS subject to mortgages held by ELIGIBLE MORTGAGEES. A change to any of the provisions governing the following would be considered as material:

voting rights;

increases in assessments that raise the previously assessed amount by more than 25%, assessment liens, or the priority of assessment liens;

reductions in reserves for maintenance, repair, and replacement of common elements;

responsibility for maintenance and repairs;

reallocation of interests in the general or limited common elements, or rights to their use;

redefinition of any unit boundaries;

convertibility of units into common elements or vice versa;

expansion or contraction of the project, or the addition, annexation, or withdrawal of property to or from the project; provided, however, that the right of the DEVELOPER to submit additional phases to the condominium form of ownership as herein provided shall not be considered a material change within the meaning of this section;

hazard or fidelity insurance requirements; imposition

of any restrictions on the leasing of units;

imposition of any restrictions on a unit owner's right to sell or transfer his or her unit;

restoration or repair of the project (after damage or partial condemnation) in a manner other than that specified in the documents; or

any provisions that expressly benefit mortgage holders, insurers, or guarantors.

Additionally, all amendments must be made in accordance with the provisions of the ACT.

PURCHASE OF CONDOMINIUM UNIT BY ASSOCIATION

14.01. Decision. The decision of the ASSOCIATION to purchase a CONDOMINIUM UNIT shall be made by the Board of Directors without the approval of the MEMBERS except as provided in this Article.

14.02. Limitation. If at any time the ASSOCIATION is already the OWNER of or has agreed to purchase one or more CONDOMINIUM UNITS, it may not purchase any additional CONDOMINIUM UNITS without the prior written approval of MEMBERS holding seventy-five percent (75%) of the votes of those MEMBERS eligible to vote thereon, except as provided in this Article. A MEMBER whose CONDOMINIUM UNIT is the subject matter of the proposed purchase shall be ineligible to vote thereon. Notwithstanding the foregoing, however, the foregoing limitations shall not apply to CONDOMINIUM UNITS either to be purchased at public sale resulting from a foreclosure of the ASSOCIATIONS lien for delinquent Assessments where the bid of the ASSOCIATION does not exceed the amount found due the ASSOCIATION (including all lawful charges in addition thereto), or to be acquired by the ASSOCIATION in lieu of foreclosure of such lien if the consideration therefor does not exceed the cancellation of such lien. In any event, the Board of Directors or a designee thereof, acting on behalf of the ASSOCIATION, may only purchase a CONDOMINIUM UNIT in accordance with this Article, or as the result of a sale pursuant to the foreclosure of:

- (1) A lien on the CONDOMINIUM UNIT for unpaid taxes;
- (2) a lien of a mortgage;
- (3) the lien for unpaid Assessments; or
- (4) any other judgment lien or lien attaching to such CONDOMINIUM UNIT by operation of law.

F
NOTICE OF LIEN OR SUIT

15.01. Notice of Lien. A UNIT OWNER shall give notice in writing to the Secretary of the ASSOCIATION of every lien on his CONDOMINIUM UNIT, other than liens for first mortgages, current taxes, and special Assessments, within five (5) days after he receives notice of the attaching of the lien.

15.02. Notice of Suit. A UNIT OWNER shall give notice in writing to the Secretary of the ASSOCIATION of every suit or other proceeding that may directly affect the title to his CONDOMINIUM UNIT, with such notice to be given within five (5) days after the UNIT OWNER obtains knowledge thereof.

15.03. Failure to Comply. Failure to comply with this section will not affect the validity of any judicial proceeding.

RULES AND REGULATIONS

16.01. Compliance. Each UNIT OWNER and the ASSOCIATION shall be governed by and shall comply with the terms of the CONDOMINIUM DOCUMENTS and the rules and regulations applicable to the CONDOMINIUM PROPERTY. Ownership of a UNIT subjects the UNIT OWNER to compliance with provisions of the DECLARATION, the ARTICLES, the BYLAWS, the Rules and Regulations of the ASSOCIATION, and any contracts to which the ASSOCIATION is a party, as well as to any amendments to any of the foregoing. Failure of the UNIT OWNER to comply therewith shall entitle the ASSOCIATION or other UNIT OWNERS to an action for damages or injunctive relief, or both, in addition to other remedies provided in the CONDOMINIUM DOCUMENTS and the ACT.

16.02. Enforcement. The ASSOCIATION, through the Board of Directors, is hereby empowered to enforce the CONDOMINIUM DOCUMENTS and all rules and regulations of the ASSOCIATION by such means as are provided by the ACT, including the imposition of reasonable fines (after reasonable notice and opportunity to be heard) from time to time as set forth in the BYLAWS. In the event a UNIT OWNER fails to maintain his UNIT in the manner required in the CONDOMINIUM DOCUMENTS and any rules and regulations of the ASSOCIATION, the ASSOCIATION, through the Board of Directors, shall have the right to assess the UNIT OWNER and the UNIT for the sums necessary to do the work required to effect compliance and to collect, and enforce the collection of, a Special Assessment therefor as provided in this DECLARATION. In addition, the ASSOCIATION shall have the right, for itself and its employees and agents, to enter such OWNER'S UNIT and perform the

necessary work to effect compliance. UNIT OWNERS shall have the right to enforce the provisions of the CONDOMINIUM DOCUMENTS and decisions of the ASSOCIATION against the ASSOCIATION, and, if aggrieved, against other UNIT OWNERS.

16.03. Negligence. A UNIT OWNER shall be liable for the expense of any maintenance, repair, or replacement rendered necessary by his act, neglect, or carelessness or by that of any member of his family, his lessees, or his or their guests, invitees, employees, or agents, but only to the extent that such expense is not met by the proceeds of insurance carried by the ASSOCIATION. Such liability shall include any increase in fire and casualty insurance rates occasioned by the use, misuse, occupancy or abandonment of a UNIT, or the COMMON ELEMENTS. The liability for such increases in insurance rates shall equal five times the first resulting increase in the annual premium rate for such insurance.

16.04. No Waiver of Rights. The failure of the ASSOCIATION or any UNIT OWNER to enforce any covenant, restriction, or other provision of the ACT, the CONDOMINIUM DOCUMENTS, or any rules and regulations adopted pursuant thereto shall not constitute a waiver of the right to do so.

GENERAL PROVISIONS PERTAINING TO MORTGAGES

17.01. Lender's Notices. Upon written request to the ASSOCIATION, identifying the name and address of the holder, insurer or guarantor and the UNIT number or address, any mortgage holder, insurer, or guarantor will be entitled to timely written notice of:

A. Any condemnation or casualty loss that affects either a material portion of the DEVELOPMENT or the UNIT securing its mortgage.

B. Any 60-day delinquency in the payment of Assessments or charges owed by the OWNER of any UNIT on which it holds the mortgage.

C. A lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the ASSOCIATION.

D. Any proposed action that requires the consent of a specified percentage of mortgage holders.

17.02. Blanket Mortgages. The entire CONDOMINIUM PROPERTY, or some or all of the UNITS included therein, may be subjected to a single or blanket mortgage constituting a first lien thereon created by a recordable

instrument executed by all of the OWNERS of the PROPERTY or UNITS covered thereby. Any UNIT included under the lien of such mortgage may be sold or otherwise conveyed or transferred subject thereto. Any such mortgage shall provide a method whereby any UNIT OWNER may obtain a release of his UNIT from the lien of such mortgage and a satisfaction and discharge in recordable form upon payment to the holder of the mortgage of a sum equal to the reasonable proportionate share attributable to his UNIT of the then outstanding balance of unpaid principal and accrued interest, and any other charges then due and unpaid. The proportionate share of the mortgage required to be paid for release shall be determined by provisions pertaining thereto stated in the mortgage, or, if the mortgage contains no such provisions, then according to the proportionate share of the common elements of the CONDOMINIUM attributable to such UNIT or UNITS.

TERMINATION

18. The termination of the CONDOMINIUM may be effected in accordance with the provisions of the ACT and by agreement of (i) UNIT OWNERS of UNITS to which at least ninety percent (90%) of the votes in the ASSOCIATION are allocated and (ii) the holders of first mortgages who represent at least sixty-seven percent (67%) of the votes of the UNITS that are subject to mortgages held by ELIGIBLE MORTGAGEES. The agreement shall be evidenced by a written instrument executed in the manner required for a deed and recorded in the public records of Baldwin County, Alabama. After termination of the CONDOMINIUM the UNIT OWNERS shall own CONDOMINIUM PROPERTY and all assets of the ASSOCIATION as tenants in common in undivided shares.

