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COUNTY OF BALDWIN)

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AMENDED BY-LAWS

OF



HARBOR HOUSE CONDOMINIUM OWNER'S ASSOCIATION, INC.

**ARTICLE I
PURPOSE AND APPLICATION**

1.01 Purpose and Application. The following are the By-Laws of Harbor House Condominium Association, Inc., (hereinafter referred to as the "Association"), a Non-Profit Corporation, organized pursuant to the *Alabama Non-Profit Corporation Act*, § 10-3A1, et seq., *Code of Alabama*, 1975, and the *Alabama Uniform Condominium Act of 1991*, § 35-8A-101, et seq., *Code of Alabama*, 1975, formed for the purpose of managing and operating a certain condominium located in Baldwin County, Alabama, known as Harbor House, a condominium, (hereinafter referred to as the "Condominium").

The provisions of the By-Laws are applicable to the entirety of the Condominium property.

All present or future Owners, tenants and their employees, and any other persons or entities that might use the facilities of Harbor House, a condominium, in any manner, are subject to the regulations and provisions set forth in these By-Laws and to the Rules and Regulations established and promulgated by the Association of Unit Owners pursuant to the By-Laws and the Condominium Declaration.

The mere acquisition or rental of any of the Units of Harbor House, a condominium, or the mere act of occupancy of any said Units will signify that these By-Laws and the provisions of the Declaration and any Rules and Regulations, as they each may be amended from time to time, are accepted, ratified and will be complied with.

ARTICLE II PRINCIPAL OFFICE AND AGENT

2.01 Principal Office. The principal office of the Association shall be at 913 West Beach Boulevard, Gulf Shores, AL , Baldwin County, Alabama 36547, or at such other place as may be designated subsequently by the Board of Directors or as the business of the corporation may require. All books and records of the Association shall be kept at its principal office which shall be in Baldwin County, AL.

2.02 Principal Agent. The initial principal agent of the Association at such office shall be Jim Tierney, whose mailing address is, Post Office Box 3772, Gulf Shores, Alabama, 36547.

ARTICLE III DEFINITIONS

3.01 Declaration Defined. "Declaration" shall mean that certain Declaration of Condominium of Harbor House, a condominium, filed in the Office of the Judge of Probate of Baldwin County, State of Alabama, as the same may be amended from time to time in accordance with the terms thereof.

3.02 Unit and Unit Owner Defined. When used herein, "Unit" shall mean a Unit and "Unit Owner" shall mean a Unit Owner.

3.03 Initial Declaration. The "Initial Declaration" is the Declaration, dated December 3, 1980, and recorded in Miscellaneous Book 37, Page 1918, et. seq., in the Office of the Probate Judge of Baldwin County, Alabama.

3.04 Other Terms Defined. Other terms used herein shall have the meaning given to them in the Declaration and are hereby incorporated by reference and made a part hereof.

ARTICLES IV MEMBERSHIP

4.01 Qualification. The sole qualification for membership shall be Ownership of a Unit in the Condominium. No membership may be separated from the Unit to which it is appurtenant.

4.02 No Additional Qualifications. No initiation fees, costs or dues shall be assessed against any person as a condition of the exercise of the rights of membership except such assessments, levies and charges as are specifically authorized by the Declaration.

4.03 Succession. The membership of each Unit Owner shall automatically terminate on the conveyance, transfer or other disposition of a Unit Owner's interest in the Unit. The Unit Owner's membership shall be transferred to the new Unit Owner succeeding to such Ownership interest upon the proper recording of the Deed and upon the presentation of a certified copy of said recorded Deed to the Secretary of the Association. On the conveyance, transfer or other disposition of a portion of a Unit Owner's interest in a Unit, the transferring Unit Owner and the transferee shall each be members of the Association in accordance with the Ownership interest of each following such conveyance or transfer.

4.04 Certificates of Membership. The Association shall issue no shares of stock of any kind or nature whatsoever.

ARTICLE V MEETINGS OF MEMBERS

5.01 Annual Meeting. The annual meeting of the members shall be held on the fourth Saturday in the month of October at the place and at the time as determined by the Board of Directors or at such other date the date, at the place, and at the time, as determined by the Board of Directors from time to time, however, such date shall not exceed thirteen (13) months from the date of the previous Annual Meeting. The purpose of the annual meeting shall be to elect the Directors, and to transact any other business authorized to be transacted by the Members or stated in the notice of the meeting sent to the Members in advance thereof. Provided, however, the Board of Directors shall give the members written notice as set forth in Section 5.03 these By-Laws.

5.02 Special Meeting. Special meetings of the Members may be called at any time by the President, a majority of the Board, or on receipt by the Board of a written request of Members representing at least twenty-five percent (25%) of the total votes of the Association. The business conducted at a special meeting shall be limited to that stated in the notice of the meeting.

5.03 Notice of Meeting. Notice of all meetings of Members shall state the time and place of the meeting and the items on the agenda, including the general nature of any proposed amendment to the Declaration or By-Laws, any budget changes, and any proposal to remove an officer or a member of the Board. Notices shall be prepared and delivered by or at the direction of the Secretary and may be delivered either personally or by mail or by facsimile or by E-mail to a Member at the address given to the Board by said Member, or to the Member's Unit if no such

address has been given to the Board. Notice of the annual meeting shall be mailed or delivered to each Member not less than thirty (30) days prior to the meeting and special meetings shall be mailed or delivered to each Member not less than ten (10) days prior to the meeting. A copy of the notice of any meeting of Members shall also be posted in an conspicuous place on the Condominium Property at least seven (7) days prior to the meeting. Proof of such notice shall be given by the affidavit of the person giving the notice.

