

STATE OF ALABAMA :

COUNTY OF BALDWIN :

BALDWIN COUNTY, ALABAMA
HARRY D'OLIVE, JR. PROBATE JUDGE
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**SUBSEQUENT AMENDMENT AND
SUPPLEMENTARY DECLARATION OF
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR THE VERANDAS, PHASE FOUR, A SUBDIVISION**

This Subsequent Amendment and Supplementary Declaration of Declaration of Covenants, Conditions and Restrictions for The Verandas, Phase Four, a Subdivision (the "Subsequent Amendment and Supplementary Declaration") made and entered into on June 27, 2019, by The Verandas, LLC, an Alabama Limited Liability Company (the "Declarant") for itself, its successors, grantees and assigns.

RECITALS:

1. The Declarant did subdivide certain real property located in Baldwin County, Alabama, which is known as Lot 63 through Lot 107, and the areas designated as Common Areas, on the plat of The Verandas, Phase Two, a Subdivision recorded in the Office of the Judge of Probate of Baldwin County, Alabama, on Slide 2642-D together with all improvements and appurtenances located thereon (the "Phase Two Property").
2. An Association of owners for the operation of the Subdivision was formed under the laws of the State of Alabama known as The Verandas Property Owners Association, Inc., (the "Association").
3. Declarant subjected the Phase Two Property to that certain Declaration of Covenants, Conditions and Restrictions for The Verandas, Phase Two, a Subdivision by instrument dated June 1, 2018 and recorded June 1, 2018 as Instrument Number 1699162, Pages 1 through 36 (the "Declaration").
4. Declarant owns the real property described on the Plat of The Verandas, LLC, Phase Four, a Subdivision recorded in Slide 2691C (the "Phase Four Plat" or sometimes the "Phase Four Property") and Declarant desires to add the real property described in this Paragraph 4 to the terms and conditions of the Declaration by incorporating the same into the Declaration, the same as if the real property described in this Paragraph 4 and referred to as the Phase Four Property had been originally included therein all in accordance with Article XIII of the Declaration.
5. Article XIV of the Declaration grants to the Declarant the power to unilaterally amend the Declaration. Pursuant to Article XIV of the Declaration, Declarant does amend the Declaration as provided in this Subsequent Amendment and Supplementary Declaration.

The recording references referred to in this Subsequent Amendment and Supplementary Declaration are to the Office of the Judge of Probate of Baldwin County, Alabama. The terms used in this Subsequent Amendment and Supplementary Declaration shall have the same meaning as that contained in the Declaration, unless the context otherwise requires.

NOW, THEREFORE, Declarant makes the following additional Declaration and Subsequent Amendment and Supplementary Declaration as to the use to which the real property described in Paragraph 4 of this Subsequent Amendment and Supplementary Declaration and referred to as the Phase Four Property and the improvements thereon may be put, specifying that the Declaration, as amended by this Subsequent Amendment and Supplementary Declaration shall be binding upon the Declarant, and the successors and assigns of the Declarant, and all Owners of all or any part thereof of the real property and improvements described on or located on the property described above and referred to as the Phase Four Property together with their grantees, successors, heirs, executors, administrators, devisees or assigns:

A. Increment. As provided in Article XIII of the Declaration, the Declarant elects to incorporate the real property described above and referred to as the Phase Four Property into The Verandas, a Subdivision. The Phase Four Property is subject to the Declaration as amended by this Amendment which shall run with the real property and be binding on all parties having any right, title or interest in the real property described above and referred to as the Phase Four Property. Declarant acknowledges that the provisions contained in Section 8.03 of the Declaration related to Declarant control shall be extended to include the completion and sale of all lots and property contained in the Phase Four Property as well as any other lots and property which may be bought within the jurisdiction of the Association by Subsequent Amendment as provided in the Declaration.

B. Adoption. Except as provided in this Subsequent Amendment and Supplementary Declaration, and as altered and amended by this Subsequent Amendment and Supplementary Declaration, the Declaration and every part and provision of the Declaration is in all respects ratified and confirmed and by reference adopted and incorporated in this Subsequent Amendment and Supplementary Declaration, the same as if fully set forth in this Subsequent Amendment and Supplementary Declaration.

IN WITNESS WHEREOF, the Declarant has caused this instrument to be executed on the day and year first above referred to.

Declarant

The Verandas, LLC, an Alabama
Limited Liability Company

By: Corte Development, Inc. an
Alabama Corporation
Its: Member

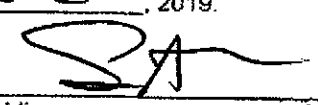
By: 
Albert Corte, III
Its: President

STATE OF ALABAMA :

COUNTY OF BALDWIN :

I, the undersigned authority, a Notary Public in and for said State and County, hereby certify that Albert Corte, III, whose name as President of Corte Development, Inc., an Alabama Corporation, acting in its capacity as a Member of The Verandas, LLC, an Alabama Limited Liability Company is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the instrument, he, as such officer acting in such capacity, and with full authority, executed the same voluntarily on behalf of the Company.

Given under my hand and seal this 27th day of June, 2019.


Notary Public

My Commission Expires:

7-14-2021

JOINDER OF FAIRHOPE SINGLE TAX CORPORATION

The undersigned, Fairhope Single Tax Corporation, being the fee simple owner of The Verandas, Phase Four, a Subdivision covered by this Declaration, does consent to this Amendment.

Fairhope Single Tax Corporation

By: Lee Turner

Lee Turner

Its: President

STATE OF ALABAMA :

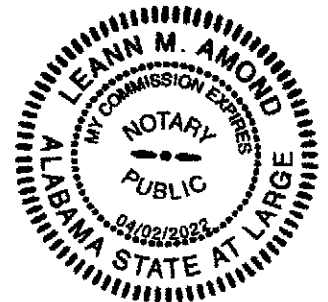
COUNTY OF BALDWIN :

I, the undersigned authority, a Notary Public in and for said State and County, hereby certify that Lee Turner, whose name as President, on behalf of Fairhope Single Tax Corporation, is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that he as such officer, and with full authority, executed the same voluntarily for and on behalf of said Corporation.

Given under my hand and seal this 27th day of June, 2019.

Leann M. Amond
Notary Public

My Commission Expires:

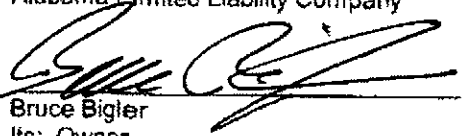


JOINDER OF MORTGAGEE

The undersigned holder of a mortgage on the leasehold interest covered by this Declaration, does join in and consent to this Amendment.

Bay Area Developers, L.L.C., an
Alabama Limited Liability Company

By:


Bruce Bigler
Its: Owner

STATE OF ALABAMA :

COUNTY OF BALDWIN :

I, the undersigned authority, a Notary Public in and for said State and County, hereby certify that Bruce Bigler, whose name as a Member of Bay Area Developers, L.L.C., an Alabama Limited Liability Company, is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of the instrument, he as such Member, and with full authority, executed the same voluntarily for and on behalf of said Company.

Given under my hand and seal this 27th day of June, 2019.


Notary Public

My Commission Expires: 7-14-2021

THIS INSTRUMENT PREPARED BY:

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Irby & Heard, P.C.
Attorneys at Law
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Fairhope, Alabama 36533
(251) 928-4555

1699162

**DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
FOR
THE VERANDAS, PHASE TWO, A SUBDIVISION**



STATE OF ALABAMA :

COUNTY OF BALDWIN :

This Declaration made to be effective on the Effective Date (as defined in this Declaration) by The Verandas, LLC, an Alabama Limited Liability Company (the "Declarant").

RECITALS

A. The Fairhope Single Tax Corporation ("FSTC") is the fee simple owner of the real property located in Baldwin County, Alabama, which is known as The Verandas, Phase Two, a Subdivision recorded in the Office of the Judge of Probate of Baldwin County, Alabama, in Slide 2642-D (the "Plat"), together with all improvements and appurtenances sometimes referred to in this Declaration as "The Verandas, Phase Two, a Subdivision".

B. The Declarant is the Lessee under a 99 year ground lease from the Fairhope Single Tax Corporation (the "FSTC") for the real property located in Baldwin County, Alabama, which is known as The Verandas, Phase Two, a Subdivision as described on the Plat, together with all improvements and appurtenances sometimes referred to in this Declaration as "The Verandas, Phase Two, a Subdivision".

C. The Declarant intends by this Declaration to impose upon The Verandas, Phase Two, a Subdivision mutually beneficial restrictions under a general plan of improvement for the benefit of all Lessees of Lots in a Subdivision and to provide a method whereby other property may become part of a Subdivision subject to this Declaration by the recordation of a supplement to this Declaration. Fairhope Single Tax Corporation joins in the execution of this Declaration for the purpose of consenting thereto.

D. The Declarant has caused or will cause the The Verandas Property Owners' Association, Inc., an Alabama Nonprofit Corporation (the "Association") to be formed as a master association for the purpose of providing an Alabama Nonprofit Corporation to serve as representative of the Declarant and the Lessees of The Verandas, Phase Two, a Subdivision.

E. The Association and The Verandas, Phase Two, a Subdivision shall be subject to the terms and conditions of this Declaration and the FSTC Leases for the Lots.

NOW, THEREFORE, the Declarant declares that The Verandas, Phase Two, a Subdivision and any Additional Property as may by Supplemental Declaration be added to and subjected to this Declaration shall be held, sold and conveyed or encumbered, rented, used, occupied and improved, subject to the following easements, restrictions, covenants and conditions, which are for the purpose of protecting the value and desirability of and which shall run with the fee simple ownership of the land and which shall be binding on all parties having any right, title or interest in The Verandas, Phase Two, a Subdivision or any part of The Verandas, Phase Two, a Subdivision, their heirs, successors and assigns, and shall inure to the benefit of each Lessee of The Verandas, Phase Two, a Subdivision. Provided, However, by one or more Supplemental Declarations, the Declarant has the right, but is not obligated, to subject other real property or Additional Property to this Declaration, as provided in this Declaration.

Article I
Definitions

The following words and terms when used in this Declaration or any Supplemental Declaration (unless the context clearly shall indicate otherwise) shall have the following meanings:

Section 1.01. **"Additional Property"** shall mean and refer to additional real property subject to the unilateral right of annexation of the Declarant as provided elsewhere in this Declaration.

Section 1.02. **"Architectural Committee"** shall mean and refer the Architectural Committee described in Article IV of this Declaration.

Section 1.03. **"Architectural Guidelines"** shall mean and refer to a publication promulgated and amended from time to time by the Board of Directors of the Association for the purpose of establishing rules, regulations and limitations and regulating and governing the use of a Subdivision as more particularly provided in this Declaration.

Section 1.04. **"Articles of Incorporation"** or **"Articles"** shall mean and refer to the Articles of Incorporation of the Association.

Section 1.05. **"Assessments"** shall mean and refer to the Assessments provided for in this Declaration which shall be used for the purposes of promoting the recreation, health, safety, welfare, common benefit and enjoyment of the Lessees and the occupants of a Subdivision and for the purpose of maintaining a Subdivision, all as may be specifically authorized from time to time by the Board of Directors and as more particularly authorized in this Declaration.

Section 1.06. **"Association"** shall mean and refer to The Verandas Property Owners' Association, Inc., an Alabama Nonprofit Corporation, and the successors and assigns of the Association.

Section 1.07. **"Board of Directors"** shall mean and refer to the Board of Directors of the Association.

Section 1.08. **"By-Laws"** shall mean and refer to the By-Laws of the Association.

Section 1.09. **"Common Area"** or **"Common Property"** shall mean and refer to the areas designated on the Plat of a Subdivision as Common Areas or any property, buildings, fixtures, facilities or other personal property acquired by the Association by purchase, gift, lease or otherwise to be devoted to the common use and enjoyment of the Lessees of The Verandas, Phase Two, a Subdivision. The Common Area shall include: (a) all private roadways and easements located in The Verandas, Phase Two, a Subdivision to provide ingress to and egress from any portion of The Verandas, Phase Two, a Subdivision (other than any such private roadways or easements that are located solely within the boundary lines of any Lot or Dwelling), (b) all private roadways and easements located adjacent to or in close proximity with (but otherwise outside of) The Verandas, Phase Two, a Subdivision that provide ingress to or egress from any portion of The Verandas, Phase Two, a Subdivision (other than any such private roadways or easements that located solely within the boundary lines of any Lot or Dwelling), (c) all signage, street lights, lighting, walkways, sidewalks, paths, gates, walls, fences, limited access facilities, improvements, landscaped or other areas immediately adjacent to any public or private roadways that may be adjacent to or in close proximity to The Verandas, Phase Two, a Subdivision that provide ingress to and egress from any portion of The Verandas, Phase Two, a Subdivision (other than any such areas located solely within the boundary lines of any Lot or Dwelling), (d) all storm drains and sewer, drainage and/or watershed protection or retention ponds, located within The Verandas, Phase Two, a Subdivision (other than such areas located solely within the boundary lines of any Lot or Dwelling), (e) all maintenance areas and parking areas located on any portion of The Verandas, Phase Two, a Subdivision (other than such areas located solely within the boundary lines of any Lot or Dwelling), (f) all utility lines, pipes, ducts,

conduits, equipment, machinery and other apparatus and appurtenances that are located in or serve any portion of the Common Area, (g) all easements and easement areas within The Verandas, Phase Two, a Subdivision (other than such areas located solely within the boundary lines of any Lot or Dwelling), and any other areas or Improvements on or within The Verandas, Phase Two, a Subdivision that are designated as Common Area by the Declarant from time to time. The designation of any land and/or Improvements as Common Area shall not mean or imply that the public at large acquires any easement of use or enjoyment of said Common Areas or any other rights, licenses or benefits in said Common Area.

Section 1.10. "Common Expenses" shall mean and include the actual and estimated expenses of operating the Association, including any reasonable reserve, as may be found to be necessary and appropriate by the Board of Directors pursuant to this Declaration, the Articles of Incorporation of the Association and the By-Laws of the Association.

Section 1.11. "Declarant" shall mean and refer to, The Verandas LLC, or the successors and assigns of The Verandas, LLC, if such successors or assigns should acquire more than one undeveloped Lot from the Declarant for the purpose of development.

Section 1.12. "Declarant Control" shall mean and refer to Declarant Control retained to the Declarant as described in this Declaration.