COVENANT AGAINST PARTITION

19. There shall be no judicial or other partition of the CONDOMINIUM PROPERTY or any part thereof, nor shall DEVELOPER or any PERSON acquiring any interest in the PROPERTY or any part thereof seek any such partition unless the PROPERTY has been removed from the provisions of the ACT.

MISCELLANEOUS

20.01. Intent. It is the intent of the DEVELOPER to create a CONDOMINIUM pursuant to the ACT. In the event that the CONDOMINIUM created by this DECLARATION shall fail in any respect to comply with the ACT, then the common law as the same exists on the filing date of this DECLARATION shall control, and the CONDOMINIUM hereby created shall be governed in accordance with the laws of the State of Alabama, the

BYLAWS, the ARTICLES, and all other instruments and exhibits attached to or made a part of this DECLARATION.

20.02. Covenants, Conditions and Restrictions. All provisions of the CONDOMINIUM DOCUMENTS shall, to the extent applicable and unless otherwise expressly therein provided to the contrary, be perpetual and be construed to be covenants running with the land and with every part thereof and interest therein; and all of the provisions of the CONDOMINIUM DOCUMENTS shall be binding on and inure to the benefit of any OWNER of all or any part thereof, or interest therein, and his heirs, executors, administrators, legal representative, successors, and assigns, but said provisions are not intended to create nor shall they be construed as creating any rights in or for the benefit of the general public. All UNIT OWNERS and OCCUPANTS shall be subject to and shall comply with the provisions of the CONDOMINIUM DOCUMENTS and any rules and regulations promulgated thereunder.

20.03. Severability. The invalidity in whole or in part of any covenant or restriction or any paragraph, subparagraph, sentence, clause, phrase, word, or other provision of this DECLARATION, the ARTICLES, the BYLAWS, any rules and regulations of the ASSOCIATION promulgated pursuant thereto, and any exhibits attached hereto, as the same may be amended from time to time, or the ACT, or the invalidity in whole or in part of the application of any such covenant, restriction, paragraph, subparagraph, sentence, clause, phrase, word or other provision shall not affect the remaining portion thereof.

20.04. Notice. The following provisions shall govern the construction of the CONDOMINIUM DOCUMENTS, except as may be specifically provided to the contrary herein: All notices required or desired under the CONDOMINIUM DOCUMENTS to be sent to the ASSOCIATION shall be sent certified mail, return receipt requested, to the Secretary of the ASSOCIATION, at such address as the ASSOCIATION may designate from time to time by notice in writing to all UNIT OWNERS. Except as provided specifically to the contrary in the ACT, all notices to any UNIT OWNER shall be delivered in person or sent by first-class mail to the address of such UNIT OWNER at the CONDOMINIUM, or to such other address as he may have designated from time to time, in a writing to the ASSOCIATION. Proof of such mailing or personal delivery to a UNIT OWNER by the ASSOCIATION may be provided by the affidavit of the PERSON or post office certificate of mailing. All notices to the ASSOCIATION or a UNIT OWNER shall be deemed to have been given when delivered to the addressee in person or by a post office certificate of mailing.

20.05. Governin^g Law. Should any dispute or litigation arise between any of the parties whose rights or duties are affected or determined

by the CONDOMINIUM DOCUMENTS or any rules and regulations adopted pursuant to such documents, such dispute or litigation shall be governed by the laws of the State of Alabama.

20.06. Waiver. No provisions contained in the CONDOMINIUM DOCUMENTS shall be deemed to have been waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches thereof which may occur.

20.07. Ratification. Each UNIT OWNER, by reason of having acquired ownership of his CONDOMINIUM Parcel, whether by purchase, gift, operation of law, or otherwise, shall be deemed to have acknowledged and agreed that all the provisions of the CONDOMINIUM DOCUMENTS and any rules and regulations promulgated thereunder are fair and reasonable in all material respects.

20.08. Captions. The captions used in the CONDOMINIUM DOCUMENTS are inserted solely as a matter of convenience and reference and shall not be relied on and/or used in construing the effect or meaning of any of the text of the CONDOMINIUM DOCUMENTS.

20.09. Costs and Attorney's Fees. In any proceeding arising because of an alleged default by a UNIT OWNER, the prevailing party shall be entitled to recover the costs of the proceedings and such reasonable attorney's fees as may be awarded by the Court.

IN WITNESS WHEREOF, SUNSET BAY VILLAS, L.L.C., an Alabama Limited Liability Company, has caused this instrument to be executed by its duly authorized Managers on this the _____ day of _____, 200 .

SUNSET BAY VILLAS, L.L.C.,
an Alabama Limited Liability Company

BY:

Its Manager

BY: _____

Its Manager

STATE OF ALABAMA

COUNTY OF BALDWIN

I, the undersigned authority, a Notary Public in and for said County in said State, hereby certify that _____ and _____, whose names as Managers of the SUNSET BAY VILLAS, L.L.C., an Alabama Limited Liability Company, are signed to the foregoing instrument and who are known to me, acknowledged before me on this day that, being informed of the contents of the instrument, they, as such Managers and with full authority, executed the same voluntarily for and as the act of said limited liability company.

GIVEN under my hand this the ____ day of _____, 200_ .

NOTARY PUBLIC

My Commission Expires: _____

(NOTARIAL SEAL)

ARTICLES OF INCORPORATION
OF
SUNSET BAY VILLAS CONDOMINIUM OWNERS ASSOCIATION, INC.

The undersigned, acting as incorporator of a not for profit corporation under the Alabama Nonprofit Corporation Act, Code of Alabama 1975, Section 10-3A-1, et seq., and the Alabama Uniform Condominium Act of 1991, Code of Alabama 1975, Section 35-8A-101, et seq., (hereinafter referred to as the "ACTS") adopts the following ARTICLES OF INCORPORATION.

I.
NAME

The name of the corporation shall be SUNSET BAY VILLAS CONDOMINIUM OWNERS ASSOCIATION, INC. The corporation is herein referred to as the "ASSOCIATION."

II.
DEFINITIONS

The terms used herein shall have the meaning for each stated in the ACTS and in the DECLARATION of CONDOMINIUM of SUNSET BAY VILLAS, a condominium (the "DECLARATION"), unless the context otherwise requires.

III. PERIOD
OF DURATION

The period of duration of the ASSOCIATION is perpetual unless and until hereafter legally dissolved.

IV.
PURPOSES

The ASSOCIATION is organized for the purpose of administering, maintaining, operating and managing the CONDOMINIUM known as SUNSET BAY VILLAS, a condominium (the "CONDOMINIUM"), located in Baldwin County, Alabama, according to the DECLARATION and to do all things incident, necessary, convenient, expedient, ancillary, or in aid of the accomplishment of the foregoing.

V. POWERS

The ASSOCIATION shall have the power to exercise all powers, duties, and authority vested in the ASSOCIATION by the ACTS, the DECLARATION, or these ARTICLES, including but not limited to the following:

(1) To elect and remove officers of the ASSOCIATION as provided in the BYLAWS.

- (2) To administer the affairs of the ASSOCIATION and CONDOMINIUM PROPERTY.

(3) To maintain bank accounts on behalf of the ASSOCIATION and to designate signatories required therefor.

(4) To sell, lease, mortgage, or otherwise deal with UNITS acquired by the ASSOCIATION.

(5) To pay the cost of all taxes and utilities assessed against the CONDOMINIUM that are not assessed and billed to the OWNERS of individual UNITS.

(6) To borrow money on behalf of the ASSOCIATION when required in connection with the operation, care, upkeep, and maintenance of the COMMON ELEMENTS, provided, however, that the consent of at least two-thirds (2/3) of the votes of the MEMBERS, obtained at a meeting duly called and held for such purpose in accordance with the provision of the BYLAWS, shall be required for the borrowing of such money.

(7) To estimate the amount of the annual budget and to make, levy, enforce, and collect ASSESSMENTS against UNIT OWNERS to defray the costs, expenses, and losses of the CONDOMINIUM, and to provide adequate remedies for failure to pay such ASSESSMENTS.

(8) To use the proceeds of ASSESSMENTS in the exercise of its powers and duties.

(9) To maintain, repair, replace, and operate the CONDOMINIUM PROPERTY, including the reasonable right of entry upon any UNIT to make emergency repairs and to do other work reasonably necessary for the proper maintenance and operation of the project and the right to grant permits, licenses, and

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

(10) To purchase insurance on the PROPERTY, and to purchase insurance for the protection of the ASSOCIATION and its MEMBERS, and the MEMBERS of the BOARD OF DIRECTORS and officers of the ASSOCIATION.