Section 1.13. "Declaration" shall mean and refer to this Declaration of Covenants, Conditions and Restrictions, which shall be recorded in the Probate Records of Baldwin County, Alabama, as the same may from time to time be supplemented or amended in the manner described in this Declaration.

Section 1.14. "Deed" shall mean and refer to any Deed, Bill of Sale, assignment, lease, or other instrument conveying a leasehold interest in any part of The Verandas, Phase Two, a Subdivision.

Section 1.15. "Eligible Mortgage Holder" shall mean and refer to a holder, insurer, or guarantor of a first mortgage on a Lot who has requested notice of certain matters from the Association as provided in this Declaration and in the By-Laws.

Section 1.16. "Existing Property" shall mean and refer to The Verandas, Phase Two, a Subdivision.

Section 1.17. "Lessee" shall mean and refer to the record Lessee, whether one or more Persons or entities, of a Leasehold interest under a Lease from Fairhope Single Tax Corporation to any Lot which is a part of The Verandas, Phase Two, a Subdivision, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 1.18. "Lot" shall mean and refer to any improved or unimproved plot, parcel, or portion of land shown upon the Plat or any recorded final subdivision map of The Verandas, Phase Two, a Subdivision, with the exception of the Common Property, and shall include, where the context may indicate, any improvement or fixture located on the Lot.

Section 1.19. "Majority" shall mean and refer to those eligible votes, the Lessees, or other groups as the context may indicate totaling more than fifty percent of the total eligible number.

Section 1.20. "Member" shall mean and refer to a Person or entity who holds membership in the Association, as provided in this Declaration.

Section 1.21. "Mortgage" shall mean and refer to any Mortgage, Bill of Sale with vendor's lien reserved and any and all other similar instruments used for the purpose of conveying or encumbering real property as security for the payment or satisfaction of an obligation.

Section 1.22. "Mortgage" shall mean and refer to the holder of any Mortgage, the holder of any vendor's lien reserved, and the holder of any and all other similar instruments used for the purpose of conveying or encumbering real property as security for the payment or satisfaction of any obligation.

Section 1.23. "Permitted Antennas" shall mean and refer to the Permitted Antennas referred to and described in Section 7.24 of this Declaration.

Section 1.24. "Person" shall mean and refer to a natural Person, corporation, partnership, trustee or other legal entity.

Section 1.25. "Supplemental Declaration" shall mean and refer to an amendment to this Declaration which adds Additional Property to that covered by this Declaration. Such Supplemental Declaration may but is not required to impose, expressly or by reference, additional restrictions and obligations on the land submitted by the Supplemental Declaration to the provisions of this Declaration.

Article II Mutuality of Benefit and Obligation

This Declaration is made for the mutual and reciprocal benefit of each and every part of The Verandas, Phase Two, a Subdivision and is intended to create mutual, equitable servitudes upon The Verandas, Phase Two, a Subdivision, to create reciprocal rights between the respective Lessees and future Lessees of The Verandas, Phase Two, a Subdivision; and to create a privity of contract and estate between the grantees of The Verandas, Phase Two, a Subdivision, their heirs, successors and assigns.

Article III Property Rights and Easements

Section 3.01. Easement of Enjoyment by the Lessees. Every Lessee shall have and is granted a nonexclusive right and easement of ingress, egress, use and enjoyment in and to the Common Area necessary for access to the Lot of said Lessee and such rights shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

A. The right of the Association to charge reasonable admission and other fees for the use and maintenance of the Common Property and to impose reasonable limits on the number of guests who may use the Common Property.

B. The right of the Association, in addition to the other rights set forth in this Declaration to suspend the voting rights of a Lessee and the right to use any of the Common Property for any period during which any Assessment against the Lot of that Lessee remains unpaid, and for any infraction by a Lessee of the Architectural Guidelines after a hearing by the Board of Directors for the duration of the infraction and for an additional period not to exceed thirty days.

C. The right of the Declarant with regard to portions of The Verandas, Phase Two, a Subdivision which may be leased to the Declarant to grant easements in, on and over The Verandas, Phase Two, a Subdivision to any public agency, authority or utility. The right of the Declarant to dedicate or transfer all or any part of the Common Area to any public agency, authority or utility for such purposes and subject to such conditions as the Declarant shall deem appropriate without the consent or approval of the Association or any Lot Lessee.

D. The right of the Association to borrow money for the purpose of improving the Common Property, or any portion of the Common Property, for acquiring additional Common Property, or for constructing, repairing or improving any facilities located or to be located on the Common Property, and to give as security for the payment of any such loan a Mortgage conveying all or any portion of the Common Property. Provided, However, the lien and encumbrance of any such Mortgage given by the

Association shall be subject and subordinate to any and all rights, interests, options, easements and privileges reserved or established in this Declaration for the benefit of the Declarant or any Lessee, or the holder of any Mortgage, irrespective of when executed, given by the Declarant or any Lessee encumbering any Lot or other property located within The Verandas, Phase Two, a Subdivision.

E. Subject to the right of the Declarant to dedicate the Common Area to any public agency, authority or utility as provided for in this Declaration, the right of the Association to dedicate or transfer all or any part of the Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Members. No such dedication or transfer by the Association shall be effective unless an instrument agreeing to such dedication or transfer has been approved: (i) by at least two-thirds of the votes of the Members of the Association which are present or represented by proxy and entitled to be cast at a meeting duly called for such purpose, and (ii) by the Declarant so long as the Declarant shall hold the lease to any property or Lot in The Verandas, Phase Two, a Subdivision or any Additional Property as may by Supplemental Declaration be added to and subjected to this Declaration.

F. The parking of automobiles in the designated area within the Common Area is restricted to the Lessees and guests, invitees and tenants of the Lessees and shall not interfere with the rights of ingress and egress of the Lessee of any particular Lot. The parking of automobiles may be regulated by the Association.

G. The right of the Association to adopt and promulgate reasonable rules, regulations and limitations, including but not limited to the Architectural Guidelines, pertaining to the use of The Verandas, Phase Two, a Subdivision, which, in the discretion of the Association, shall serve to promote the best interests of the Lessees and residents in The Verandas, Phase Two, a Subdivision.

H. The easements, rights and privileges granted Section 3.01, shall pass with each Lot and Dwelling as an appurtenance thereto and may not be severed, transferred, assigned or otherwise alienated separate or apart from a Lot.

I. All rights of the Declarant and the Association are set out in this Section 3.01. C and E are subject to the approval of FSTC.

Section 3.02. Delegation of Use. Any Lessee may delegate, in accordance with the By-Laws and subject to reasonable rules, regulations and limitations, including but not limited to Architectural Guidelines, as may be adopted in accordance with this Declaration, the right of enjoyment of said Lessee in the Common Area and facilities to the members of the family, tenants and social guests or contract purchasers of said Lessee who reside on Lots in The Verandas, Phase Two, a Subdivision.

Section 3.03. Common Area. The Common Area or Common Property designated on the Plat is NOT DONATED, DEDICATED OR GRANTED TO THE PUBLIC, but shall be transferred by the Declarant, subject to the rights reserved to the Declarant in this Declaration to dedicate or transfer any Common Area to any public agency, authority or utility, to the Association for use as Common Property for the benefit of the Association. The Fairhope Single Tax Corporation shall issue a new lease for the Common Area in favor of the Association. The Common Property shall be held, used and maintained by the Association, subject to the rights reserved to the Declarant, and neither the recording of the Plat nor any other act of the Declarant shall be construed as a dedication of the Common Property to the public unless said dedication is specifically provided by separate instrument.

Section 3.04. Drainage Easements. Except with prior written permission from the Declarant, or (when so designated by the Declarant) from the Architectural Committee, drainage flow shall not be obstructed nor be diverted from drainage swales, storm sewers and/or utility easements as designated in this Declaration, or as may hereafter appear on any Plat of record in which reference is made to this Declaration. The Declarant may cut drain ways for surface water wherever and whenever such action

may appear to the Declarant to be necessary in order to maintain reasonable standards of health, safety and appearance. Provided, However, the right of the Declarant to cut drain ways on a Lot of a Lessee shall terminate when the principal structure and approved landscaping on such property have been completed. These easements and rights expressly include the right to cut any trees, bushes or shrubbery, make any gradings of the soil, or to take any other similar action reasonably necessary to provide economical and safe utility installment and to maintain reasonable standards of health and appearance. The provisions in this Declaration shall not be construed to impose any obligation upon the Declarant to cut such drain ways.

Section 3.05. Grading. The Declarant may at any time make such cuts and fills upon any Lot or other part of The Verandas, Phase Two, a Subdivision and do such grading and moving of earth as, in the judgment of the Declarant, may be necessary to improve or maintain the access areas or roads in or adjacent to The Verandas, Phase Two, a Subdivision and to drain surface waters from The Verandas, Phase Two, a Subdivision; and may assign such rights to the appropriate governmental authority. Provided, However, that after plans for the principal structure upon a Lot shall have been approved by the Architectural Committee as provided in this Declaration, the rights of the Declarant under this Section 3.05 shall terminate with respect to all parts of such Lot other than the easement area on the Lot, except that the Declarant or any such municipal or public authority shall have the right to maintain existing roads and drainage structures.

Section 3.06. Easements for Utility. There is reserved to the Association blanket easements upon, across, above and under The Verandas, Phase Two, a Subdivision for access, ingress, egress, installation, repairing, replacing and maintaining all utilities serving The Verandas, Phase Two, a Subdivision, including but not limited to gas, water, sanitary sewer, telephone, cable television and electricity, as well as storm drainage and any other service which the Association might decide to install to serve The Verandas, Phase Two, a Subdivision. It shall be expressly permissible for the Association or the designee of the Association, as the case may be, to install, repair, replace and maintain or to authorize the installation, repair, replacement and maintenance of such wires, conduits, cables and other equipment relating to the providing of any such utility or service. Subject to the approval of FSTC, should any party furnishing any such utility or service request a specific license or easement by separate recordable document, the Board of Directors shall have the right to grant such easement.

Section 3.07. Easement for Governmental Health, Sanitation and Emergency Services. There is granted to the appropriate governmental authorities and to the appropriate private organizations supplying health, sanitation, police services and any emergency services such as fire, ambulance and rescue services, a nonexclusive easement, for purposes of ingress and egress over the Common Area. In furtherance of the foregoing, the Association shall save harmless the appropriate governmental authority from damages to any Person arising out of the use of the Common Area by said governing authority for the uses which are stated in this Section 3.07.

Section 3.08. Reserved Easement to the Declarant. Notwithstanding any provisions contained in this Declaration to the contrary, the Declarant expressly reserves unto the Declarant, and the successors and assigns of the Declarant, a nonexclusive, perpetual right, privilege and blanket easement with respect to The Verandas, Phase Two, a Subdivision and the Common Area for the benefit of the Declarant, and successors and assigns of the Declarant, over, under, in and/or on The Verandas, Phase Two, a Subdivision or the Common Property, without further obligation and without charge to the Declarant, for the purposes of construction, installation, relocation, development, sale, maintenance, repair, replacement, use and enjoyment and/or otherwise dealing with The Verandas, Phase Two, a Subdivision or the Common Property. The reserved easement shall constitute a burden on the title to The Verandas, Phase Two, a Subdivision and the Common Property and specifically includes but is not limited to:

- A. The right of access, ingress and egress for vehicular and pedestrian traffic over,

under, on, or in The Verandas, Phase Two, a Subdivision and the Common Property; and the right to tie into any portion of The Verandas, Phase Two, a Subdivision or the Common Property with driveways, parking areas and walkways; and the right to tie into and/or otherwise connect and use (without a tap-on or any other fee for so doing), replace, relocate, maintain and repair any device which provides utility or similar services, including, without limitation, electrical, telephone, cable television, natural gas, water, sewer and drainage lines and facilities constructed or installed in, on, under and/or over The Verandas, Phase Two, a Subdivision or the Common Property.

B. The right to construct, install, replace, relocate, maintain, repair, use and enjoy signs, model residences, sales offices, construction offices and business offices as, in the sole opinion of the Declarant, may be required, convenient, or incidental to the construction and sale by the Declarant of the improvements in The Verandas, Phase Two, a Subdivision, the Common Property, or in any portion of the Additional Property as may by Supplemental Declaration be added to and subjected to this Declaration.

C. No rights, privileges and easements granted or reserved in this Declaration shall be merged into the title of any property, including, without limitation, The Verandas, Phase Two, a Subdivision or the Common Property, but shall be held independent of such title, and no such right, privilege or easement shall be surrendered, conveyed, or released unless and until and except by delivery of a quitclaim Bill of Sale from the Declarant releasing such right, privilege or easement by express reference thereto.

D. The right of the Declarant in the sole judgment of the Declarant, without the approval or consent of the Association or any Lot Lessee, to use the Common Area to provide access to other property located in The Verandas, Phase Two, a Subdivision or other property located outside of The Verandas, Phase Two, a Subdivision, and, with approval of FSTC, to dedicate all or any of the Common Area to any public agency and to retain an easement for ingress and egress to serve The Verandas, Phase Two, a Subdivision or property outside The Verandas, Phase Two, a Subdivision.

E. Notwithstanding any other provision in this Declaration, the Declarant is irrevocably empowered to transfer the leasehold interest on any terms to any purchasers for as long as the Declarant holds the lease to a Lot. Any such transfer is subject to the approval of FSTC.

So long as the Declarant continues to have rights under this Section 3.08, no Person or entity shall record any declaration of covenants, conditions and restrictions or similar instrument affecting any portion of The Verandas, Phase Two, a Subdivision or the Common Property without the review by the Declarant and the FSTC and written consent thereto, and any attempted recordation without compliance with this Declaration shall result in such declaration of covenants, conditions and restrictions or similar instrument being void and of no force and effect unless subsequently approved by recorded consent signed by the Declarant and the FSTC.

This Section 3.08 May not be amended without the express written consent of the Declarant. Provided, However, the rights contained in this Section 3.08, shall terminate upon the earlier of (a) the date on which the Declarant no longer holds the lease to any Lot or any Additional Property as made by Supplemental Declaration be added to and subjected to this Declaration, or (b) upon recording by the Declarant of a written statement releasing the rights of the Declarant under this Section 3.08.

Article IV

Architectural Committee: Architectural Control

Section 4.01. Architectural Committee. The Architectural Committee (the "Architectural Committee") shall be composed of at least three individuals designated and redesignated from time to time (i) by the Declarant so long as the Declarant holds the lease to any Lot or any Additional Property as may by Supplemental Declaration be added to and subjected to this Declaration or until the Declarant

releases the right if the Declarant elects to do so prior to the sale of all Lots in The Verandas, Phase Two, a Subdivision and the Additional Property, and (ii) by the Association thereafter. Delegation of control of the Architectural Committee from the Declarant to the Association shall be evidenced by an instrument signed by the Declarant and filed for record in the Probate Records of Baldwin County, Alabama.

Except as provided in this Declaration, the affirmative vote of a Majority of the membership of the Architectural Committee shall be required in order to approve any plans and specifications submitted under this Article IV.

Section 4.02. Architectural Guidelines. The Declarant may prepare the initial Architectural Guidelines, which may contain general provisions applicable to The Verandas, Phase Two, a Subdivision as well as specific provisions which may vary from Lot to Lot. The Architectural Guidelines are intended to provide guidance to the Lessees and builders regarding matters of particular concern to the Architectural Committee in considering applications. The Architectural Guidelines are not the exclusive basis for decisions of the Architectural Committee and compliance with the Architectural Guidelines does not guarantee approval of any application. The Architectural Guidelines will include a provision for approval of any builder which may be chosen by a Lessee.

The Declarant shall have sole and full authority to amend the Architectural Guidelines as long as the Declarant holds the lease to any Lot in The Verandas, Phase Two, a Subdivision or any right to annex Additional Property by Supplemental Declaration as provided for in this Declaration, notwithstanding a delegation of reviewing authority to the Architectural Committee, unless the Declarant also delegates the power to amend the Architectural Guidelines. Upon termination or delegation of the right of the Declarant to amend, the Architectural Committee shall have the authority to amend the Architectural Guidelines with the consent of the Board of Directors.

Any amendments to the Architectural Guidelines shall be prospective only and shall not apply to require modifications to or removal of structures previously approved once the approved construction or modification has commenced. There shall be no limitation on the scope of amendments to the Architectural Guidelines and such amendments may remove requirements previously imposed or otherwise make the Architectural Guidelines less restrictive.

The Architectural Committee shall make the Architectural Guidelines available to the Lessees and builders who seek to engage in development or construction within The Verandas, Phase Two, a Subdivision. In the discretion of the Declarant, such Architectural Guidelines may be recorded in the Office of the Judge of Probate of Baldwin County, Alabama, in which event the recorded version, as the recorded version may unilaterally be amended from time to time, shall control in the event of any dispute as to which version of the Architectural Guidelines was in effect at any particular time.

Section 4.03. Procedures. Except as otherwise specifically provided in the Architectural Guidelines, no activities shall commence on any portion of The Verandas, Phase Two, a Subdivision until an application for approval has been submitted to and approved by the Architectural Committee. Provided, However, prior to submission by a Lessee of an application for approval by the Architectural Committee, the Lessee shall submit a site plan sketch of the real property and the proposed improvements and the elevation of the proposed improvements for review by the Architectural Committee. Upon approval by the Architectural Committee of the preliminary items required in this Section 4.03, the Lessee shall proceed to present a full application for approval by the Architectural Committee of the real property and improvements as proposed by the Lessee. Such application shall include plans and specifications showing site layout, structural design, exterior elevations, exterior materials and colors, landscaping, drainage, exterior lighting, irrigation and other features of proposed construction, as applicable. The plans shall be presented by the Lessee to the Architectural Committee in the formatted size required by the Architectural. The Architectural Committee may require the submission of such additional information as may be reasonably necessary to consider any application.

In reviewing each submission, the Architectural Committee may consider any factors the Architectural Committee deems relevant, including, without limitation, harmony of external design with surrounding structures and environment. Decisions may be based on purely aesthetic considerations. Each Lessee acknowledges that determinations as to such matters are purely subjective and opinions may vary as to the desirability and/or attractiveness of particular improvements. The Architectural Committee shall have the sole discretion to make final, conclusive and binding determinations on matters of aesthetic judgment and such determinations shall not be subject to review so long as made in good faith and in accordance with the procedures set forth in this Declaration.

The Architectural Committee shall make a determination on each application within thirty days after receipt of a completed application and all required information. The Architectural Committee may (i) approve the application, with or without conditions; (ii) approve a portion of the application and disapprove other portions; or (iii) disapprove the application.

Until expiration of the rights of the Declarant under this Declaration, the Architectural Committee shall notify the Declarant in writing within three business days after the Architectural Committee has approved any application within the scope of matters delegated to the Architectural Committee by the Declarant. The notice shall be accompanied by a copy of the application and any additional information which the Declarant may require. The Declarant shall have ten days after receipt of such notice to veto any such action, in the sole discretion of the Declarant, by written notice to the Architectural Committee.

The Architectural Committee shall notify the applicant in writing of the final determination on any application within five days thereafter or, with respect to any determination by the Architectural Committee subject to the right of the Declarant to veto, within five days after the earlier of: (i) receipt of notice of the veto by the Declarant or the waiver of Declarant; or (ii) expiration of the ten day period for exercise of the veto of the Declarant. In the case of disapproval, the Architectural Committee may, but shall not be obligated to, specify the reasons for any objections and/or suggestions for curing any objections.

In the event that the Architectural Committee fails to respond in a timely manner, approval shall be deemed to have been given, subject to the right of the Declarant to veto pursuant to this Declaration. Notice shall be deemed to have been given at the time the envelope containing the response is deposited with the United States Postal Service. Personal delivery of such written notice shall, however, be sufficient and shall be deemed to have been given at the time of delivery to the applicant.

If construction does not commence on a project for which plans have been approved within one year after the date of approval, such approval shall be deemed withdrawn and it shall be necessary for the Lessee to reapply for approval before commencing any activities. Once construction is commenced, construction shall be diligently pursued to completion. All work shall be completed within one year of commencement unless otherwise specified in the notice of approval or unless the Architectural Committee grants an extension in writing, which the Architectural Committee shall not be obligated to do. If approved work is not completed within the required time, it shall be considered nonconforming and shall be subject to enforcement action by the Association, the Declarant or any aggrieved Lessee.

The Architectural Committee may, by resolution, exempt certain activities from the application and approval requirements of this Article IV, provided such activities are undertaken in strict compliance with the requirements of such resolution.

Section 4.04. No Waiver of Future Approvals. Each Lessee acknowledges that the Persons reviewing applications under this Article IV will change from time to time and that opinions on aesthetic

matters, as well as interpretation and application of the Architectural Guidelines, may vary accordingly. In addition, each Lessee acknowledges that it may not always be possible to identify objectionable features until work is completed, in which case it may be unreasonable to require changes to the improvements involved, but the Architectural Committee may refuse to approve similar proposals in the future. Approval of applications or plans or in connection with any other matter requiring approval, shall not be deemed to constitute a waiver of the right to withhold approval as to any similar applications, plans or other matters subsequently or additionally submitted for approval.

Section 4.05. Variances. The Architectural Committee may authorize variances from compliance with any of the guidelines and procedures of the Architectural Committee when circumstances such as topography, natural obstructions, hardship or aesthetic or environmental considerations require, but only in accordance with duly adopted rules and regulations. No variance shall (a) be effective unless in writing; (b) be contrary to this Declaration; or (c) preclude the Architectural Committee from denying a variance in other circumstances. For purposes of this Declaration, the inability to obtain approval of any governmental agency, the issuance of any permit or the terms of any financing shall not be considered a hardship warranting a variance.

Section 4.06. Retention of Copy of Plans. Upon approval by the Architectural Committee of any plans and specifications submitted pursuant to this Declaration, a copy of such plans and specifications, as approved, shall be deposited for record with the Architectural Committee. The Architectural Committee shall only be required to retain such plans and specifications in the files of the Architectural Committee until such time as the construction required by the plans and specifications is completed.

Section 4.07. Rules of Architectural Committee: Effect of Approval and Disapproval; Time for Approval. In addition to the Architectural Guidelines promulgated from time to time by the Board of Directors of the Association as provided for in this Declaration, the Architectural Committee may promulgate rules governing the form and content of plans to be submitted for approval or requiring specific improvements on Lots, including, without limitation, exterior lighting, planting and retention walls, and may issue statements of policy with respect to approval or disapproval of the architectural styles or details, or other matters, which may be presented for approval. Such rules and such statements of policy may be amended or revoked by the Architectural Committee at any time, and no inclusion in, omission from or amendment of any such rule or statement shall be deemed to bind the Architectural Committee to approve or disapprove any feature or matter subject to approval, or to waive the exercise of Architectural Committee discretion as to any such matter, but no change of policy shall affect the finality of any approval granted prior to such change. Approval for use on any Lot of any plans or specifications shall not be deemed a waiver of the right of the Architectural Committee, in the discretion of the Architectural Committee, to disapprove such plans or specifications or any of the features or elements included in said plans or specifications, if such plans, specifications, features or elements are subsequently submitted for use on any other Lot or Lots. Approval of any such plans and specifications relating to any Lot, however, shall be final as to that Lot and such approval may not be revoked or rescinded, provided, (i) that the structure or uses shown or described on or in such plans and specifications do not violate any specific prohibition contained in this Declaration, and (ii) that the plans and specifications, as approved, and any condition attached to any such approval, have been adhered to and complied with in regard to all structures on and uses of the Lot in question.

Section 4.08. Certificate of Compliance. Upon completion of the construction or alteration of any structure in accordance with plans and specification or alteration of any structure in accordance with plans and specifications approved by the Architectural Committee, the Architectural Committee shall, upon written request of said Lessee issue a certificate of compliance in form suitable for recordation, identifying such structure and the Lot on which such structure is placed, and stating that the plans and specifications, the location of such structure and the use or uses to be conducted thereon have been approved and that such structure complies with the requirements of the Architectural Committee. Preparation and recording of such certificate shall be at the expense of said Lessee. Any certificate of

compliance issued in accordance with the provisions of this Section 4.08, shall be prima facie evidence of the facts stated, and as to any purchaser or encumbrancer in good faith and for value, or as to any title insurer, such certificate shall be conclusive evidence that, as of the date of the certificate, all structures on the Lot, and the use or uses described therein comply with all the requirements of this Article IV, and with all other requirements of this Declaration as to which the Architectural Committee exercises any discretionary or interpretive powers.

Section 4.09. Inspection and Testing Rights. Any agent of the Declarant, the Association or the Architectural Committee may at any reasonable time or times enter upon and inspect any Lot and any improvements on said Lot for the purpose of ascertaining whether the maintenance of such Lot and the maintenance, construction, or alteration of the structures on said Lot are in compliance with the provisions of this Declaration; and neither the Declarant, the Association nor the Architectural Committee nor any such agent shall be deemed to have committed a trespass or other wrongful act by reason of such entry or inspection. Any such inspection shall be for the sole purpose of determining compliance with this Declaration, and neither the making of any such inspection, nor the failure to make any such inspection, shall be relied upon by the Lessee of a Lot or any third Person or entities for any purpose whatsoever; nor shall any such inspection obligate the Declarant, the Association or the Architectural Committee to take any particular action based on the inspection.

Section 4.10. Waiver of Liability. Neither the Architectural Committee nor any architect nor agent of the Architectural Committee, nor the Association, nor the Declarant, nor any agent or employee of the foregoing, shall be responsible in any way for any failure of structures to comply with requirements of this Declaration, although a certificate of compliance has been issued, nor for any defects in any plans and specifications submitted, revised or approved in accordance with the foregoing provisions, nor for any structural or other defects in any work done according to such plans and specifications, and any Person relying thereon or benefitting therefrom agrees not to sue or claim against the entities and Person referred to in this Section 4.10, for any cause arising out of the matters referred to in this Section 4.10, and further agrees to and does release said entities and Person for any and every such cause.

Section 4.11. Lessee Obligations. If the Lessee should fail to faithfully execute the plans and specifications submitted to and approved by the Architectural Committee, the Association shall have the right to enter into a contract with a third party for the execution of the plans and specifications as approved, and the cost thereof shall be a binding, personal obligation of the Lessee when billed by the Association as well as a lien upon the Lot in question. The lien provided in this Section 4.11, shall have the same enforceability and priority as the lien provided for in Article X of this Declaration.

Article V Zoning and Specific Restrictions

This Declaration shall not be taken as permitting any action or thing prohibited by the applicable laws, or the laws, rules or regulations of any governmental authority, or by specific covenants or restrictions imposed by any Bill of Sale or lease. In the event of any conflict, the most restrictive provision of such laws, rules, regulations, Bills of Sale, leases, covenants, restrictions or this Declaration shall be taken to govern and control. The Verandas, Phase Two, a Subdivision is subject to the following additional matters of record:

Terms, provisions, conditions, obligations and restrictions contained in this Declaration including, but not limited to, the right of the Association to impose Assessments and liens for Assessments on the Lots.

Articles of Incorporation of The Verandas Property Association, Inc., an Alabama Nonprofit Corporation.

By-Laws of The Verandas Property Association, Inc., an Alabama Nonprofit Corporation.

Terms, conditions and provisions contained in the Common Area Bill of Sale from The Verandas, LLC to The Verandas Property Association, Inc., an Alabama Nonprofit Corporation.

Terms, conditions, covenants and provisions of the Architectural Guidelines of the Association.

Any other terms, conditions, exceptions or reservations set out in the Declaration or The Verandas, Phase Two, a Subdivision Documents.

Terms, conditions and provisions, minimum building setback lines, wetland buffers drainage and utility line easements, greenbelt areas and other matters shown on the The Verandas, Phase Two, a Subdivision Plat.

Rights of the Declarant, and the successors and assigns of the Declarant, to use the Common Area or convey or grant rights to others in the Common Area. Rights of other parties to access over and across the Common Area.

Taxes for the year in which the closing occurs.

Restrictions, conditions, reservations, limitations, easements and rights of way affecting the Lot and such zoning or other restrictions upon the use of the Lot and the property described on the The Verandas, Phase Two, a Subdivision Plat as may be imposed by governmental authorities having jurisdiction.

Mineral reservations, easements, building setback lines, rights of way, restrictions and any other matters of record applicable to the property described on the The Verandas, Phase Two, a Subdivision Plat in the records in the Office of the Judge of Probate of Baldwin County, Alabama.