(11) To reconstruct improvements after casualty and to further improve the PROPERTY.

(12) To make and amend reasonable Rules and Regulations respecting the use of the PROPERTY and the operation of the CONDOMINIUM.

(13) To enforce by legal means the provisions of the ACTS, the DECLARATION, the ARTICLES OF INCORPORATION, the BYLAWS, and the Rules and Regulations for the use of the PROPERTY.

(14) To contract for the management of the PROPERTY and to delegate to such managing agent all powers and duties of the ASSOCIATION except such as are specifically required by the DECLARATION to have approval of the BOARD OF DIRECTORS or the membership of the ASSOCIATION.

(15) To contract for the management or operation of portions of the COMMON ELEMENTS of the CONDOMINIUM susceptible to separate management or operation, and to lease such portions.

(16) To retain attorneys and accountants.

(17) To employ personnel to perform the services required for proper operation of the CONDOMINIUM.

(18) To purchase a UNIT of the CONDOMINIUM for the purposes authorized in the DECLARATION.

(19) To maintain a class action and to settle a cause of action on behalf of OWNERS with reference to the COMMON ELEMENTS, the roof and structural components of a building or other improvement, and mechanical, electrical and plumbing elements serving an improvement or a building as distinguished from such elements serving only one (1) UNIT; and to bring an action and to settle the same on behalf of two (2) or more of the OWNERS, as their respective interests may appear, with respect to any cause of action relating to the COMMON ELEMENTS or more than one (1) CONDOMINIUM UNIT; all as the Board deems advisable.

(20) To procure such fidelity bonds, as the Board deems advisable, covering officers and employees of the ASSOCIATION handling and responsible for the ASSOCIATION'S funds and personal PROPERTY, and to procure Directors, and Officers liability insurance, if the Board deems it advisable, and the premiums of such bonds and insurance shall be paid by the ASSOCIATION as common expense.

(21) To adopt and establish BYLAWS for the operation of the CONDOMINIUM ASSOCIATION.

VI. NOT FOR PROFIT

The ASSOCIATION is not organized for pecuniary profit and it shall pay no dividend, and shall distribute no part of its income to its MEMBERS, directors, or officers. Nevertheless, the ASSOCIATION may pay compensation in a reasonable amount to its MEMBERS, directors, and officers for services rendered, and it may confer benefits on its MEMBERS in conformity with the DECLARATION of CONDOMINIUM and the purposes of the ASSOCIATION. On termination, the ASSOCIATION may make distributions to its MEMBERS as permitted by law, and no such payment, benefit, or distribution shall be deemed to be a dividend or distribution of income. All funds and PROPERTY acquired by the ASSOCIATION and all proceeds therefrom shall be held and used for the benefit of the MEMBERS of the ASSOCIATION in accordance with the provisions of the DECLARATION, these ARTICLES and the BYLAWS.

VII. MEMBERSHIP

This ASSOCIATION shall issue no shares of stock of any kind or nature whatsoever. Every person or entity who is a record OWNER of a fee or undivided fee interest in any UNIT in the CONDOMINIUM shall be a MEMBER of the ASSOCIATION. Membership shall be appurtenant to and may not be separated from the ownership of any UNIT which is subject to ASSESSMENT by the ASSOCIATION. The MEMBERS shall enjoy such qualifications, rights and voting rights as may be fixed in the DECLARATION and in the BYLAWS of the ASSOCIATION.

VIII. BOARD OF DIRECTORS

The PROPERTY, business and affairs of the ASSOCIATION shall be managed by a Board of Directors which shall consist of such number, not fewer than

three (3) nor more than nine (9), from time to time, shall be determined and fixed by a vote of a majority of the voting rights present at any annual meeting of the MEMBERS. Except as may otherwise be provided in the DECLARATION and the BYLAWS, each director may be either a person designated by the DEVELOPER or a person entitled to cast a vote in the ASSOCIATION. Directors may be designated or elected and removed, and vacancies on the Board of Directors shall be filled as provided in the DECLARATION and the BYLAWS. All the duties and powers of the ASSOCIATION existing under the ACTS, the DECLARATION, these Articles, and the BYLAWS shall be exercised exclusively by the Board of Directors, its agents, contractors or employees, subject only to approval by UNIT OWNERS when such approval is specifically required by the ACTS, the DECLARATION, these ARTICLES, or the BYLAWS. The initial Board of Directors shall be composed of three (3) MEMBERS. The names and addresses of the three (3) MEMBERS of the initial Board of Directors, who shall hold office until election or appointment of their successors, are as follow:

NAME

ADDRESS

Michael Oravois

P. O. Box 912
Daphne, Alabama 36526

Henry Bostwick

P. O. Box 912
Daphne, Alabama 36526

Eileen O'Brien

#4 Yacht Club Drive Unit 24
Daphne, Alabama 36526

a.

OFFICERS

The affairs of the ASSOCIATION shall be administered by the officers designated in accordance with the BYLAWS. The names and the addresses of the officers who shall serve until the election or appointment of their successors in accordance with the BYLAWS are as follows:

<u>NAME</u>	<u>OFFICE</u>	<u>ADDRESS</u>
Michael Gravois	President	P. O. Box 912 Daphne, Alabama 36526
Henry Bostwick	Vice-President	P. O. Box 912 Daphne, Alabama 36526
Henry Bostwick	Secretary-Treasurer	P. O. Box 912 Daphne, Alabama 36526

X.

INDEMNIFICATION

Every Director and every officer of the ASSOCIATION shall be indemnified by the ASSOCIATION against all expenses and liabilities, or any settlement thereof, including counsel fees, reasonably incurred by or imposed upon him in connection with any proceeding to which he may be a pa, or in which he may become involved, by reason of his being or having been a Director or officer of the ASSOCIATION, whether or not he is a Director or officer at the time such expenses are incurred, except in such cases wherein the Director or officer is adjudged guilty of willful misfeasance or malfeasance in the performance of his duties; provided that in the event of a settlement, the indemnification herein shall apply only when the Board of Directors approves such settlement and reimbursement as being in the best interest of the ASSOCIATION. The foregoing rights of indemnification shall be in addition to and not exclusive of all other rights to which such Director or officer may be entitled.

M.
INCORPORATORS

The name and address of each incorporator of the ASSOCIATION is:

<u>NAME</u>	<u>ADDRESS</u>
SUNSET BAY VILLAS, L.L.C.	P. O. Box 912 Daphne, Alabama 36526

XII
REGISTERED OFFICE AND AGENT

The location and mailing address of the initial registered office of the ASSOCIATION is 971 County Road 1117, Cullman, Alabama 35057, and the name of its initial agent at such address is Henry Bostwick.

XIII.
DECLARANT CONTROL

The DEVELOPER shall retain control of the ASSOCIATION in accordance with_ the terms and conditions of the DECLARATION.

XIV. DEFINITIONS
AND CONFLICT

All terms used herein shall have the meaning given to them in the DECLARATION and are hereby incorporated by reference and made a part hereof. In the event of a conflict between the provisions of the DECLARATION, ARTICLES OF INCORPORATION, or BYLAWS, the DECLARATION prevails, except to the extent the DECLARATION is inconsistent with the Alabama Uniform Condominium Act of 1991, Code of Alabama (1975).

XV.
DISSOLUTION

The ASSOCIATION shall be dissolved upon the termination of the CONDOMINIUM in the manner provided in the DECLARATION and ACTS. Upon dissolution of the ASSOCIATION, the assets of the ASSOCIATION, if any, and all money received by the ASSOCIATION from operations, after the payment in full of all debts and obligations of the ASSOCIATION of whatsoever kind and nature, shall be used and distributed solely and exclusively in the manner provided for in the ACTS.

IN WITNESS WHEREOF, the subscriber hereto has caused this instrument to be executed this the ____ day of _____ 2001.

INCORPORATOR:
SUNSET BAY VILLAS, L.L.C., an Alabama
Limited Liability Company

BY: Its Manager

STATE OF ALABAMA

COUNTY OF BALDWIN.

Before me, the undersigned Notary Public in and for said County in said State, personally appeared _____, whose name as Manager of SUNSET BAY VILLAS, L.L.C., an Alabama Limited Liability Company, is signed to the foregoing instrument, and who, being by me first duly sworn, deposes and says that he is authorized to execute this instrument on behalf of the Limited Liability Company and that the facts contained in the above and foregoing ARTICLES OF INCORPORATION are true and correct.