Rights of other parties to possession or encroachments.

The terms of the Individual Leases, including without limitation, the reservation therein of all mineral interests and rights, and the terms and conditions of the Constitution and Bylaws of the Fairhope Single Tax Corporation, and the provisions of the Code of Alabama, 1975, Sections 10-4-190 through 10-3-193.

Article VI **Site Development**

Section 6.01. Site to Be Staked Prior to Tree Cutting. Simultaneously with the submittal of the plans and specifications to the Architectural Committee as provided for in Article IV of this Declaration the improvements for the site of the structure must be staked, the trees must be flagged and such site approved by the Architectural Committee before tree cutting is done. No tree may be cut or removed without consent of the Architectural Committee until the building plans, site plans, landscape plans and site staking are approved by the Architectural Committee. The Lessee must faithfully execute the building plans, site plans, landscape plans and site staking as submitted to and approved by the Architectural Committee.

Section 6.02. Erosion Control. Erosion control measures shall be taken by the Lessee of a Lot, and the contractors of said Lessee, to protect adjacent properties during construction on such Lot and until the soil is stabilized on the Lot. This may be accomplished by the use of temporary retention ponds, silt fencing, hay balls or other protective measures intended to intercept and filter the excess storm water

runoff from the Lot. All erosion control measures, including slope stabilization, must be specified on the grading plan and must be approved by the Architectural Committee prior to commencement of grading activities.

Any storm water retention ponds created during construction on a Lot shall not remain as permanent ponds after completion of construction unless so provided in the grading, site and landscaping plans submitted to and approved by the Architectural Committee.

If any portion of The Verandas, Phase Two, a Subdivision is located within an area designated as "flood prone" pursuant to Federal law and regulations, all improvements constructed in said flood prone area must be constructed in accordance with all Federal, state and local laws and regulations pertaining to flood prone areas.

Section 6.03. Utility Lines and Appurtenances. Subject to the approval of FSTC, all gas, water, sewer, telephone, television cable and electrical feeder and service lines shall be installed as underground service unless otherwise approved by the Architectural Committee. All transformer boxes, meters or other such fixtures shall be adequately screened with plants or other materials approved by the Architectural Committee.

Section 6.04. Connection Points for Utility Service Lines. To the extent of the interests of the Lessee of each Lot, each Lessee agrees to connect utility service lines (including, but not limited to, gas, water, sewer, telephone, television cable and electricity) at points designated by the Architectural Committee.

Section 6.05. Landscaping. The landscape plan must be approved by the Architectural Committee prior to any site disturbance. The landscape plan shall indicate the proposed type, location, size and quantity of all plant materials to be planted on the Lot. The landscape plan shall include provision for an underground sprinkler system which is approved by the Architectural Committee.

Section 6.06. Colors; Architectural Styles. All exterior building materials and colors must be approved by the Architectural Committee. All architecture must be compatible with the atmosphere of The Verandas, Phase Two, a Subdivision and with surrounding buildings within The Verandas, Phase Two, a Subdivision. All architectural plans must be approved by the Architectural Committee. No unfinished foundation walls or exposed concrete block shall be allowed on the exterior of any building. Vinyl and aluminum siding shall not be allowed on the exterior of any building.

Section 6.07. Exterior Lighting. Exterior lighting plans must be set forth on the architectural or landscape plans for a Lot, and must be approved by the Architectural Committee. No exterior lighting fixture (other than fixtures approved by the Architectural Committee) shall be installed within or upon any Lot without adequate and proper shielding of the fixture. No lighting fixture shall be installed that may become an annoyance or a nuisance to Lessees or occupants of adjacent properties. All modifications to exterior lighting must be approved in writing by the Architectural Committee in advance as provided for in this Declaration.

Article VII

General Covenants and Restrictions

The Association is empowered to enforce the following covenants and restrictions which shall pertain to The Verandas, Phase Two, a Subdivision and to set forth policy as to enforcement of said this Declaration in accordance with this Declaration and the By-Laws.

Section 7.01. Permitted Uses and Structures. All Lots which are part of The Verandas, Phase Two, a Subdivision are declared to be residential Lots, and no Lot shall be used except as permitted by the City of Fairhope Zoning Ordinance. No building or structure shall be constructed, erected, altered,

placed, remodeled, reconstructed, added to, or permitted to remain on any Lot unless approved by the Architectural Committee as provided in this Declaration. No previously approved structure shall be used for any purpose other than that for which said approved structure was originally designed.

Section 7.02. Business Use. Except as provided in this Declaration, and as permitted by the City of Fairhope Zoning Ordinance, no trade or business may be conducted in or from any Lot. Notwithstanding the above, the leasing of a Lot for residential purposes shall not be considered a trade or business within the meaning of this Section 7.02.

Section 7.03. Leasing. The FSTC Lessee for any Lot may lease the improvements on the Lot for residential purposes. Provided, However, all such leases shall be for a minimum term of three (3) months, and such lease and the rights of any tenants are made expressly subject to the existing FSTC Lease and to the power of the Association to prescribe reasonable Architectural Guidelines relating to the lease and rental of Lots and to enforce the same directly against such tenant or other occupant by the exercise of such remedies as the Board of Directors deems appropriate, including eviction. All leases shall require, without limitation, that the tenant acknowledge receipt of a copy of this Declaration, the By-Laws, use restrictions, and the Architectural Guidelines. The lease shall also obligate the tenant to comply with the foregoing and shall provide that in the event of noncompliance, the Board of Directors, in addition to any other remedies available to the Board of Directors, may evict the tenant on behalf of the Lessee and specifically assess all costs associated therewith against the Lessee and the Lot of the Lessee.

Section 7.04. Minimum Building Setback Lines. No building or structure located on any Lot shall be constructed, erected, altered, placed, remodeled, reconstructed, added to or allowed to remain on any Lot so as to be located any nearer to any property boundary line than the setback lines shown on the recorded Plat but the Architectural Committee, in the sole discretion of the Architectural Committee, shall have the power to grant exceptions. All setbacks shall comply with all applicable subdivision and zoning regulations.

Section 7.05. Subdivision of Lot and Time Sharing. No Lot shall be split, divided, or subdivided or the boundary lines of the Lot changed except with the prior written approval of the Board of Directors of the Association. The Board of Directors may permit a division in the leasing of any Lot intended for a single family detached residence as shown on the Plat, but solely for the purpose of increasing the size of the adjacent Lots. In the event of a division of any Lot, the Lessees among whom the Lease is divided shall be responsible for the cost and expenses of accomplishing the division of the Lot and shall be treated as co-Lessees of the divided Lot for purposes of voting and shall be jointly and severally liable for all Assessments under this Declaration against the Lot. The Declarant expressly reserves the right to replat any Lot or Lots leased to the Declarant. Any such division, boundary line change, or replatting shall not be in violation of the applicable subdivision and zoning regulations and shall be approved by the FSTC.

No Lot shall be made subject to any kind of time-share program, interval leasing, or similar program whereby the right to exclusive use of the Lot rotates among multiple Lessees or Members of the program on a fixed or floating time schedule over a period of years.

Section 7.06. Adjoining Lot Leasing. For the purposes of this Declaration, any Lessee having two (2) or more adjoining Lots may treat, use and build on them as though they were one (1) after making written application and receiving written approval by the Board of Directors. Said approval shall be recorded and operate as an amendment to this Declaration. The rights granted by this Section 7.06 are subject to the easements, if any, granted to others and any applicable subdivision and zoning regulations. Provided, however, the Association will still charge assessments and dues based on the original number of lots combined.

Section 7.07. Use of the Common Property. The Association shall have full control over the Common Property and may establish such Architectural Guidelines and conditions for the use of the Common Property as the Association may deem adequate or necessary and the Association shall have full power and authority to suspend or revoke the privilege and license of any such Lessee, and any member of the household of said Lessee or any of the guests, tenants, or invitees of said Lessee from using the Common Property, should any such party, while on the Common Property conduct himself or herself in such a manner as to warrant such action in the sole discretion of the Majority of the Board of Directors. Provided, However, nothing in this Declaration shall be construed to allow the Association to prohibit any Lot Lessee from ingress and egress to and from the Lot of said Lessee.

Section 7.08. Parking and Vehicular Restrictions. Parking in or on The Verandas, Phase Two, a Subdivision or the Common Property shall be restricted as provided in this Declaration, the By-Laws or Architectural Guidelines of the Association.

Any vehicle other than an automobile, golf cart or motorcycle kept on a Lot must be completely screened by a solid fence from the street and adjacent properties. No vehicle, camper, mobile home, motor home, house trailer or trailer of any type, recreational vehicle, scooter, go-cart, moped, boat or other water craft, boat trailer, van, bus, automobile, or any other transportation device of any kind shall be permitted to be parked or to be stored at any place within The Verandas, Phase Two, a Subdivision, or the Common Property, except in spaces for some or all of the above specifically designated by the Association. No Lessee shall keep any vehicle on The Verandas, Phase Two, a Subdivision or the Common Property which is deemed a nuisance by the Board of Directors. No commercial vehicle shall be permitted to be parked or to be stored at any place within The Verandas, Phase Two, a Subdivision or the Common Property except in spaces designated by the Association. For the purposes of this Section 7.08, "commercial vehicle" shall mean those that are not designed and used for customary, personal/family purposes. The absence of commercial type lettering or graphics on a vehicle shall not be dispositive of whether said vehicle is a commercial vehicle. No Lessee shall conduct repairs (except in an emergency) or restorations of any vehicle on or upon any portion of The Verandas, Phase Two, a Subdivision or the Common Property, except in an enclosed area with the doors to that area closed at all times. The prohibitions on parking contained in this Section 7.08, shall not apply to temporary parking of vehicles such as for construction use or providing pick-up and delivery and other commercial services nor to any vehicles of the Declarant.

Subject to applicable laws and ordinances, any vehicle parked in violation of these or other restrictions contained in this Declaration or in the Architectural Guidelines may be towed by the Association at the sole expense of the Lessee of the vehicle if the vehicle remains in violation for a period of twenty-four (24) hours from the time a notice of violation is placed on the vehicle. The Association shall not be liable to the Lessee of that vehicle for trespass, conversation, or otherwise, nor guilty of any criminal act, by reason of the towing, and once the notice is posted, neither the removal of said notice, nor failure of the Lessee to receive said notice, for any reason, shall be grounds for relief of any kind. An affidavit of the Person posting the aforesaid notice stating that the notice was properly posted shall be conclusive evidence of proper posting.

For the purposes of this Section 7.08, "vehicle" shall mean and refer to any device on wheels or runners for conveying Persons, property or objects.

Section 7.09. Accumulation of Refuse or Noxious Activity. No lumber, metals or bulk materials (except lumber, metals and bulk materials as is usual in the maintenance of a private residence and which must be stored in such a manner so that it cannot be seen from adjacent and surrounding property), refuse or trash shall be kept, stored, or allowed to accumulate on any Lot, except building materials during the course of construction of any approved structure. No harmful or noxious materials shall be stored, either inside any structure, or outside any structure, if said materials pose any significant threat to public health and safety or to individuals employed or living within or in proximity to such structures. If trash or other refuse is to be disposed of by being picked up and carried away on a regular

and recurring basis, approved containers may be placed in the open on any day a pick-up is to be made. At all other times, trash and garbage containers shall be screened in such a manner so that they cannot be seen from adjacent and surrounding property, and as approved by the Architectural Committee. All trash and garbage containers shall be kept in a clean and sanitary condition. The Architectural Committee, in the discretion of the Architectural Committee, may adopt and promulgate reasonable Architectural Guidelines relating to the size, shape, color and type of containers permitted and the manner of storage and screening of the same on The Verandas, Phase Two, a Subdivision. During the period of construction on a Lot, an onsite portable dumpster is required for containing construction debris and it shall be the responsibility of the Lot Lessee to remove all construction debris from the Lot on a regular and recurring basis.

No portion of The Verandas, Phase Two, a Subdivision shall be used, in whole or in part, for the storage of any property or thing that will cause it to appear to be in an unclean or untidy condition or that will be obnoxious to the eye; nor shall any substance, thing, or material be kept on any portion of The Verandas, Phase Two, a Subdivision, that will emit foul or obnoxious odors or that will cause any noise or other condition that will or might disturb the peace, quiet, safety, comfort, or serenity of the occupants of surrounding property. No noxious, illegal or offensive activity shall be carried on upon any portion of The Verandas, Phase Two, a Subdivision nor shall anything be done on The Verandas, Phase Two, a Subdivision, tending to cause embarrassment, discomfort, annoyance, or nuisance to any Person using any portion of The Verandas, Phase Two, a Subdivision. There shall not be maintained any plants or animals or device or thing of any sort whose activities or existence in any way is noxious, dangerous, unsightly, unpleasant, or of a nature that may diminish or destroy the enjoyment of The Verandas, Phase Two, a Subdivision. No outside burning of wood, leaves, trash, garbage or household refuse shall be permitted within The Verandas, Phase Two, a Subdivision.

Section 7.10. Fences, Walls, Hedges and Ornamental Structures. No fence, wall, hedge, ornamental structure or gazebo shall be located or constructed on any Lot without the prior written approval of the Architectural Committee. No chain link fence may be constructed on any Lot. No dog runs, animal pens, or fences of any kind shall be permitted on any Lot without the prior written approval of the Architectural Committee. The Association shall have the right to enter upon any Lot and trim or prune, at the expense of the Lessee, any hedge or other planting which in the opinion of the Association, by reason of the location upon the Lot or the height to which said planting is permitted to grow, is unreasonably detrimental to the adjoining property or obscures the view of road traffic or is unattractive in appearance.

Section 7.11. Mailboxes. Unless the Declarant shall construct mailboxes for all Lots within the Common Area of The Verandas, Phase Two, a Subdivision, each Lessee shall install a decorative style mailbox. The design and location of all mailboxes shall be designated by the Architectural Committee.

Section 7.12. Artificial Vegetation, Exterior Sculpture and Similar Items. No artificial vegetation shall be permitted on any Lot or on the exterior of any portion of any improvement on The Verandas, Phase Two, a Subdivision. Exterior sculpture, fountains, flags and similar items must be approved by the Architectural Committee. Provided, However, that nothing contained in this Declaration shall prohibit the appropriate display of the American flag.

Section 7.13. Animals and Pets. No animals, wildlife, livestock, insects, reptiles or poultry of any kind shall be raised, bred, harbored or kept on any Lot except that the Lessee may keep domesticated household pets. No such pets shall be kept for any commercial purpose, and any such pets may be kept only so long as they or any of them do not become an annoyance or nuisance to the neighborhood. All pets, at all times when they are outside a residence, must be confined on a leash held by a responsible Person and kept under the close supervision of their Lessees. All Persons bringing a pet onto a Common Area shall be responsible for immediately removing any solid waste of said pet. Those pets which, in the sole discretion of the Association, endanger health, make objectionable noise or constitute a nuisance or inconvenience to the Lessees of other Lots or the Lessees of any portion of The Verandas, Phase Two, a Subdivision shall be removed upon request of the Board of Directors.

Section 7.14. Signs. No sign, billboard, advertisement or other advertising device of any nature shall be placed upon any Lot except as provided in this Declaration. The Architectural Committee may adopt and promulgate Architectural Guidelines relating to signs which may be employed. Signs and other advertising devices may be erected and maintained upon any portion of The Verandas, Phase Two, a Subdivision, if approved by the Architectural Committee, as to color, location, nature, size and other characteristics of such signs or devices. Provided, However, the Declarant specifically reserves the right for the Declarant, or the successors, nominees, assigns of the Declarant, and the Association to place and maintain signs in connection with constructing, marketing, selling and renting Lots, and the improvements located on the Lot, and identification and informational signs anywhere on The Verandas, Phase Two, a Subdivision.

Section 7.15. Temporary Structures. No temporary building, trailer, garage or building in the course of construction or other temporary structure shall be used, temporarily or permanently, as a residence or temporary housing or the like on any Lot. If approved by the Architectural Committee, such a structure may be used as a security station during construction or other special purpose.

Section 7.16. Pipes. To the extent of the interest of the Lessee of a Lot, no water pipe, gas pipe, sewer pipe or drainage pipe shall be installed or maintained on any Lot above the surface of the ground.

Section 7.17. Wall and Window Air Conditioning Units. Wall and window air conditioning units shall not be permitted.

Section 7.18. Clothes Lines. No clothing or any other household fabric shall be hung in the open on any Lot and no clothes lines or clothes hanging devices shall be kept or maintained on any Lot.

Section 7.19. Chimneys. Exposed chimney flues shall be enclosed and contain wind screens at the top of all chimneys. Chimneys with chimney pots are encouraged and allowed but chimneys may only be constructed of stucco, brick or stone.

Section 7.20. Carports and Garages. No carports or garages shall open toward a road unless approved by the Architectural Committee.

Section 7.21. Play Equipment, Strollers, Etc. All bicycles, tricycles, scooters, skateboards and other play equipment, wading pools, baby strollers and similar items shall be stored so as not to be visible from roads or property adjacent to the Lot. No such items shall be allowed to remain on the Common Area or on Lots so as to be visible from adjacent property or the road when not in use.

Section 7.22. Energy Conservation Equipment. No solar energy collector panels or attendant hardware or energy conservation equipment shall be constructed or installed on any Lot unless said equipment is an integral and harmonious part of the architectural design of a structure, as determined in the sole discretion of the Architectural Committee.

Section 7.23. Gas or Oil Tanks, Pools, Swimming Pool Equipment, Air Conditioning Units, Garbage Containers. All swimming pool equipment and housing, air-conditioning units and garbage containers must be screened by walls or fences on all sides so that they are not visible and no such equipment or containers shall be located on the front facade of any building. No oil tanks or bottled gas tanks shall be allowed on any Lot or on the Common Area. Provided, However, up to two bottled propane gas tanks no larger than thirty pounds in capacity may be kept on a Lot for the purpose of cooking with a gas grill or for the purpose of providing fuel for a gas fireplace and so long as said propane gas tanks are within screened walls or fences on all sides so that said propane gas tanks are not visible.

No above-ground pools shall be erected, constructed or installed on any Lot except that

above-ground spas or jacuzzis may be permitted with approval of the Architectural Committee. Any in-ground pool to be constructed on any Lot shall be subjected to the requirements of the Architectural Committee and shall meet the requirements for a building permit from the City of Fairhope, Alabama.

Section 7.24. Outside Installations. Except as provided in this Declaration, no exterior antennas, aeriels, satellite dishes, towers or other apparatus, or support for said apparatus, for the reception or transmission of television, radio or other signals of any kind shall be erected, installed, placed, allowed or maintained upon any portion of The Verandas, Phase Two, a Subdivision, except that:

A. An antenna designed to receive direct broadcast satellite services, including direct-to-home satellite services, that is one (1) meter or less in diameter;

B. An antenna designed to receive video programming services via multipoint distribution services, including multichannel multipoint distribution services, instructional television fixed services and local multipoint distribution services, that is one (1) meter or less in diameter or diagonal measurement; or

C. An antenna that is designed to receive television broadcast signals.
(collectively, the "Permitted Antennas")

The Permitted Antennas are subject to such reasonable Rules and Regulations as to location and screening as may be set forth by the Board of Directors, consistent with applicable law, in order to minimize obtrusiveness as viewed from streets and adjacent property. The Declarant and/or the Association shall have the right, without obligation, to erect an aerial, satellite dish or other apparatus for a master antenna, cable or other communication system for the benefit of all or a portion of The Verandas, Phase Two, a Subdivision, should any master system or systems be utilized by the Association and require such exterior apparatus.

No machinery or equipment shall be placed or operated upon any Lot except such machinery or equipment as is usual in maintenance of a private single-family residence. No roof penetrations, such as vents and pipes, shall be placed on any roof so as to be visible from any road or the Common Area.

Section 7.25. Irrigation. All irrigation systems are required to cover all areas of the Lot and must be installed underground and shall be subject to approval of the Architectural Committee.

Section 7.26. Storm Precautions. No hurricane or storm shutters shall be permanently installed on any structure on a Lot unless first approved by the Architectural Committee. Hurricane or storm shutters may be installed temporarily, and other storm precautions may be taken to protect structures on a Lot, while the threat of a hurricane or similar storm is imminent; provided, all such shutters and other exterior alterations or additions made as a storm precaution shall be promptly removed once the storm or imminent threat of the storm has passed.

Section 7.27. Window Coverings, Etc. Reflective window coverings are prohibited. No awnings, canopies, shutters, patio cover, building or storage unit of any kind shall be erected, placed, or permanently installed on any Lot unless first approved by the Architectural Committee.

Section 7.28. Mineral Operations Prohibited. No oil drilling, oil development operations, oil refining, quarrying, or mining operations of any kind whatsoever shall be permitted upon any Lot, nor shall oil wells, derricks, tanks, tunnels, mineral excavations or shafts be erected or permitted to remain on any Lot. Provided, However, it is understood that this prohibition does not affect the rights of mineral owners or owners of any interest in minerals that may have been previously reserved or conveyed to others.

Section 7.29. Insurance Rates. Nothing shall be done or kept on any Lot or in any

improvement or the Common Area which will increase the rate of insurance on any property insured by the Association without the approval of the Board of Directors, nor shall anything be done or kept on any Lot which would result in the cancellation of insurance on any property insured by the Association or which would be in violation of any law.

Section 7.30. Completion of Construction. All dwellings, homes and other structures, landscaping and other improvements on all Lots must be completed within one (1) year after the construction of same shall have commenced or the clearing of the Lot shall have commenced, whichever shall have first occurred, except where such completion is impossible or would result in great hardship to the Lessee or builder due to strikes, fires, national emergencies, or natural calamities. Except as may be otherwise designated by the Declarant, during the continuation of construction, the Lessee shall require the contractor to maintain the Lot in a reasonably clean and uncluttered condition. Upon completion of construction, the Lessee shall cause the contractor to immediately remove all equipment, tools, construction material and debris from the Lot. Any damage to roads, curbs, sidewalks, paths, the Common Property or any other property caused by the Lessee, agent or contractor of the Lessee, or other party providing labor or services to the Lessee shall be repaired by the Lessee at the expense of the Lessee.

Section 7.31. Occupants Bound. All provisions of this Declaration, the By-Laws and of any Architectural Guidelines or use restrictions promulgated pursuant to this Declaration that govern the conduct of the Lessees and that provide for sanctions against the Lessees shall also apply to all occupants, guests and invitees of any Lot. Every Lessee shall cause all occupants of the Lot of the Lessee to comply with this Declaration, the By-Laws and the Architectural Guidelines adopted pursuant to this Declaration and shall be responsible for all violations and losses to The Verandas, Phase Two, a Subdivision caused by those occupants, notwithstanding the fact that those occupants of a Lot are fully liable and may be sanctioned for any violation of this Declaration, the By-Laws and Architectural Guidelines adopted pursuant to this Declaration.

Section 7.32. No Discrimination. No action shall at any time be taken by the Declarant, the Association or the Board of Directors which in any manner would discriminate against any Lessee or Lessees in favor of the other Lessees.

Article VIII **Membership and Voting Rights**

Section 8.01. The Association. The operation and administration of The Verandas, Phase Two, a Subdivision shall be by the Association of Lessees. The Association shall be a nonprofit 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 the powers of the Association. The Association shall have exclusive authority and power to maintain a class action and to settle a cause of action on behalf of Lessees of The Verandas, Phase Two, a Subdivision with reference to the Common Area and the Common Property and with reference to any and all other matters in which all of the Lessees have a common interest. The Association shall have all the powers and duties granted to or imposed on the Association under the Articles of Incorporation and By-Laws and under this Declaration as they may be amended from time to time. The Association is specifically authorized to enter into agreements by which the powers and duties of the Association, or some of them, may be exercised or performed by some other Person. The Association 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 Verandas, Phase Two, a Subdivision. The Board of Directors shall have the authority and duty to levy and enforce the collection of general and specific Assessments for Common Expenses and is further authorized to provide adequate remedies for failure to pay such Assessments.

Section 8.02. Membership. Every Person or entity who is the record Lessee of a Leasehold or undivided leasehold interest in any Lot that is subject to this Declaration shall be deemed to have a membership in the Association. Membership shall be appurtenant to and may not be separated from any Lot. The foregoing is not intended to include Persons who hold an interest merely as security for the performance of an obligation, and the giving of a security interest shall not terminate the membership of said Lessee.

Section 8.03. Voting Rights and Declarant Control. Except for the Declarant, no Member shall have any right to vote until the happening of either of the following events, whichever shall first occur ("Declarant Control"):

A. Until the Declarant has completed and sold all of the Lots in The Verandas, Phase Two, a Subdivision and all of the Additional Property as may by Supplemental Declaration be added to and subjected to this Declaration; or

B. Until the Declarant elects to give up the exclusive right to vote.

During the period of Declarant Control, the Declarant shall be the only Person entitled to vote and the Members of the Board of Directors and Architectural Committee shall be appointed by the Declarant. During Declarant Control, Members of the Association other than the Declarant, shall have no vote in the matters of the Association. Thereafter, each Lot shall be entitled to one (1) vote, which vote is not divisible. The vote shall be cast by the Lot Lessee in the manner provided for in this Declaration and in the By-Laws.

The Declarant may make such use of The Verandas, Phase Two, a Subdivision, the unsold Lots and of the Common Area and facilities and the Additional Property that may be annexed into The Verandas, Phase Two, a Subdivision by the Declarant as provided elsewhere in this Declaration as may facilitate such completion and sale, including, but not limited to, showing of The Verandas, Phase Two, a Subdivision, the Lots and Common Areas and the display of signs.

Only voting Members shall be entitled to cast votes at Association meetings on matters pertaining to the Association, including the election of Members of the Board of Directors, amending this Declaration, the Articles of Incorporation and the By-Laws of the Association, and all other matters which may be brought before the Association membership except as otherwise provided in this Declaration. The right of a Lessee to vote may be suspended by the Association as provided in this Declaration.

Section 8.04. Implied Rights. The Association may exercise any other right or privilege given to the Association expressly by this Declaration or the By-Laws, and every other right or privilege reasonably to be implied from the existence of any right or privilege given to the Association or reasonably necessary to effectuate any such right or privilege.

Section 8.05. Self-Help. In addition to any other remedies provided for in this Declaration, the Association or the duly authorized agent of the Association shall have power to enter upon a Lot or any portion of the Common Property to abate or remove, using such force as may be reasonably necessary, any improvement, thing, or condition which violates this Declaration, the By-Laws, the Architectural Guidelines or the use restrictions. Unless an emergency situation exists, the Board of Directors shall give the violating Lot Lessee ten (10) days' written notice of the intent of the Association to exercise self-help. All costs of self-help including reasonable attorney's fees actually incurred shall be assessed against the violating Lot Lessee and shall be collected as provided for in this Declaration for the collection of Assessments.

Section 8.06. Right of Entry. The Association shall have the right, in addition to and not in

limitation of the rights the Association may have, to enter into Lots for emergency, security or safety purposes, which right may be exercised by the Board of Directors, all of the officers, agents, employees or managers of the Board of Directors, and all police officers, firefighters, ambulance personnel and similar emergency personnel in the performance of their respective duties. Except in an emergency situation, entry shall be during reasonable hours and after reasonable notice to the Lessee or occupant of the Lot.

Section 8.07. Contracts. The Association shall not be bound, either directly or indirectly, to any professional management contracts or equipment leases entered into prior to the date upon which the Declarant has completed and sold all the Lots in The Verandas, Phase Two, a Subdivision and the Additional Property which may be annexed by the Declarant into The Verandas, Phase Two, a Subdivision as provided elsewhere in this Declaration unless there is a right of termination of any such contract or equipment lease, without cause, which is exercisable without penalty at any time after transfer of control, with not more than ninety (90) days' notice to the other party.

Section 8.08. Assignment. The share of a Member and the funds and assets of the Association cannot be assigned, hypothecated or transferred in any manner except as an appurtenance to the Lot of said Lessee.

Section 8.09. Board of Directors. The affairs of the Association shall be conducted by a Board of Directors which shall consist of such number as shall, from time to time, be determined and fixed by a Majority of the voting rights present at any annual or special meeting of the Members. The Association shall have the right to amend the By-Laws for the purposes of changing the number of Directors.

Section 8.10. By-Laws. The Association and the Members shall be governed by the By-Laws which shall be adopted by the Members.