DATED this _____ day of _____, 200

NOTARY PUBLIC

My Commission Expires: _____ (NOTARIAL
SEAL)

THIS INSTRUMENT PREPARED BY:

DANIEL G. BLACKBURN, P.C.
Post Office Box 458
Bay Minette, Alabama 36507
(334) 937-1750

RULES AND REGULATIONS CONCERNING USE OF
SUNSET BAY VILLAS, A CONDOMINIUM

1. The sidewalks, entrances, passages, public halls, elevators, corridors and stairways of or appurtenant to the BUILDING shall not be obstructed or used for any other purpose than ingress to and egress from the BUILDING.

2. No article (including, but not limited to, garbage cans, bottles or mats) shall be placed in any of the COMMON AREAS, except those areas specifically designated by the Association. Nothing shall be hung or shaken from any doors, windows, roofs, balconies, terraces or patios or placed upon the window sills of the BUILDING.

3. Neither occupants nor their guests shall play in the entrances, passages, hallways, elevators, corridors or stairways of the BUILDING.

4. Except as otherwise provided in the BYLAWS, no hallway of the BUILDING shall be decorated or furnished by any UNIT OWNER in any manner.

5. Each UNIT OWNER shall keep his UNIT in a good state of preservation and cleanliness, and shall not sweep or throw or permit to be swept or thrown therefrom, or from the doors or windows thereof, any dirt or other substance.

6. No window guards or other window decorations shall be used in or about any UNIT except such as shall have been approved in writing by the BOARD.

7. No device shall be attached to or hung on any portion of the BUILDING or premises, including but not limited to, satellite communications devices or receivers, or radio or television aerials and no sign, notice, advertisement or illumination shall be inscribed or exposed on or at any window or other part of the BUILDING except such as are permitted pursuant to the DECLARATION or the BYLAWS or such as shall have been approved in writing by the BOARD; nor shall anything be projected or protrude from any window of a UNIT (including window air conditioning units) without similar approval.

8. No ventilator or air conditioning device shall be installed in any UNIT without the prior written approval of the BOARD.

9. All radio, television or other electrical equipment of any kind or nature installed or used in each UNIT shall fully comply with all rules, regulations, requirements or recommendations of the local fire department and the public authorities having jurisdiction, and the UNIT OWNER alone shall be liable for any

damage or injury caused by any radio, television or other electrical equipment in such UNIT OWNER'S UNIT.

10. No bicycles, scooters or similar vehicles shall be stored on common elements or stairways.

11. No UNIT OWNER shall make or permit any disturbing noises or activity in the BUILDING, or do or permit anything to be done therein, which will interfere with the rights, comforts or conveniences of other UNIT OWNERS or tenants. No UNIT OWNER shall play upon or cause to be played upon any musical instrument, operate or permit to be operated a phonograph, radio, television set, loud speaker, or other sound amplification device in such UNIT OWNER'S UNIT between 10 p.m. and the following 9 a.m., if the same shall disturb or annoy other occupants of the BUILDING, and in no event shall practice or cause to be practiced either vocal or instrumental music between the hours of 10 p.m. and the following 9 a. m. No construction or repair work or other installation involving noise shall be conducted in any UNIT except on weekdays (not including legal holidays) and only between the hours of 8 a.m. and 5 p.m., unless such construction or repair work is necessitated by an emergency. UNIT OWNERS shall not cause or permit any unusual or objectionable noises or odors to be produced upon or to emanate from their UNITS or any terrace or deck appurtenant thereto.

12. All service and delivery persons will be required to use the entrance designated by the BOARD.

13. Water-closets and other water apparatus in the BUILDING shall not be used for any purpose other than those for which they are designed, nor shall any sweepings, rubbish, rags or any other article be thrown into the same. Any damage resulting from misuse of any water-closets or other apparatus in a UNIT shall be repaired and paid for by the owner of such UNIT.

14. The agents of the BOARD and any contractor or worker authorized by the BOARD may enter any room or UNIT at any reasonable hour of the day for the purpose of inspecting such for the presence of any vermin, insects or other pests and for the purpose of taking such measures as may be necessary to control or exterminate in a reasonable manner so as not to unreasonably interfere with the use of such UNIT for its permitted purposes.

15. The BOARD may retain a pass-key to each T. If any lock is altered or a new lock is installed, the BOARD shall be provided with a key thereto immediately upon such alteration or installation. If the UNIT OWNER is not personally present to open and permit an entry to his UNIT at any time when an entry therein is necessary or permissible under these Rules and Regulations or under the BYLAWS and has not furnished a key to the BOARD, then the BOARD or its agents

(but, except in an emergency, only when specifically authorized by an officer of the CONDOMINIUM) may forcibly enter such UNIT without liability for damages or trespass by reason thereof (if during such entry reasonable care is given to such UNIT OWNER'S property).

16. No vehicle belonging to a UMT OWNER or to a member of the family or guest, tenant or employee of a UNIT OWNER shall be parked in such manner as to impede or prevent ready access to any entrance to or exit from the BUILDING by another vehicle.

17. The BOARD may from time to time curtail or relocate any portion of the COMMON ELEMENTS devoted to storage or service purposes in the BUILDING.

18. Complaints regarding the service of the CONDOMINIUM shall be made in writing to the BOARD.

19. Any consent or approval given under these Rules and Regulations may be added to, amended or repealed at any time by resolution of the BOARD.

20. Except as permitted under the DECLARATION and BYLAWS, UNIT OWNERS, their families, guests, servants, employees, agents, visitors or licensees shall not at any time or for any reason whatsoever enter upon or attempt to enter upon the roof of the BUILDING.

21. No UNIT OWNER or any of his agents, servants, employees, licensees or visitors shall at any time bring into or keep in his UNIT any inflammable, combustible or explosive fluid, material, chemical or substance, except as shall be necessary and appropriate for the permitted uses of such UNIT.

22. If any key or keys are entrusted by a UNIT OWNER or by any member of his family or by his agent, servant, employee, licensee or visitor to an employee of the ASSOCIATION, whether for such UNIT OWNER'S UNIT or an automobile, trunk or other item of personal property, the acceptance of the key shall be at the sole risk of such UNIT OWNER, and the BOARD shall not be liable for injury, loss or damage of any nature whatsoever, directly or indirectly resulting therefrom or connected therewith.

23. Nothing shall be done or kept in any UNIT or in the COMMON ELEMENTS which will increase the rate of insurance of the BUILDING or contents thereof without the prior written consent of the BOARD. No UNIT OWNER or occupant shall permit anything to be done or kept in his UNIT or in the COMMON

ELEMENTS which results in the cancellation of insurance on the BUILDING or which would be in violation of any law. No waste shall be committed in the COMMON ELEMENTS.

24. No group tour or exhibition of any UNIT or its contents shall be conducted, nor shall any auction sale be held in any UNIT without the consent of the BOARD.

25. No UNIT OWNER shall install any plantings on any terrace, patio or roof except with the permission of the BOARD.

26. NO UNIT OWNER shall maintain any open fire or flame (including charcoal barbecue grills and gas cookers) on any balcony, terrace or patio of any UNIT within the CONDOMINIUM, EXCEPT that a UNIT OWNER may engage in outdoor cooking using gas or electric grills. No outdoor cooking may be carried out in the COMMON ELEMENTS of the CONDOMIMUM except in any permanent barbecue grills furnished by the DEVELOPER.

27. All PERSONS must comply with the requirements of the Alabama Uniform Condominium Act of 1991, ARTICLES OF INCORPORATION of the ASSOCIATION, BYLAWS of the ASSOCIATION, the DECLARATION and these rules and regulations.

BYLAWS
OF
SUNSET BAY VILLAS CONDOMINIUM OWNERS ASSOCIATION, INC.

GENERAL

1.01. Purpose. These are the Bylaws of the SUNSET BAY VILLAS CONDOMINIUM OWNERS ASSOCIATION, INC., a non-profit Alabama Corporation (hereinafter referred to as the "ASSOCIATION") organized pursuant to the Alabama Uniform Condominium Act of 1991, Code of Alabama 1975, Section 35-8A-1a1, et seq. ("ACT") and "Alabama Nonprofit Corporation Act" Code of Alabama 1975, Section 10-3A-1 et seq., for the purpose of administering SUNSET BAY VILLAS, a condominium, hereinafter referred to as the "CONDOMINIUM" which is located in Baldwin County, Alabama.

1.02. Applicability of Bylaws. The provisions of these Bylaws are applicable to the property of the CONDOMINIUM and to the use and occupancy thereof. All present and future owners, mortgagees, lessees and occupants of UNITS and their employees, and any other persons who may use the facilities of the Property in any manner are subject to these Bylaws, the DECLARATION and the Rules and Regulations made in accordance therewith. The acceptance of a deed or conveyance or the entering into of a lease or the act of occupancy of a UNIT shall constitute an agreement that these Bylaws, the Rules and Regulations made in accordance therewith and the provisions of the DECLARATION, as they may be amended from time to time, are accepted, ratified, and will be complied with.

1.03. Principal Office. The principal office of the Association shall be at 971 County Road 1117, Cullman, Alabama, 35057, or at such other place as may be designated subsequently by the Board of Directors or as the business of the Association may require. All books and records of the Association shall be kept at its principal office.

1.04. Terms Defined. "DECLARATION" shall mean that certain DECLARATION of CONDOMINIUM of SUNSET BAY VILLAS, a condominium, filed in the office of the Judge of Probate of Baldwin County, Alabama, as the same may be amended from time to time in accordance with the terms thereof. All other terms used herein shall have the meaning given to them in the DECLARATION and are hereby incorporated by reference and made a part hereof.

MEMBERSHIP

2.01. Qualification. The qualification for membership shall be ownership of a UNIT in the CONDOMINIUM. No membership may be separated from the UNIT to which it is appurtenant.

2.02. No Additional Qualifications. No initiation fees, costs, or dues shall be assessed against any PERSON as a condition of the exercise of the rights of membership except such ASSESSMENTS, levies, and charges as are specifically authorized in the DECLARATION.

2.03. Succession. The membership of each UNIT OWNER shall automatically terminate on the conveyance, transfer or other disposition of a UNIT OWNER'S interest in the T. The UNIT OWNER'S membership shall automatically be transferred to the new UNIT OWNER succeeding to such ownership interest. On the conveyance, transfer or other disposition of a portion of a UNIT OWNER'S interest in a UNIT, the transferring UNIT OWNER and the transferee shall each be MEMBERS of the ASSOCIATION in accordance with the ownership interest of each following such conveyance or transfer.

2.04. Not for Profit Corporation. The ASSOCIATION is a not for profit corporation organized under the laws of the State of Alabama and pursuant to the ACT and the "Alabama Nonprofit Corporation Act", Code of Alabama 1975, Section 10-3A-1, et seq. The ASSOCIATION shall issue no shares of stock of any kind or nature whatsoever.

MEETINGS OF MEMBERS

3.01. Annual Meeting. A meeting of the ASSOCIATION must be held at least once each year. The annual meeting of MEMBERS shall be held at the office of the ASSOCIATION at 2:00 P.M., local time, on the third Saturday of July of each year for the purpose of electing Directors and transacting any other business authorized to be transacted by the MEMBERS; provided, however, if that day is a legal holiday, the meeting shall be held at the same hour on the next day following that is not a legal holiday.

3.02. Change of Annual Meeting. The time of holding the annual meeting of MEMBERS may be changed at any time prior to not less than ten (10) days nor more than sixty (60) days in advance of the regular day for holding such meeting by a resolution duly adopted by the BOARD OF DIRECTORS or by the MEMBERS, provided that notice of such change be mailed to each MEMBER of record, at such address as appears upon the records of the ASSOCIATION, not less than ten (10) days before the holding of such meeting nor more than sixty (60) days in advance of the regular meeting; and further provided that each annual meeting of MEMBERS shall be held within one (1) month of the date on which it should regularly have been held but for such change.

3.03. Special Meeting. Special meetings of the MEMBERS of the ASSOCIATION may be called in accordance with the ACT.

3.04. Notice of Meeting. Notice of all meetings of MEMBERS must be given in accordance with the provisions of the ACT.

3.05. Waiver of Notice. Any MEMBER or first MORTGAGEE may waive the right to receive notice of any meeting by sending a written waiver to the BOARD OF DIRECTORS. Notice of any meeting may be waived before or after the meeting, orally or in writing. Attendance by a MEMBER at any meeting, either in PERSON or by proxy, shall constitute waiver of notice of such meeting.

3.06. Quorum. A quorum of MEMBERS for any meeting shall be deemed present throughout such meeting if MEMBERS, represented in PERSON or by proxy, holding more than fifty-one percent (51%) of the votes entitled to be cast at such meeting are present throughout such meeting, except as otherwise provided by the ARTICLES, by the DECLARATION, or by these Bylaws.

3.07. Adjournment for Lack of Quorum. In the absence of a quorum at any meeting of MEMBERS, a majority of those MEMBERS entitled to vote thereat, present in PERSON or by proxy, shall have the power to adjourn the meeting, from time to time, without notice other than announcement at the meeting, until the requisite number of MEMBERS, present in PERSON or by proxy, shall be present. At such adjourned meeting at which the requisite number of votes shall be present, any business may be transacted which might have been transacted at the meeting as originally noticed.

3.08. Action without Meeting. Any action which may be taken at a meeting of the MEMBERS may also be taken without a meeting, if a consent in writing setting forth the action so taken, is signed by the number of MEMBERS required to take such action at a meeting, and is filed with the Secretary of the ASSOCIATION.

3.09. Minutes of Meeting. The minutes of all meetings MEMBERS shall be kept in a book available for inspection by OWNERS or authorized representatives.

3.10. Proviso. Provided, however, the DEVELOPER shall retain control of the ASSOCIATION in accordance with the terms and conditions of the DECLARATION.

VOTING RIGHTS

4.01. Votes. Each UNIT shall be entitled to one (1) vote, which vote is not divisible, the numerical value of which shall be the percentage of undivided interest in the COMMON ELEMENTS assigned to the UNIT of which the

MEMBER is the OWNER. The designation of the voting MEMBER shall be determined as set out in the DECLARATION.

4.02. Votes Required to Transact Business. When a quorum is present at any meeting, the holders of a majority of the voting rights present in PERSON or represented by written proxy shall decide any questions brought before the meeting, unless the question is one upon which, by express provision of the ACT, the CONDOMINIUM DOCUMENTS, or the Bylaws, a different number or manner of voting is required, in which case the express provision shall govern and control the decision in question.

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

4.04. Voting by Mortgagee. The execution and delivery of mortgage on a UNIT by its OWNER shall be construed as conferring upon the mortgagee a conditional proxy to cast the vote or votes attributable to such UNIT at any regular or special meeting of the ASSOCIATION. The condition of such proxy shall be noticed by such MORTGAGEE to the ASSOCIATION, in writing, of its intent to exercise the conditional proxy rights granted to it, as MORTGAGEE, by the terms of this subparagraph. In the absence of such written notice, the ASSOCIATION shall be entitled to recognize the UNIT OWNER of the mortgage UNITS as fully entitled to cast the vote or votes attributable. However, once such written notice is received by the ASSOCIATION, the MORTGAGEE'S right to cast the vote or votes attributable to that UNIT shall be recognized by the ASSOCIATION until the MORTGAGEE withdraws its intent to cast such votes in writing, or until the mortgage is paid in full and satisfied of record, whichever first occurs.

4.05. Order of Business. The order of business at annual meetings of MEMBERS and, as far as practical, at all other meetings of MEMBERS, shall be:

- Call to order
- Calling of the roll and certifying of proxies
- Proof of notice of meeting or waiver of notice
- Reading and disposal of any unapproved minutes
- Reports of officers
- Reports of committees
- Election of Directors
- Unfinished business
- New business

Adjournment

BOARD OF DIRECTORS

5.01. Number. The affairs of the ASSOCIATION shall be conducted by a BOARD OF DIRECTORS which shall consist of not less than three (3) nor more than nine (9) PERSONS in number.

5.02. Qualification. Except for Directors appointed by DEVELOPER, each Director shall be a UNIT OWNER. If a UNIT OWNER is a Trust, then the beneficiary of the Trust may be a Director; and if a UNIT OWNER is a corporation or partnership, then an officer, partner, or employee of such UNIT OWNER may be a Director. If a Director shall cease to meet such qualifications during his term, he shall cease to be a Director and his place on the BOARD shall be vacant.

5.03. Appointment by DEVELOPER. The initial BOARD OF DIRECTORS, as well as successive Directors shall be appointed by the DEVELOPER, and may be removed by the DEVELOPER at any time in accordance with the DECLARATION. The Directors appointed by the DEVELOPER need not be UNIT OWNERS.

5.04. Nomination for Election. Nomination for election to the BOARD OF DIRECTORS shall be made from the floor at the annual meeting of MEMBERS or at any other meeting of MEMBERS called for the purpose of electing Directors. Nominations shall also be made by a nominating committee appointed by the BOARD prior to the annual meeting of the MEMBERS or prior to any other meeting of MEMBERS called for the purpose of electing directors.