Section 8.11. Availability of Records. The Association shall make available to Lessees, prospective purchasers, Eligible Mortgage Holders of Mortgages on any Lot, current copies of this Declaration, the By-Laws, Architectural Guidelines and other books, records, financial statements and the most recent annual audited or unaudited financial statement of the Association, if such audited or unaudited financial statement is prepared. "Available" shall mean available for inspection upon request, during normal business hours or under reasonable circumstances.

Section 8.12. Indemnification. The Association shall indemnify every officer and director against any and all expenses, including attorney's fees, imposed upon or reasonably incurred by any officer or director in connection with any action, suit or other proceeding (including settlement of any suit or proceedings, if approved by the then Board of Directors) to which said officer or director may be a party by reason of being or having been an officer or director. The officers and directors shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misfeasance, malfeasance, misconduct, or bad faith. The officers and directors shall have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Association (except to the extent that such officers or directors may also be Members of the Association), and the Association shall indemnify and forever hold each such officer and director free and harmless against any and all liability to others on account of any such contract or commitment, and any right to indemnification provided for in this Declaration shall not be exclusive of any other rights to which any officer or director or former officer or director may be entitled. The Association shall maintain adequate general liability and officers and directors liability insurance to fund this obligation, if such coverage is reasonably obtainable.

Section 8.13. Reserve Fund. 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 for Common Expenses.

Article IX
Covenants for Maintenance

Section 9.01. Responsibility of the Association. The Association shall maintain and keep in good repair the Common Property, such maintenance to be funded as provided in this Declaration.

Section 9.02. Responsibility of Lessee. Each Lessee shall keep all Lots leased to said Lessee, and all improvements, in a safe, clean and attractive condition and in good order and repair. Each Lessee shall be responsible for maintaining the Lot or Lots of said Lessee to the curb of the street which the Lot faces. Such maintenance obligation shall include, without limitation, the following: prompt removal of all litter, trash, refuse and waste; lawnmowing on a regular basis; tree and shrub pruning; irrigation and watering landscaped areas; keeping improvements, exterior lighting and maintenance facilities in good repair and working order; keeping lawn and garden areas alive, free of weeds and attractive, keeping driveways in good repair; complying with all governmental health and police requirements; and repair of exterior damage to improvements, all in a manner and with such frequency as is consistent with good property management. If, in the opinion of the Association, any Lessee fails to perform the duties imposed by this Section 9.02 after ten (10) days' written notice from the Association to the Lessee to remedy the condition in question, the Association shall have the right, through the agents and employees of the Association, to enter upon the Lot in question and to repair, maintain, repaint and restore the Lot or such improvements and the cost shall be a binding, personal obligation of such Lessee when billed by the Association as well as a lien upon the Lot in question. The lien provided in this Section 9.02 shall have the same enforceability and priority as the lien provided for in Article X of this Declaration.

Article X **Covenant for Maintenance Assessments**

Section 10.01. Purpose of Assessments. The Assessments levied by the Association shall be used exclusively for the general purposes of promoting the recreation, health, safety, welfare, common benefit and enjoyment by the Lessees and occupants of The Verandas, Phase Two, a Subdivision and for the improvement and maintenance of the Common Property, including the maintenance of real and personal property, all as may be specifically authorized from time to time by the Board of Directors.

Section 10.02. Creation of the Lien and Personal Obligation of Assessments. Each Lessee of any Lot by acceptance of a Bill of Sale for a Lot from the Declarant, whether or not it shall be so expressed in such Bill of Sale, is deemed to covenant and agree to pay to the Association: (i) annual Assessments or charges; (ii) special Assessments, such Assessments to be established and collected as provided in this Declaration; and (iii) specific Assessments against any Lot which are established pursuant to the terms of this Declaration, including, but not limited to, reasonable fines as may be imposed in accordance with the terms of this Declaration and the By-Laws. All such Assessments, together with late charges, interest, not to exceed the maximum legal rates, costs and reasonable attorney's fees actually incurred, shall be a charge on the Lot and shall be a continuing lien upon the Lot against which each Assessment is made. Each such Assessment, together with late charges, interest, costs and reasonable attorney's fees, shall also be the personal obligation of the Person who is the Lessee of such property at the time when the Assessment fell due, and the grantee of said Person shall be jointly and severally liable for such portion as may be due and payable at the time of conveyance. Provided, However, the liability of a grantee for the unpaid Assessments of said grantor shall not apply to any first Mortgage holder taking title through judicial or nonjudicial foreclosure proceedings or Bill of Sale in lieu of foreclosure. Provided, However, notwithstanding any other provision elsewhere contained in this Declaration, the Declarant shall not be obligated to pay any Assessment, annual or otherwise, on Lots or property in The Verandas, Phase Two, a Subdivision leased to the Declarant unless the Declarant voluntarily elects to pay said Assessment. This provision does not affect the obligation of the Declarant to pay rents charged by the FSTC for Lots leased to the Declarant.

Section 10.03. Computation of Assessments. It shall be the duty of the Board of Directors to prepare a budget covering the estimated cost of operating the Association during the coming year, which shall include a capital contribution or reserve in accordance with a capital budget separately prepared.

The Board of Directors shall cause the budget and the Assessments to be levied against each Lot for the following year to be delivered to each Member at least thirty (30) days prior to the end of the current fiscal year. The budget and the Assessments shall become effective unless disapproved at the meeting by a vote of at least a Majority of the votes entitled to be cast by the Association membership. Notwithstanding the foregoing, however, in the event the membership disapproves the proposed budget or the Board of Directors fails for any reason so to determine the budget for the succeeding year, then and until such time as a budget shall have been determined as provided in this Declaration, the budget in effective for the then current year shall continue for the succeeding year.

Section 10.04. Special Assessments for Capital Improvements upon Common Area. In addition to the annual and special Assessments authorized by this Declaration, the Association may levy, in any Assessment year, a special Assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including fixtures and personal property related to said Common Area, provided that any such Assessment shall have the assent by a Majority vote of the total votes entitled to be cast by Members then entitled to voting rights in accordance with this Declaration and who are voting in person or by proxy at a meeting duly called for this purpose. Provided, However, notwithstanding any other provision elsewhere contained in this Declaration, the Declarant shall not be obligated to pay any Special Assessment on Lots or property in The Verandas, Phase Two, a Subdivision leased to the Declarant unless the Declarant voluntarily elects to pay said Special Assessment.

Section 10.05. Uniform Rate of Assessment. The Assessments provided for in this Declaration shall be fixed at a uniform rate for all Lots.

Section 10.06. Date of Commencement of Annual Assessments: Due Dates. The Assessments provided for in this Declaration shall commence as to all Lots then existing and subject to Assessment under this Declaration on the first day of the month following the conveyance of the first Lot by the Declarant and shall be due and payable in the manner and on a schedule as the Board of Directors may provide. The first annual Assessment shall be adjusted according to the number of months remaining in that fiscal year. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association, setting forth whether the Assessments on a specified Lot have been paid. A properly executed certificate of the Association as to the status of Assessments on a Lot is binding upon the Association as of the date of the issuance of said certificate.

Section 10.07. Lien for Assessments. All sums assessed against any Lot pursuant to this Declaration, together with late charges, interest, costs and reasonable attorney's fees actually incurred, as provided in this Declaration, shall be secured by a lien on such Lot in favor of the Association. Such lien shall be superior to all other liens and encumbrances on such Lot except for (a) liens of ad valorem taxes and FSTC rents; and (b) liens for all sums unpaid on a first Mortgage and on any Mortgage to the Declarant duly recorded in the records of the Office of the Judge of Probate of Baldwin County, Alabama and all amounts advanced pursuant to such Mortgages and secured in accordance with the terms of such instruments.

All other Persons acquiring liens or encumbrances on any property subject to this Declaration after this Declaration shall have been recorded in the records of the Office of the Judge of Probate of Baldwin County, Alabama, shall be deemed to consent that such liens or encumbrances shall be inferior to future liens for Assessments, as provided in this Declaration, whether or not prior consent is specifically set forth in the instruments creating such liens or encumbrances.

Section 10.08. Effect of Nonpayment of Assessments: Remedies of the Association. Any Assessment which is not paid when due shall be delinquent. Any Assessment delinquent for a period of more than ten (10) days shall incur a late charge and bear interest thereon in an amount and at a rate to be set by the Board of Directors, but in no event greater than the maximum percentage rate as may then be permitted under the laws of the State of Alabama. In the event the Assessment remains unpaid after

thirty (30) days, the Association may, as the Board of Directors may determine, bring an action at law or in equity against the Lessee personally obligated to pay the same, foreclose the lien against the Lot of the Lessee in The Verandas, Phase Two, a Subdivision or seek injunctive relief, and interest, costs and reasonable attorney's fees of any such action shall be added to the amount of such Assessment. Each Lessee, by the acceptance of a Bill of Sale to a Lot, or as a party to any other type of conveyance, expressly vests in the Association or the agent of the Association the right and power to bring all actions against such Lessee personally for the collection of each charge as a debt and to foreclose the aforesaid lien by all methods available for the enforcement of such liens, including foreclosures by an action brought in the name of the Association in a like manner as a mortgage lien on real property, and such Lessee expressly grants to the Association a power of sale in connection with said lien. The lien provided for in this Declaration shall be in favor of the Association and shall be for the benefit of all Lessees. The Association, acting on behalf of the Lessees, shall have the power to bid for an interest foreclosed at foreclosure sale and to acquire and hold, lease, mortgage and convey the same. With the exception of the Declarant, no Lessee may waive or otherwise escape liability for the Assessments provided for in this Declaration by nonuse of the Common Area or abandonment of the Lot of said Lessee.

All payments shall be applied first to costs and attorney's fees, then to late charges, then to interest, then to delinquent Assessments, then to any unpaid installments of the annual Assessment or special Assessment, which are not the subject matter of suit in the order of their coming due, and then to any unpaid installments of the annual Assessment or special Assessments which are the subject matter of suit in the order of their coming due.

Section 10.09. Capital Budget and Contribution. The Board of Directors shall annually prepare a capital budget which shall take into account the number and nature of replaceable assets, the expected life of each asset, and the expected repair and replacement. The Board of Directors shall set the required capital contribution, if any, in an amount sufficient to permit meeting the projected capital needs of the Association, as shown on the capital budget, with respect to both amount and timing by annual Assessments over the period of the budget. The capital contribution required shall be fixed by the Board of Directors and included within the budget and the Assessment as provided for in this Declaration. A copy of the capital budget shall be distributed to each Member in the same manner as the operating budget.

Section 10.10. Subordination of the Lien to Mortgages. The lien of the Assessments provided for in this Declaration shall be subordinate to the lien of any first Mortgage on a Lot. The sale or transfer of any Lot shall not affect the Assessment lien. However, the sale or transfer of any Lot pursuant to judicial or nonjudicial foreclosure or any proceeding or Bill of Sale in lieu thereof of a first Mortgage shall extinguish the lien of such Assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Lot from liability for any Assessments becoming due or from the lien thereof or relieve the prior Lessee from any personal liability for any unpaid Assessments occurring prior to said sale or transfer. Such unpaid share of Common Expenses or Assessments shall be deemed to be Common Expenses collectible from all of the Lots, including such acquirer, or the heirs, successors and assigns of said acquirer.

Section 10.11. Capitalization of the Association. Upon acquisition of record title to a Lot from the Declarant, each Lessee shall contribute to the working capital fund of the Association an amount equal to Three Hundred and No/00 Dollars (\$300.00). Any amounts paid into this fund should not be considered as advanced payments or regular Assessments. The Declarant shall not be obligated to contribute to the working capital fund of the Association as required of Lot Purchasers by this Section 10.11.

Section 10.12. No Assessment on the Declarant. The Declarant shall not be obligated to pay any Assessment, annual or otherwise, on any Lot leased to the Declarant. This provision does not affect the obligation of the Declarant to pay rents charged by the FSTC for Lots leased to the Declarant.

Article XI
Insurance and Casualty Loss

Section 11.01. Association Insurance. The Board of Directors, or the duly authorized agent of the Board of Directors, shall have the authority to and shall obtain blanket all-risk hazard insurance, if reasonably available, for all insurable improvements on the Common Area. If blanket all-risk coverage is not reasonably available, then, at a minimum, an insurance policy providing fire and extended coverage for all insurable improvements on the Common Area shall be obtained. This insurance shall be in an amount sufficient to cover the full replacement cost of any repair or reconstruction in the event of damage or destruction from any such hazard. The policy may contain a reasonable deductible, and the amount thereof shall be added to the face amount of the policy in determining whether the insurance at least equals the full replacement cost.

The Board of Directors shall also obtain a public liability policy covering the Common Area, the Association, and the Members for premises liability, blanket contractual liability and products/completed operations liability. The public liability policy shall have at least One Million Dollars (\$1,000,000.00) combined single limit for bodily injury and property damage liability claims. The public liability policy may contain a reasonable deductible.

All such insurance coverage obtained by the Board of Directors shall be written in the name of the Association as Trustee for the benefit of the Lessees. Such insurance shall be governed by the provisions hereinafter set forth:

- A. All policies shall be written with a company licensed to do business in Alabama and holding a rating of "A" or better in the Financial Category as established by A. M. Best Company, Inc., if reasonably available, or, if not available, the most nearly equivalent rating.
- B. All policies on the Common Area shall be for the benefit of the Lessees and their Mortgagees as their interests may appear.
- C. Exclusive authority to adjust losses under policies in force on the property obtained by the Association shall be vested in the Board of Directors. Provided, However, no Mortgagee having an interest in such losses may be prohibited from participating in the settlement negotiations, if any, related thereto.
- D. In no event shall the insurance coverage obtained and maintained by the Board of Directors hereunder be brought into contribution with insurance purchased by individual Lessees, occupants or their Mortgagees.
- E. All property insurance policies shall have an inflation guard endorsement, if reasonably available, and an agreed amount endorsement with an annual review by one (1) or more qualified Persons, at least one of whom must be in the real estate industry and familiar with construction in the Baldwin County, Alabama area.
- F. The Board of Directors shall be required to make every reasonable effort to secure insurance policies that will provide for the following:
 1. A waiver of subrogation by the insurer as to any claims against the Board of Directors, the manager, the Lessees and their respective tenants, servants, agents and guests; and
 2. that no policy may be canceled or substantially modified without at least ten (10) days' prior written notice to the Association.

In addition to the other insurance required by this Section 11.01, the Board of Directors

2. that no policy may be canceled or substantially modified without at least ten (10) days' prior written notice to the Association.

In addition to the other insurance required by this Section 11.01, the Board of Directors shall obtain, as a Common Expense, worker's compensation insurance, if and to the extent necessary, and, if reasonably available, a fidelity bond or bonds on directors, officers, employees and other Persons handling or responsible for the funds of the Association. The amount of fidelity coverage shall be determined in the best business judgment of the Board of Directors, but may not be less than three (3) months' Assessments, plus reserves on hand. Bonds shall contain a waiver of all defenses based upon the exclusion of Persons serving without compensation and may not be canceled or substantially modified without at least ten (10) days' prior written notice to the Association.

This Declaration does not obligate the Association to purchase casualty insurance to cover Lots nor does it obligate the Association to provide liability insurance to cover Lessees in their individual capacities. Each Lessee may obtain additional insurance at the expense of said Lessee. Provided, However, that no Lessee shall be entitled to exercise the right to maintain insurance coverage in such a way as to decrease the amount which the Association, on behalf of all the Lessees and their Mortgagees, may realize under any insurance policy which the Board of Directors may have in force on The Verandas, Phase Two, a Subdivision at any particular time.

Premiums for all insurance obtained by the Association shall be a Common Expense of the Association. The cost of insurance coverage obtained by the Association shall be included in the annual or special Assessment as provided in this Declaration. The policies may contain a reasonable deductible.

Section 11.02. Individual Insurance. By virtue of taking title to a Lot subject to the terms of this Declaration, each Lessee covenants and agrees with all other Lessees and with the Association that each Lessee shall carry property and liability insurance on the Lot of said Lessee and improvements on said Lot with similar coverages as provided for in Section 11.01 of this Declaration. Each Lessee further covenants and agrees that in the event of a partial loss or damage and destruction resulting in less than total destruction of structures located on the Lot of said Lessee, the Lessee shall proceed promptly to repair or to reconstruct the damaged structure in a manner consistent with the original construction. In the event that the structure is totally destroyed and the Lessee determines not to rebuild or to reconstruct, the Lessee shall clear the Lot of all debris and return the Lot to substantially the natural state in which the Lot existed prior to the beginning of construction. The Architectural Committee may impose more stringent requirements regarding the standards for rebuilding or reconstructing structures on the Lot and the standards for returning the Lot to the natural state of the Lot in the event the Lessee decides not to rebuild or reconstruct.

Section 11.03. Disbursement of Proceeds. Proceeds of insurance policies maintained by the Association shall be disbursed as follows:

A. If the damage or destruction for which the proceeds are paid is to be repaired or reconstructed, the proceeds, or such portion thereof as may be required for such purpose, shall be disbursed in payment of such repairs or reconstruction as hereinafter provided. Any proceeds remaining after defraying such costs of repairs or reconstruction to the Common Property or, in the event no repair or reconstruction is made, after making such settlement as is necessary and appropriate with the affected Lessee or Lessees and the Mortgagee(s), as their interests may appear, shall be retained by and for the benefit of the Association and placed in a capital improvements account. This is a covenant for the benefit of any Mortgagee of a Lot and may be enforced by such Mortgagee.

B. If it is determined, as provided for in this Article XI, that the damage or destruction to the Common Property for which the proceeds are paid shall not be repaired or reconstructed, such proceeds shall be disbursed in the manner provided for excess proceeds in Section 11.03. A of this

Declaration.

Section 11.04. Damage or Destruction.

A. Immediately after the damage or destruction by fire or other casualty to all or any part of the Common Property covered by insurance written in the name of the Association, the Board of Directors, or its duly authorized agent, shall proceed with the filing and adjustment of all claims arising under such insurance and obtain reliable and detailed estimates of the cost of repair or reconstruction of the damaged or destroyed portion of the Common Property. Repair or reconstruction, as used in this Article XI, means repairing or restoring the Common Property to substantially the same condition in which the Common Property existed prior to the fire or other casualty. B. Any damage or destruction to the Common Property shall be repaired or reconstructed unless the voting Members representing at least seventy-five percent (75%) of the total votes of the Association shall decide within sixty (60) days after the casualty not to repair or reconstruct. If, for any reason, either the amount of the insurance proceeds to be paid as a result of such damage or destruction, or reliable and detailed estimates of the cost of repair or reconstruction, or both, are not made available to the Association within said period, then the period shall be extended until such information shall be made available; Provided, However, such extension shall not exceed sixty (60) days. No Mortgagees shall have the right to participate in the determination of whether the Common Property damage or destruction shall be repaired or reconstructed.

C. In the event that it should be determined by the Association in the manner described above that the damage or destruction of the Common Property shall not be repaired or reconstructed and no alternative improvements are authorized, then, and in that event, the Common Property shall be restored to the natural state of said Lot and maintained as an undeveloped portion of the Common Property by the Association in a neat and attractive condition.

Section 11.05. Repair and Reconstruction. If the damage or destruction to the Common Property for which the insurance proceeds are paid by the Association is to be repaired or reconstructed, and such proceeds are not sufficient to defray the cost thereof, the Board of Directors shall use general funds or seek a Special Assessment as permitted by this Declaration. Additional Assessments may be made in like manner at any time during or following the completion of any repair or reconstruction.

Article XII Condemnation

Whenever all or any part of the Common Area shall be taken (or conveyed by the Board of Directors acting on the written direction of all voting Members in lieu of and under threat of condemnation) by any authority having the power of condemnation or eminent domain, the Association shall represent the Lessees. Provided, However, each Lessee shall be entitled to notice thereof. The award made for such taking as related to the improvements on the property shall be payable to the Association as Trustee for all Lessees. The award made for the value of the land taken shall be payable to the FSTC. Section 11.03, and Section 11.04, of this Declaration regarding disbursement of proceeds and damage or destruction shall govern replacement or restoration and the actions to be taken in the event that improvements are not restored and replaced. Provided, However, anything else contained in this Article XII to the contrary, any use of the Common Area by the Declarant or any dedication or transfer of all or any part of the Common Area to any public agency, authority or utility as permitted by this Declaration shall not be deemed a taking as provided for in this Article XII.

Article XIII Annexation of Additional Property

Section 13.01. Annexation of Additional Property by the Declarant. So long as the Declarant holds the lease to any Lots in The Verandas, Phase Two, a Subdivision, the Declarant shall have the unilateral right, privilege and option, from time to time and at any time to subject to the provisions of this

Declaration and the jurisdiction of the Association such additional real property, Lots and/or Common Areas (regardless of whether or not said real property, Lots and/or Common Areas are contiguous to The Verandas, Phase Two, a Subdivision and regardless of whether or not said real property, Lots and/or Common Areas are designated as single-family residential uses or commercial uses) as the Declarant may determine, in the sole discretion of the Declarant, ("Additional Property"), whether in fee simple or leasehold, by filing in the Office of the Judge of Probate of Baldwin County, Alabama, one or more amendments or Supplemental Declarations annexing such Additional Property. Such amendments or Supplemental Declarations to this Declaration shall not require the approval or vote of Members or Mortgagees or other Persons. Any such annexation of Additional Property shall be effective upon the filing for record of said amendments or Supplemental Declarations unless otherwise provided in said amendments or Supplemental Declarations. If the property annexed is owned by the FSTC, such property shall be subject to rules, regulations and procedures of the FSTC.

The Declarant shall have the unilateral right, privilege and option to transfer to any other Person the said right, privilege and option to annex Additional Property which is reserved to the Declarant in this Declaration, provided that such transferee or assignee shall be the developer of at least a portion of the Additional Property and that such transfer is memorialized in a written, recorded instrument.

The rights reserved to the Declarant to subject Additional Property to this Declaration shall not be implied or construed so as to impose any obligation upon the Declarant to subject any part of all of such Additional Property to this Declaration or to the jurisdiction of the Association nor any obligation, if subjected, to construct dwellings or improvements of the same type, design, or materials. If all or any part of such Additional Property is not subjected to this Declaration, the reserved right of the Declarant shall not impose any obligation on the Declarant to impose any covenants and restrictions similar to those contained in this Declaration upon such Additional Property, nor shall such rights in any manner limit or restrict the use to which such Additional Property shall be put by the Declarant or any subsequent Lessee of said Additional Property, whether such uses are consistent with the covenants and restrictions imposed by this Declaration or not. The Declarant may use or authorize the use of any property which is not subjected to this Declaration for any use the Declarant deems appropriate including, but not limited to, commercial uses.

Section 13.02. Annexation of Additional Property by the Association. After release of control by the Declarant as provided for in this Declaration, upon approval in writing of the Association, pursuant to authorization of two-thirds of the vote of all of the Members of the Association, voting as provided for in this Declaration, the Lessee of any property who desires to add such property to the scheme of this Declaration and subject such property to the jurisdiction of the Association may file of record a Supplemental Declaration as described in this Declaration. Anything else contained in this Declaration to the contrary, the Association may not annex Additional Property without the approval of the Declarant as long as the Declarant retains control as provided for in this Declaration.

Section 13.03. Modification. Any Supplemental Declaration may contain such complimentary additions and modifications of this Declaration as may be necessary or convenient to reflect and adapt to any difference in character of the Additional Property. In no event, however, shall such Supplemental Declaration revoke, modify or add to the covenants established by this Declaration so as to affect the Existing Property.

Section 13.04. Mergers, Combinations or Consolidations. Upon merger, combination or consolidation of the Association with another association, the property, rights and obligations of the Association may, by operation of law, be transferred to another surviving or consolidated association, or, in the alternative, the property, rights and obligations of another association may, by operation of law, be added to the property of the Association as a surviving corporation pursuant to a merger, combination or consolidation. The surviving or consolidated association may administer the covenants and restrictions established by this Declaration within the Existing Property, together with the covenants and restrictions established upon any other property as one scheme. No such merger, combination or consolidation,

however, shall effect any revocation or change of or addition to the covenants and restrictions established by this Declaration within the Existing Property, except as provided for in this Declaration.

Section 13.05. Amendment. This Article XIII shall not be amended without the written consent of the Declarant, so long as the Declarant retains control as provided for in this Declaration or has the right to add Additional Property.

Article XIV **Amendment**

This Declaration may be amended unilaterally at any time and from time to time by the Declarant without any approval from any Lessee or the Association. Provided, However, any such amendment shall not adversely affect the title to any Lot of a Lessee unless any such Lessee shall consent in writing. Further, so long as the Declarant hold the lease to any Lot or any Additional Property that may be annexed by the Declarant into The Verandas, Phase Two, a Subdivision as provided elsewhere in this Declaration that may be made subject to the control of the Association pursuant to this Declaration, the Declarant may unilaterally amend this Declaration for any other purpose. Provided, further, any such amendment shall not materially adversely affect the substantive rights of any Lessee under this Declaration, nor shall said amendment adversely affect title to any Lot without the consent of the affected Lessee.

In addition to the matters set out elsewhere in this Article XIV, this Declaration may be amended upon the affirmative vote or written consent, or any combination thereof, of at least a Majority of the votes entitled to vote and the consent of the Declarant, so long as the Declarant has an unexpired option to subject Additional Property to this Declaration. Amendments to this Declaration shall become effective upon recordation in the Office of the Judge of Probate of Baldwin County, Alabama.

Article XV **Mortgagee Rights**

The following provisions are for the benefit of Eligible Mortgage Holders in The Verandas, Phase Two, a Subdivision. The provisions of this Article XV apply to both this Declaration and to the By-Laws, notwithstanding any other provisions contained in this Declaration.

Section 15.01. Notices of Action. An Institutional holder, insurer, or guarantor of a first Mortgage, who provides written request to the Association (such request to state the name and address of such holder, insurer, guarantor and the Lot number, therefore becoming an Eligible Mortgage Holder), will be entitled to timely written notice of:

- A. any condemnation loss or any casualty loss which affects a material portion of The Verandas, Phase Two, a Subdivision or which affects any Lot on which there is a first Mortgage held, insured, or guaranteed by such Eligible Mortgage Holder;
- B. any delinquency in the payment of Assessments or charges owed by a Lessee of a Lot subject to the Mortgage of such Eligible Mortgage Holder, where such delinquency has continued for a period of sixty (60) days. Provided, However, notwithstanding this provision, any holder of a first Mortgage upon request is entitled to written notice from the Association of any default in the performance by a Lessee of a Lot of any obligation under this Declaration or the By-Laws of the Association which is not cured within sixty (60) days;
- C. any lapse, cancellation or material modification of any insurance policy by the Association; or
- D. any proposed action which would require the consent of a specified percentage of Eligible Mortgage Holders.

Section 15.02. No Priority. No provision of this Declaration or the By-Laws gives or shall be construed as giving any Lessee priority over any rights of the first Mortgagee of any Lot in the case of distribution to such Lessee of insurance proceeds or condemnation awards for losses to or a taking of the Common Property.

Section 15.03. Notice to the Association. Upon request, each Lessee shall be obligated to furnish to the Association the name and address of the holder of any Mortgage encumbering such Lot of a Lessee.

Section 15.04. Applicability of this Article. Nothing contained in this Article XV shall be construed to reduce the percentage vote that must otherwise be obtained under this Declaration, the By-Laws, or Alabama law for any of the acts set out in this Article XV.

Section 15.05. Failure of Mortgagee to Respond. Any Mortgagee (or insurer or guarantor of a Mortgage) who receives a written request from the Board of Directors to respond to or consent to any action shall be deemed to have approved such action if the Association does not receive a written response from the Mortgagee within thirty (30) days of the date of the request of the Association.

Article XVI Rights of the Declarant

Section 16.01. Transfer of Rights. Any or all of the special rights and obligations of the Declarant may be transferred by the Declarant to other Persons or entities, pertaining to any one (1) Lot or multiple Lots or any part or all of The Verandas, Phase Two, a Subdivision, including, but not limited to, the exemption of the Declarant as to the Lot or Lots so transferred to pay Assessments as provided for in this Declaration. Any transfer of rights and obligations by the Declarant must be by a written instrument signed by the Declarant and duly recorded in the Office of the Judge of Probate of Baldwin County, Alabama.