5.05. Election of Directors. Directors shall be elected in accordance with the ACT and the provisions of the CONDOMINIUM DOCUMENTS. Directors shall be elected at the annual meeting of MEMBERS or at a special meeting called for that purpose. The election shall be by secret ballot (unless dispensed with by unanimous consent) and each MEMBER shall be entitled to vote for each vacancy. There shall be no cumulative voting. Those candidates receiving the greatest number of votes cast either in PERSON or by proxy shall be elected.

5.06. Term. Each Director elected by the MEMBERS shall hold office until the next annual meeting of MEMBERS, and until his successor shall be elected and qualified or until he resigns or is removed in any manner provided elsewhere herein. Each Director appointed by the DEVELOPER shall hold office until he resigns, is removed by the DEVELOPER, or his term expires as provided for herein and in the DECLARATION.

5.07. Vacancies. Any vacancy in the position of a Director elected by the MEMBERS of the ASSOCIATION shall be filled by a majority vote of the remaining Directors, and any Director so elected shall hold office for a term equal to the unexpired term of the Director whom he succeeds. Any vacancy in the position of a Director appointed by the DEVELOPER shall be filled by the DEVELOPER, except as provided in the ACT.

5.08. Removal. Any Director may be removed in accordance with the provisions of the ACT. The vacancy in the BOARD OF DIRECTORS so created shall be filled by the MEMBERS at the same meeting.

5.09. Compensation. A Director shall not receive any compensation for any services he may render to the ASSOCIATION as a Director; provided, however, that any Director may be reimbursed for actual out-of-pocket expenses incurred by him in his performance of his duties.

5.10. Proviso. Provided, however, the DEVELOPER shall retain control of the ASSOCIATION in accordance with the terms and conditions of the DECLARATION.

MEETINGS OF DIRECTORS

6.01. Regular Meetin^gs. Regular meetings of the BOARD OF DIRECTORS may be held at such time and place as shall be determined, from time to time, by a majority of the Directors. Notice of regular meetings shall be given to each Director, personally or by mail, telephone or telegraph, not less than ten (10) nor more than sixty (60) days in advance of any meeting.

6.02. Special Meetin^gs. Special meetings of the Directors may be called by the President and must be called by the Secretary at the written request of one-third (1/3) of the votes of the BOARD. Not less than three (3) days notice of the meeting shall be given personally or by mail, telephone or telegraph, which notice shall state the time, place and purpose of the meeting.

6.03. Open Meetin^gs. All meetings of the BOARD OF DIRECTORS shall be open to all MEMBERS of the ASSOCIATION, and notice of such meetings shall be posted conspicuously on the CONDOMINIUM property at least forty-eight (48) hours prior to the meeting, except in the event of an emergency.

6.04. Waiver of Notice. Any Director may waive notice of a meeting either before or after the meeting, or may consent to the holding of a meeting without notice. Attendance by any Director at a meeting shall constitute waiver of notice of the meeting, except when attendance is for the express purpose

of objecting at the beginning of the meeting to the transaction of business on the grounds that the meeting was not lawfully called.

6.05. Quorum. A quorum shall consist of the number of Directors entitled to cast a majority of the votes of the entire BOARD OF DIRECTORS. The acts of the Directors approved by a majority of the votes present at a meeting at which a quorum is present shall constitute the acts of the BOARD OF DIRECTORS. The joinder of a Director in the action of a meeting by signing and concurring in the minutes thereof shall constitute the presence of such a Director for the purpose of determining a quorum.

6.06. Action without Meeting. Any action permitted or required to be taken at a meeting of the Directors may be taken without a meeting if written consent setting forth the action so taken shall be signed by all the Directors, and filed with the minutes of the proceedings of the BOARD.

6.07. Minutes of Meetings. The minutes of all meetings of the BOARD OF DIRECTORS shall be kept in a minute book available for inspection by UNIT OWNERS, or their authorized representatives, or any Directors at any reasonable time.

6.08. Presiding Officer. The presiding officer of Directors' meetings shall be the President. In the absence of the President, the Directors present shall designate one of their number to preside.

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

7.01. Powers Defined. The BOARD OF DIRECTORS shall have the power to exercise all powers, duties, and authority vested in the ASSOCIATION by the ACT, the DECLARATION, or these Bylaws, except for such powers and duties reserved thereby to the MEMBERS or the DEVELOPER. The powers and the duties of the BOARD shall include, but shall not be limited to the following:

- (1) To elect and remove officers of the ASSOCIATION as hereinafter provided.
- (2) To administer the affairs of the ASSOCIATION and the CONDOMINIUM PROPERTY.
- (3) To maintain bank accounts on behalf of the ASSOCIATION and to designate signatories required therefor.

(4) To sell, lease, mortgage, or otherwise deal with UNITS acquired by the ASSOCIATION.

(5) To pay the cost of all taxes and utilities assessed against the CONDOMINIUM that are not assessed and billed to the OWNERS of individual UNITS.

(6) To borrow money on behalf of the ASSOCIATION when required in connection with the operation, care, upkeep, and maintenance of the COMMON ELEMENTS; provided, however, that the consent of at least two-thirds (2/3) of the votes of the MEMBERS, obtained at a meeting duly called and held for such purpose in accordance with the provision of these Bylaws, shall be required for the borrowing of such money.

(7) To estimate the amount of the annual budget and to make, levy, enforce, and collect ASSESSMENTS against UNIT OWNERS to defray the costs, expenses, and losses of the CONDOMINIUM, and to provide adequate remedies for failure to pay such ASSESSMENTS.

(8) To use the proceeds of ASSESSMENTS in the exercise of its powers and duties.

(9) To maintain, repair, replace, and operate CONDOMINIUM PROPERTY, including the reasonable right of entry upon any UNIT to make emergency repairs and to do other work reasonably necessary for the proper maintenance and operation of the project and the right to grant permits, licenses, and easements over the common areas for utilities, roads, and other purposes reasonably necessary or useful for the proper maintenance or operation of the project.

(10) To purchase insurance on the PROPERTY, and to purchase insurance for the protection of the ASSOCIATION and its MEMBERS, and the MEMBERS of the BOARD OF DIRECTORS and officers of the ASSOCIATION.

(11) To reconstruct improvements after casualty and to further improve the PROPERTY.

(12) To make and amend reasonable Rules and Regulations respecting the use of the PROPERTY and the operation of the CONDOMINIUM.

(13) To enforce by legal means the provisions of the ACT, the Alabama Nonprofit Corporation Act, the DECLARATION, the ARTICLES OF INCORPORATION, the Bylaws, and the Rules and Regulations for the use of the PROPERTY.

(14) To contract for the management of the PROPERTY and to delegate to such managing agent all powers and duties of the ASSOCIATION except such as are specifically required by the DECLARATION to have approval of the BOARD OF DIRECTORS or the membership of the ASSOCIATION.

(15) To contract for the management or operation of portions of the COMMON ELEMENTS of the CONDOMINIUM susceptible to separate management or operation, and to lease such portions.

(16) To retain attorneys and accountants.

(17) To employ personnel to perform the services required for proper operation of the CONDOMINIUM.

(18) Except as prohibited by the DECLARATION, to purchase a UNIT of the CONDOMINIUM for the purposes authorized in the DECLARATION.

(19) To maintain a class action and to settle a cause of action on behalf of OWNERS with reference to the COMMON ELEMENTS, the roof and structural components of a building other improvement, and mechanical, electrical and plumbing elements serving an improvement or a building as distinguished from such elements serving only one (1) UNIT; and to bring an action and to settle the same on behalf of two (2) or more of the OWNERS, as their respective interests may appear, with respect to any cause of action relating to the COMMON ELEMENTS or more than one (1) CONDOMINIUM UNIT; all as the BOARD deems advisable.

(20) To procure such fidelity bonds, as the BOARD deems advisable, covering officers and employees of the ASSOCIATION handling and responsible for the ASSOCIATION'S funds and personal property, and to procure Directors' and Officers' liability insurance, if the BOARD deems it advisable, and the premiums of such bonds and insurance shall be paid by the ASSOCIATION as COMMON EXPENSE.

7.02. Committees. The BOARD OF DIRECTORS may, by resolution, appoint such committees as deemed appropriate in carrying out its purpose, and such committees shall have the powers of the BOARD OF DIRECTORS for the management of the affairs and business of the ASSOCIATION to the extent provided in the resolution designating such a committee. Any such committee shall keep regular minutes of its proceedings and shall report the same to the BOARD OF DIRECTORS.

7.03. Managing Agent. The BOARD OF DIRECTORS shall be authorized to employ the services of a manager or managing agent who may either be a Director, officer, or employee of the ASSOCIATION, or an independent PERSON or firm qualified to manage the property and affairs of the CONDOMINIUM under the supervision of the BOARD. The compensation paid to any such manager or managing agent shall be in the amount established from time to time by the BOARD.

7.04. Order of Business. The order of business at Directors' meetings shall be:

- Call of Roll
- Proof of due notice of meeting
- Reading and disposal of unapproved minutes
- Reports of officers and committees Election of Officers
- Unfinished business
- New business
- A dj ournmnent

OFFICERS

8.01. Executive Officers. The executive officers of the ASSOCIATION shall be a President, who shall be a Director; a Vice President, who shall be a Director; and a Secretary-Treasurer, who shall be a Director, all of whom shall be elected annually by the BOARD OF DIRECTORS and who may be peremptorily removed by vote of the Directors at any meeting in accordance with the ACT. Any PERSON may hold two (2) or more offices, except that the President shall not also be the Secretary. The BOARD OF DIRECTORS shall from time to time elect such other officers and designate their powers and duties as the BOARD shall find to be required to manage the affairs of the ASSOCIATION.

8.02. Term. Each officer shall hold office for the term of one (1) year and until his successor shall have been appointed or elected and qualified, provided that any officer may succeed himself

8.03. Resignation and Removal. Any officer may be removed from office either with or without cause in accordance with the ACT. Any officer may resign at any time by giving written notice to the BOARD. Such resignation shall take effect on the date of receipt or at any later time specified therein, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

8.04. Vacancies. A vacancy in any office shall be filled by a majority vote of the Directors at any meeting. An officer elected to fill a vacancy shall hold office for a term equal to the unexpired term of the officer he succeeds.

8.05. Compensation. An officer shall not receive any compensation for any service he may render to the ASSOCIATION as an officer; provided, however, that any officer may be reimbursed for actual out-of-pocket expenses incurred by him in the performance of his duties.

8.06. President. The President, who shall be a Director, is the chief executive officer of the ASSOCIATION, and shall have all the powers and duties that are usually vested in the office of President of a CONDOMINIUM ASSOCIATION, including but not limited to the following powers:

(1) To preside over all meetings of the MEMBERS and of the BOARD.

(2) To sign as President all deeds, contracts, and other instruments that have been duly approved by the BOARD.

(3) To call meetings of the BOARD whenever he deems it necessary in accordance with the rules.

(4) To have the general supervision, direction and control of the affairs of the ASSOCIATION.

8.07. Vice President. The Vice President, who shall be a Director, shall have all the powers and duties that are usually vested in the office of the Vice-President of a CONDOMINIUM ASSOCIATION. The Vice President shall, in the absence of or disability of the President, exercise the powers and perform the duties of the President. He shall also generally assist the President and exercise such other powers and perform such other duties as shall be prescribed by the Directors.

8.08. Secretary. The Secretary, who shall be a Director, shall have all the powers and duties that are usually vested in the Secretary of a CONDOMINIUM ASSOCIATION. The Secretary shall keep the minutes of all proceedings of the Directors and the MEMBERS. He shall attend to the giving and serving of all notices to the MEMBERS and Directors and other notices required by law. He shall have custody of the seal of the ASSOCIATION and affix the same to the instruments requiring a seal when duly signed. To sign as Secretary all deeds, contracts, all other instruments which have been duly approved by the BOARD, if said instrument requires the signature or attestation of the Secretary. He shall keep the records of the ASSOCIATION, except those of

the Treasurer, and shall perform all other duties incident to the office of the Secretary of an ASSOCIATION as may be required by the Directors or the President.

8.09. Treasurer. The Treasurer, who shall be a Director, shall be the financial officer of the ASSOCIATION, and shall have all the powers and duties that are usually vested in the Treasurer of a CONDOMINIUM ASSOCIATION. The Treasurer shall have custody of all property of the ASSOCIATION, including funds, securities, and evidences of indebtedness. He shall keep the financial records and books of account of the ASSOCIATION in accordance with good accounting practices; shall keep detailed, accurate records in chronological order of the receipts and expenditures affecting the COMMON AREAS and facilities, specifying and itemizing the maintenance and repair expenses of the COMMON AREAS and facilities and any other expenses incurred; and he shall perform all other, duties incident to the office of the Treasurer. The records, books of account, and the vouchers authorizing payments, shall be available for examination by a MEMBER of the ASSOCIATION at, convenient hours of week days.

FISCAL MANAGEMENT

9.01. The Fiscal Year. The fiscal year of the ASSOCIATION shall be such as shall from time to time be established by the ASSOCIATION.

9.02. Budget. The BOARD OF DIRECTORS shall adopt a budget for each calendar year in accordance with the ACT, which shall include estimated COMMON EXPENSES, including a reasonable allowance for contingencies and reserves less the unneeded fund balances on hand. The budget shall also include reserve accounts for working capital expenditures, deferred maintenance, reserves and contingencies. The amount reserved shall be computed by means of a formula that is based on the estimated life and estimated replacement cost of each reserve item. The budget shall also set forth each UNIT OWNER'S proposed ASSESSMENT for COMMON EXPENSES and LIMITED COMMON EXPENSES. Copies of the budget and proposed ASSESSMENTS shall be transmitted to each MEMBER in accordance with the ACT.

9.03. Adoption of the Annual Budget. The BOARD OF DIRECTORS shall prepare or cause to be prepared a proposed annual budget for each fiscal year of the ASSOCIATION in accordance with the ACT.

9.04. Assessments. ASSESSMENTS for COMMON EXPENSES shall be made in accordance with the ACT, the DECLARATION, and these Bylaws. ASSESSMENTS shall be collected by the ASSOCIATION on a monthly basis as follows: On or before the first day of each month of the fiscal

year for which the ASSESSMENTS are made, each UNIT OWNER shall pay one-twelfth (1/12) of his share of the COMMON EXPENSES or LIMITED COMMON EXPENSES for such year as shown by the annual budget. The ASSESSMENTS of the COMMON EXPENSES and LIMITED COMMON EXPENSES shall be set forth in the DECLARATION, but the yearly ASSESSMENT for each UNIT OWNER for COMMON EXPENSES shall be in proportion to his respective ownership interest in the COMMON ELEMENTS and the ASSESSMENT for the LIMITED COMMON ELEMENTS shall be in accordance with the DECLARATION. The BOARD OF DIRECTORS may cause to be sent to each UNIT OWNER, on or before the first day of each month, a statement of the monthly ASSESSMENTS. However, the failure to send or receive such monthly statement shall not relieve the UNIT OWNER of his obligation to make timely payment of the monthly ASSESSMENTS. If the BOARD shall not approve an annual budget or shall fail to determine new monthly ASSESSMENTS for any year, or shall be delayed in doing so, each UNIT OWNER shall continue to pay the amount of his monthly ASSESSMENT as last determined. No UNIT OWNER shall be relieved of his obligation to pay his ASSESSMENT by abandonment of his UNIT or lack of use of the COMMON ELEMENTS.

9.05. Reserves for Replacements. The ASSOCIATION shall establish and maintain an adequate reserve fund for the periodic maintenance, repair, and replacement of improvements to the COMMON AREAS. The fund shall be maintained out of regular ASSESSMENTS.

9.06. Lien for Expenses and Forfeiture of Voting Privileges. If any UNIT OWNER shall fail or refuse to make any payment of the COMMON EXPENSES or LIMITED COMMON EXPENSES or other ASSESSMENTS when due, the amount due, together with costs, reasonable attorney's fees, and interest thereon at a rate to be set by the BOARD OF DIRECTORS but in no event greater than the rate of eighteen percent (18%) per annum from and after the date said COMMON EXPENSES or LIMITED COMMON EXPENSES or other ASSESSMENTS became due and payable in accordance with the DECLARATION and the ACT, shall constitute a lien on the interest of the UNIT OWNER in the property. In addition to any other right given to the Association, the Association may prohibit the UNIT OWNER or representative of the UNIT OWNER of any UNIT for which any payment of a regular or special assessment is currently in default from voting the interest of that unit at any meeting of the Association or upon any action taken by the Association or its Board of Directors.

9.07. Acceleration of Assessment Installments Upon Default. If a UNIT OWNER shall be in default in the payment of an installment upon any ASSESSMENT for a period of more than thirty (30) days, the BOARD may

accelerate the remaining installments of such ASSESSMENT upon notice thereof to the UNIT OWNER, and thereupon the unpaid balance of the ASSESSMENT shall come due upon the date stated in the notice, but not less than ten (10) days after delivery thereof to the UNIT OWNER, or not less than twenty (20) days after the mailing of such notice to him by registered or certified mail, whichever shall first occur. Upon default in the payment of an installment upon any ASSESSMENT, the BOARD of the ASSOCIATION shall be entitled to charge interest and service charges at the highest available rate allowable under the ACT.