Section 16.02. Legal Description Modifications. The Declarant has the right to change or modify the legal description of any real property designated as the Common Area or as a parcel or parcels or as a Lot or Lots located within the boundaries of The Verandas, Phase Two, a Subdivision without obtaining any approval from the Association or any Lessee or other party, solely by filing an affidavit executed by the project surveyor describing the change made in the legal description of a Common Area, parcel or Lot.

Section 16.03. Right of Approval. So long as the Declarant holds the lease to any property within The Verandas, Phase Two, a Subdivision or any Additional Property which may be annexed into The Verandas, Phase Two, a Subdivision by the Declarant as provided for in this Declaration, this Section 16.03, may not be amended without the express written consent of the Declarant.

In addition to any other rights granted or reserved to the Declarant by this Declaration, the Declarant shall have the right to approve all actions of the Board of Directors and the Architectural Committee as those actions may affect the rights of the Declarant to improve, construct, market and sell The Verandas, Phase Two, a Subdivision or Additional Property. This right shall be exercisable only by the Declarant and the successors and assigns of the Declarant who specifically take this right in a recorded instrument. The right shall be exercised as follows:

No action authorized by the Board of Directors or Architectural Committee shall become effective nor shall any action, policy or program be implemented until and unless:

A. The Declarant shall have been given written notice of all meetings and proposed actions approved at meetings of the Board of Directors or the Architectural Committee by certified mail, return receipt requested, or by personal delivery at the address the Declarant has registered with the Secretary of the Association; and

B. The Declarant shall be given the opportunity at any such meeting to join in or to have a representative or agent join in discussion from the floor of any prospective action, policy, or program to be implemented by the Board of Directors or the Architectural Committee. The Declarant and representatives or agents of the Declarant shall make the concerns, thoughts and suggestions of the Declarant known to the Members of the Architectural Committee or the Association. Said right must be exercised by the Declarant, representatives, or agents of the Declarant within ten (10) days after the meeting held pursuant to the terms and provisions of this Declaration.

Article XVII **Miscellaneous**

Section 17.01. Unrestrictive Right of Transfer. The right of a Lot Lessee to sell, transfer or otherwise convey the Lot of said Lessee shall not be subject to any right of first refusal or a similar restriction. Provided, however, the Association shall have the right to charge and collect a transfer fee equal to \$300.00 on all transfers of Lots and memberships. Transfers shall be subject to the rules and regulations of the Fairhope Single Tax Corporation.

Section 17.02. No Restrictions on Mortgaging. Anything construed in this Declaration to the contrary, there shall be no restrictions on the right of a Lot Lessee to mortgage the Lot of said Lessee.

Section 17.03. Acceptance by Grantee. The grantee of any Lot subject to the coverage of this Declaration, by acceptance of the Bill of Sale or other instrument conveying an interest in or title to, or the execution of a contract for the purchase of said Lot whether from the Declarant or a subsequent Lessee of such Lot, shall accept such Bill of Sale or other contract upon and subject to each and all of the terms and conditions set out in this Declaration.

Section 17.04. Indemnity for Damages. Each and every Lot Lessee and future Lot Lessee, in accepting a Bill of Sale or contract for any Lot subject to this Declaration, agrees to indemnify the Declarant for any damage caused by such Lessee or the contractor, agent or employees of such Lessee, to private access areas, streets, roads, gutters, walkways or other aspects of private or public ways, including all surfacing on said private or public ways or to water, drainage or storm sewer lines or sanitary sewer lines owned by the Declarant, or for which the Declarant has responsibility, at the time of such damage.

Section 17.05. Severability. If any Article, part, clause, provision, or condition of this Declaration is held to be void, invalid, or inoperative, such voidness, invalidity, or inoperativeness shall not affect any other Article, clause, provision or condition of this Declaration; but the remainder of this Declaration shall be effective as though such Article, clause, provision or condition had not been contained.

Section 17.06. Captions, Gender and Grammar. The captions preceding the various sections, paragraphs and subparagraphs of this Declaration are for the convenience of reference only, and none of them shall be used as an aid to the construction of any provision in this Declaration. Wherever and whenever applicable, the singular form of any word shall be taken to mean or apply to the plural, and the masculine form shall be taken to mean or apply to the feminine or to the neuter.

Section 17.07. Effect of Violation on Mortgage Lien. No violation of any of the terms and conditions of this Declaration shall defeat or render invalid the lien of any Mortgage made or reserved in good faith and for value upon any portion of The Verandas, Phase Two, a Subdivision. Provided, However, that any Mortgagee in actual possession, or any purchaser at any Mortgagee's judicial or nonjudicial foreclosure sale shall be bound by and subject to this Declaration as fully as any other Lessee of any portion of The Verandas, Phase Two, a Subdivision.

Section 17.08. No Reverter. No provision of this Declaration is intended to be, or shall be

construed as, a condition subsequent or as creating a possibility of reverter.

Section 17.09. Duration. The provisions of this Declaration shall run with and bind The Verandas, Phase Two, a Subdivision and shall be and remain in effect perpetually to the extent permitted by Alabama law. Provided, However, should any provision of Alabama law limit the period during which covenants restricting land to certain usage may run, any provisions of this Declaration effected by said Alabama law shall run with and bind The Verandas, Phase Two, a Subdivision so long as permitted by such law; and such provisions shall be automatically extended for successive periods of ten (10) years or such shorter period as may be allowed by law, unless such extension is disapproved at a meeting duly called for such purpose by a vote of at least a Majority of all votes entitled to be cast by Members of the Association and, so long as the Declarant has an option unilaterally to subject Additional Property to this Declaration as provided in this Declaration, the consent of the Declarant. Such meeting must be recorded within the year immediately preceding the beginning of a renewal period. A purchaser or grantee of any interest in any Lot subject to this Declaration, by acceptance of a Bill of Sale or other conveyance of said Lot agrees that such provisions of this Declaration may be extended or renewed as provided in this Section 17.09, Section 17.10. Enforcement. In the event of a violation or breach of any of this Declaration, the By-Laws or the Architectural Guidelines by any Lessee, or employee, agent or lessee of such Lessee, the Lessee(s) of Lot(s), the Association, the Declarant (so long as the Declarant is a Member of the Association), their successors and assigns, shall have the right to proceed at law or in equity to compel compliance with the terms and conditions of this Declaration, to prevent the violation or breach of this Declaration, the By-Laws or the Architectural Guidelines of the Association or the Rules and Regulations promulgated by the Architectural Committee, to sue for and recover damages or other dues, or take all such courses of action at the same time, or such other legal remedy the Association may deem appropriate. No delay or failure on the part of an aggrieved party to initiate an available remedy set forth in this Declaration shall be held to be a waiver of that party or an estoppel of that party or of any other party to assert any right available to him upon the recurrence or continuation of said violation or the occurrence of a different violation.

Damages shall not be deemed adequate compensation for any breach or violation of any provision of this Declaration, but any Person or entity entitled to enforce any provision of this Declaration shall be entitled specifically to relief by way of injunction as well as any other available relief either at law or in equity.

Any party to a proceeding who succeeds in enforcing this Declaration, the By-Laws or the Architectural Guidelines of the Association or the Rules and Regulations promulgated by the Architectural Committee enjoining the violation of this Declaration against a Lot Lessee may be awarded a reasonable attorney's fee against such Lot Lessee.

Section 17.11. Certificate of Violation. In addition to any other rights or remedies available to the Association under this Declaration or at law or equity, the Association shall have the right to file in the records of Baldwin County, Alabama, a Certificate or Notice of Violation of this Declaration (which violation shall include, without limitation, nonpayment of the annual charges and/or failure to comply with Architectural Guidelines) upon failure of a Lot Lessee to correct a violation of this Declaration within ten (10) days after written notice of the violation has been given by the Association to the Lot Lessee.

Section 17.12. Interpretation by the Association. The Association shall have the right to construe and interpret the provisions of this Declaration, and in absence of an adjudication by a court of competent jurisdiction to the contrary, the construction or interpretation by the Association shall be final and binding as to all Persons or Property benefitted or bound by the provisions of this Declaration.

Section 17.13. Estoppel Certificate. Upon the request of any Member, the Board of Directors or the designee of the Board of Directors shall furnish a written certificate signed by an officer or agent of the Association regarding unpaid Assessments levied against that Member or the Lot of that Member in violation of this Declaration, the By-Laws, use restrictions, Architectural Guidelines by any Lessee or

occupant of The Verandas, Phase Two, a Subdivision. Such certificate shall bind the Association with respect to the foregoing matters. The Association may require the advance payment of a reasonable processing fee.

Section 17.14. Assignment by the Association. The Association shall be empowered to assign the rights of the Association to any successor nonprofit membership corporation ("Successor Corporation") and, upon such assignment the Successor Corporation shall have all the rights and be subject to all the duties of the Association.

Section 17.15. No Waiver. The failure of any party entitled to enforce this Declaration shall in no event be considered a waiver of the right to do so thereafter, as to the same violation or breach or as to such a violation or breach occurring prior or subsequent thereto. **Section 17.16. Deviation.** The Board of Directors or the designee of the Board of Directors may, in the exercise of the reasonable discretion of the Board of Directors, permit deviations from the restrictions contained in this Declaration, the By-Laws, or the Architectural Guidelines.

Section 17.17. Use of the Words "The Verandas, Phase Two, a Subdivision or "The Verandas Property Association, Inc." No Person shall use the words "The Verandas, Phase Two, a Subdivision or "The Verandas Property Association, Inc." or any derivative thereof in any printed or promotional material without the prior written consent of the Declarant, so long as the Declarant retains Declarant Control as provided for in this Declaration and thereafter, by the Association. Provided, However, a Lessee may use the terms "The Verandas, Phase Two, a Subdivision or "The Verandas Property Association, Inc." in printed or promotional matter where such term is used solely to specify that particular property is located within The Verandas, Phase Two, a Subdivision.

Section 17.18. Security. The Verandas Property Association, Inc., will strive to maintain The Verandas, Phase Two, a Subdivision as a safe, secure environment. HOWEVER, NEITHER THE VERANDAS PROPERTY ASSOCIATION, INC., NOR THE DECLARANT, SHALL BE HELD LIABLE FOR ANY LOSS OR DAMAGE BY REASON OF FAILURE TO PROVIDE ADEQUATE SECURITY OR INEFFECTIVENESS OF SECURITY MEASURES UNDERTAKEN. ALL LESSEES, OCCUPANTS, TENANTS, GUESTS AND INVITES OF ANY LESSEE, AS APPLICABLE, ACKNOWLEDGE THAT THE VERANDAS PROPERTY ASSOCIATION, INC., AND THE DECLARANT AND COMMITTEES ESTABLISHED BY ANY OF THE FOREGOING TITLES, ARE NOT INSURERS AND THAT EACH LESSEE, OCCUPANT, TENANT, GUEST AND INVITEE ASSUMES ALL RISK OF LOSS OR DAMAGE TO PERSONS, TO LOTS, AND TO THE CONTENTS OF LOTS AND FURTHER ACKNOWLEDGE THAT THE DECLARANT HAS MADE NO REPRESENTATIONS OR WARRANTIES. NOR HAS ANY LESSEE, OCCUPANT, TENANT, GUEST OR INVITEE RELIED UPON ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE RELATIVE TO ANY SECURITY MEASURES RECOMMENDED OR UNDERTAKEN.

Section 17.19. Effective Date. The Effective Date of this Declaration shall be the date that this Declaration is recorded in the records of the Office of the Judge or Probate of Baldwin County, Alabama.

IN WITNESS WHEREOF, the Declarant has caused this Declaration to be duly executed on the date set opposite the signature of the Declarant.

Declarant:

The Verandas, LLC, an Alabama
Limited Liability Company

By:

Albert Cortez III
Albert Cortez, III

Its: Member

STATE OF ALABAMA :

COUNTY OF BALDWIN :

I, the undersigned authority, a Notary Public in and for said State and County, hereby certify that - Albert Cortez III, whose name as Member of The Verandas, LLC, an Alabama Limited Liability Company is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the instrument, he, as Member of The Verandas, LLC, an Alabama Limited Liability Company and with full authority, executed the same voluntarily on behalf of the Company.

Given under my hand and seal this 31st day of May, 2018.



Leann M. Ammond
Notary Public
My Commission Expires: 4/2/2022

JOINDER OF FAIRHOPE SINGLE TAX CORPORATION

The undersigned, Fairhope Single Tax Corporation, being the fee simple owner of The Verandas, Phase Two, a Subdivision covered by this Declaration, does consent to this Declaration.

Fairhope Single Tax Corporation

By:

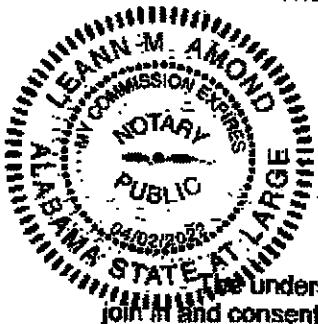
Lee J...
Its: President

STATE OF ALABAMA

COUNTY OF BALDWIN

I, the undersigned Notary Public in and for said County in said State, hereby certify that Lee Turner, whose name as President on behalf of Fairhope Single Tax Corporation, is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that he, as such officer, and with full authority, executed the same voluntarily on behalf of said Corporation.

Given under my hand and seal on this the 31st day of May, 2018.



Leann M. Amund
Notary Public
My Commission Expires: 4/2/2022

JOINDER OF MORTGAGEE

The undersigned holder of a mortgage on the leasehold interest covered by this Declaration, does join in and consent to this Declaration.

Bay Area Developers, L.L.C., an
Alabama Limited Liability Company

By: [Signature]

Its: Owner

STATE OF ALABAMA

COUNTY OF BALDWIN

I, the undersigned authority, a Notary Public in and for said State and County, hereby certify that Bruce Bigler, whose name as a Member of Bay Area Developers, L.L.C., an Alabama Limited Liability Company, is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of the instrument, he as such Member and with full authority, executed the same voluntarily for and on behalf of said Company.

Given under my hand and seal this 1 day of June, 2018.

Robert K. Roter
Notary Public
My Commission Expires: _____ My Commission Expires
07/27/2019

THIS INSTRUMENT PREPARED BY:

**W. Kenneth Heard
Irby & Heard, P.C.
Attorneys at Law
317 Magnolia Avenue
Post Office Box 1031
Fairhope, Alabama 36533
(251) 928-4555**

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