9.08. Default. In the event an OWNER of a UNIT does not pay any sums,, charges or ASSESSMENTS required to be paid to the ASSOCIATION within thirty (30) days from the due date, the ASSOCIATION may foreclose the lien encumbering the UNIT created by non-payment of the required moneys in accordance with the ACT; provided that thirty (30) days prior notice of the intention to foreclose shall be mailed, postage prepaid, to the UNIT OWNER and to all PERSONS having a mortgage lien or other interest of record in such UNIT as shown in the ASSOCIATION'S record of ownership. The ASSOCIATION shall be entitled to the appointment of a receiver, if it so requests. The ASSOCIATION shall have the right to bid-in the UNIT at a foreclosure sale and to acquire, hold, mortgage and convey the same. In any such foreclosure action, the lien of the ASSOCIATION shall be as stated in the DECLARATION. In lieu of foreclosing its lien, the ASSOCIATION may bring suit to recover a money judgment for any sums, charges or ASSESSMENTS required to be paid to the ASSOCIATION without waiving its lien securing same. In any action either to foreclose its lien or to recover a money judgment, brought by or on behalf of the ASSOCIATION against a UNIT OWNER, the losing defendants shall pay the cost thereof together with a reasonable attorney's fee.

If the ASSOCIATION becomes the OWNER of a UNIT by reason of foreclosure, it shall offer said UNIT and properties for sale and at such time as a sale is consummated it shall deduct from such proceeds all sums of money due it for monthly ASSESSMENTS and charges, all costs incurred in the bringing of the foreclosure suit, including reasonable attorney's fees, and any and all expenses incurred in the resale of the UNIT, which shall include but not be limited to advertising expenses, real estate brokerage fees and expenses necessary for the repairing and refurbishing of the family UNIT in question. All moneys remaining after deducting the foregoing items of expense shall be returned to the former OWNER of the UNIT in question.

9.09. Supplemental Assessments. If during the course of any fiscal year, it shall appear to the BOARD that the monthly ASSESSMENTS, as determined in the annual budget, are insufficient or inadequate to cover the estimated COMMON EXPENSES or LIMITED COTVILVMON EXPENSES for the remainder of such year, then the BOARD shall prepare and approve a

supplemental budget covering the estimated deficiency. Copies of the supplemental budget shall be delivered to each UNIT OWNER, and thereupon a supplemental ASSESSMENT shall be made to each UNIT OWNER for his proportionate share of the supplemental budget.

9.10. Annual Statement. Within sixty (60) days after the end of each fiscal year, the BOARD shall cause to be furnished to each UNIT OWNER, a statement for the year so ended showing the receipts and expenditures of the ASSOCIATION, and such other information as the BOARD may deem desirable.

9.11. Accountin^g Records. The BOARD shall cause to be kept, in accordance with generally accepted accounting principles, a record of all receipts and expenditures; and a separate account for each UNIT showing the ASSESSMENTS or other charges due, the due dates thereof, the present balance due, and any interest in common surplus. Such records shall be open to inspection by UNIT OWNERS at reasonable times.

9.12. Depository. The depository of the ASSOCIATION shall be such bank or banks and/or savings and loan associations as shall be designated from time to time by the Directors and in which moneys of the ASSOCIATION shall be deposited. Withdrawal of moneys from such account shall be only by checks signed by such PERSONS as are authorized by the Directors.

9.13. Fidelity Bonds. Fidelity bonds shall be required by the BOARD from all officers and employees of the ASSOCIATION from any manager handling or responsible for ASSOCIATION funds and from any employee, agent or subcontractor of a manager handling or responsible for ASSOCIATION funds. The amount of such bonds shall be determined by the Directors, but shall be at least the amount of one hundred and fifty percent (150%) of the total annual ASSESSMENTS against MEMBERS for recurring expenses. The premiums on such bonds shall be paid by the ASSOCIATION.

OBLIGATIONS OF THE OWNERS

10.01. Assessments. Every OWNER of any UNIT in the CONDOMINIUM shall contribute pro rata toward the expense of administration of the CONDOMINIUM, as provided in the DECLARATION and in these Bylaws. Each ASSESSMENT against a UNIT shall also be the personal obligation of the OWNER at the time the ASSESSMENT fell due. Such personal obligation shall not pass to successors in title unless assumed by such successors, or required by applicable law.

10.02. Maintenance and Repair. Every OWNER of any UNIT in the CONDOMINIUM shall promptly perform all maintenance and repair work, as provided in the ARTICLES, the DECLARATION or these Bylaws. An OWNER shall reimburse the ASSOCIATION for any expenditures incurred in repairing or replacing any COMMON AREAS or facilities damaged through the OWNER'S fault.

10.03. Use of Units. All UNITS shall be utilized in accordance with the provisions of the DECLARATION, these Bylaws and the Rules and Regulations of the ASSOCIATION.

RULES AND REGULATIONS

11.01. House Rules. The BOARD OF DIRECTORS may from time to time, and subject to the provisions hereof providing for DEVELOPER control, adopt, modify, amend, or add to rules and regulation concerning the use of the CONDOMINIUM PROPERTY. Copies of such rules and regulations, or any amendments, additions, or modifications, shall be delivered to each UNIT OWNER not less than fourteen (14) days prior to the effective date thereof. No rule or regulation that is in conflict with the CONDOMINIUM DOCUMENTS shall be adopted.

AMENDMENTS TO THE BYLAWS

12.01. Adoption. These Bylaws may be amended only by the affirmative vote or agreement of the OWNERS of at least sixty-seven percent (67%) of the UNITS. Additionally, material changes to these Bylaws shall require the approval of ELIGIBLE MORTGAGEES who represent at least fifty-one percent (51%) of the UNITS subject to mortgages held by ELIGIBLE MORTGAGEES.

12.02. Prohibited Amendments. No amendment may be adopted that would eliminate, modify, prejudice, abridge, or otherwise adversely affect any rights, benefits, privileges, or priorities granted to the DEVELOPER or ELIGIBLE MORTGAGEE without the consent of the DEVELOPER or such MORTGAGEE, as the case may be. No amendment that is in conflict with the ARTICLES, the DECLARATION, or the ACT shall be adopted.

12.03. Recordin^g. Any amendment shall become effective when recorded in the office of the Judge of Probate of Baldwin County, Alabama, with these Bylaws in accordance with the ACT.

MISCELLANEOUS

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

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

13.03. Conflicts. In the event of any conflict between the provisions of the DECLARATION and the Bylaws, the DECLARATION prevails, except to the extent the DECLARATION is inconsistent with the ACT.

13.04. Compliance. These Bylaws are set forth to comply with the requirements of the Alabama Nonprofit Corporation Act and the ACT and shall be considered an appendage to the DECLARATION filed prior hereto in accordance with said Acts. In case any of these Bylaws conflict with the provisions of said statutes, it is hereby agreed and accepted that the provisions of the ACT will apply.

13.05. Right of Entry. The manager and any PERSON authorized by the BOARD shall have the right to enter each UNIT in case of any emergency originating in or threatening such UNIT whether or not the OWNER or occupant is present at the time. Every UNIT OWNER and occupant, when so required, shall permit other UNIT OWNERS or their representative to enter his UNIT at reasonable times for the purpose of performing authorized installations, alterations, repairs to the COMMON ELEMENTS therein for central services provided that requests for entry are made in advance.

13.06. Parliamentary Rules. Roberts Rules of Order (latest edition) shall govern the conduct of ASSOCIATION meetings when not in conflict with the ACT, DECLARATION or these Bylaws.

REGISTERED OFFICE AND AGENT

14.01. Name and Address. The location and mailing address of the initial registered office of SUNSET BAY VILLAS CONDOMINIUM OWNERS ASSOCIATION, INC., is P. O. Box 912, Daphne, Alabama, 36526. The name of the corporation's initial registered agent at such address is Henry Bostwick.

The foregoing were adopted as the Bylaws of SUNSET BAY VILLAS
CONDOMINIUM OWNERS ASSOCIATION, INC., at the first meeting of the
BOARD OF DIRECTORS on the _____ day of _____, 200

Secretary

Approved:

President

THIS INSTRUMENT PREPARED BY:

DANIEL G. BLACKBURN, P.C.
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