5.04 Waiver of Notice. Any Member or mortgagee may waive the right to receive notice of the annual meeting by sending a written waiver to the Board of Directors. Notice of specific meetings may be waived before or after the meeting, orally or in writing. Attendance by a Member at an annual or special meeting, either in person or by proxy, shall constitute waiver of notice of such meeting.

5.05 Quorum. A quorum of Members for any meeting shall be deemed present throughout such meeting if Members, represented in person or by proxy, holding at least fifty percent (50%) of the votes entitled to be cast at such meeting are present at the beginning of such meeting, except as otherwise provided by law; by the Articles of Incorporation; by the Declaration of Condominium; or by the By-Laws.

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

5.07 Action Without Meeting. Any action which may be taken at a meeting of the Members may also be taken without a meeting if a Consent in writing, setting forth the action so taken, is signed by the number of members required to take such action at a meeting, and is filed with the Secretary of the Association.

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

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

5.09 Minutes of Meeting. The minutes of all meetings of Members shall be kept in a book available for inspection by Unit Owners or their authorized representatives.

ARTICLE VI MEMBER'S VOTING RIGHTS

6.01 Number of Votes. The number of votes to which each Unit is entitled is provided in the Declaration, which is incorporated by reference herein. The votes of a Unit shall not be divisible.

6.02 Vote Required to Transact Business. When a quorum is present, the holders of a majority of the voting rights present, in person or by proxy, shall

decide any question brought before the meeting, unless the question is one on which, by express provision of the Act or the Condominium Documents, a different number or manner of voting is required, in which case the express provision shall govern and control the decision in question.

6.03 Designation of Voting Member. If a Unit is owned by more than one person, the person entitled to cast the vote or votes for the Unit may be designated by a certificate signed by all of the record Owners of the Unit and filed with the Secretary of the Association. If a Unit is owned by a corporation, partnership, trust or other legal entity, the person entitled to cast the vote or votes for the Unit may be designated by a certificate of appointment signed by a duly authorized representative of the entity and filed with the Secretary of the Association. Such certificates shall be valid until revoked or until superseded by a subsequent certificate or until a change in the Ownership of the Unit occurs. A certificate may be revoked by any Owner of an interest in the Unit.

6.04 Failure to Designate a Voting Member. If a Unit is owned by more than one person and they do not designate a voting member, the following provisions shall apply:

A. If more than one such Owner is present at any meeting, and they are unable to concur in a decision on any subject requiring a vote, they shall lose their right to vote on that subject at that meeting, however, said vote or votes shall be included in the determination as to the presence, or lack thereof, of a quorum.

B. If only one such Owner is present at a meeting, that person shall be entitled to cast the vote or votes pertaining to the Unit.

C. If more than one such Owner is present at the meeting, and

they concur, any one such Owner may cast the vote or votes for the Unit.

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

6.06 Conditional Proxy. The granting of a mortgage on a Unit by its Owner(s) shall be construed as conferring upon the mortgagee a conditional proxy to cast the vote or votes attributable to such Unit at any regular or special meeting of the Association. The condition of such proxy shall be notice by such mortgagee to the Association, in writing, of its intent to exercise the conditional proxy rights granted to it, as mortgagee, by the terms of this subparagraph. In the absence of such written notice, the Association shall be entitled to recognize the Unit Owner(s) votes attributable to their Unit. However, once such written notice is received by the Association, the mortgagee's right to cast the vote or votes attributable to that Unit shall be recognized by the Association until the mortgagee withdraws its intent to cast such votes, in writing, or until the mortgage is paid in full and satisfied of record, whichever first occurs.

ARTICLE VII BOARD OF DIRECTORS

7.01 Number and Tenure. The affairs of this Association shall be managed by a Board of Directors. The Board of Directors shall consist of seven (7) Directors. The By-Laws may be amended from time to time as provided for herein to establish the number of Directors at a minimum of at least three (3) Directors nor more than seven (7) Directors. Each Director elected by the members shall hold office consistent with the staggered terms which are in effect at the time of

the adoption of these By-Laws or as may be amended from time to time as provided herein. Each Director shall hold office until his successor shall have been duly elected and shall have qualified or until his death or until he shall have resigned or shall have been removed, as provided for herein.

7.02 Qualification. Each Director shall be a Unit Owner. If a Unit Owner is a trust, then the beneficiary of the trust may be a Director; and if a Unit Owner is a corporation or partnership, then an officer, partner, or employee of such Unit Owner may be a Director. If a Director shall cease to meet such qualifications during his term, he shall cease to be a Director and his place on the Board shall be deemed vacant.

7.03 Nomination for Election. Nomination for election to the Board of Directors shall be made from the floor at the annual meeting of Members or at any other meeting of Members called for the purpose of electing Directors. Nominations may also be made by a nominating committee, comprised of three (3) Members, appointed by the Board, no less than thirty (30) days prior to the annual meeting of the Members or prior to any other meeting of members called for the purpose of electing Directors.

7.04 Election of Directors. Directors shall be elected at the annual meeting of the members or at a special meeting called for that purpose. The election shall be by secret ballot (unless dispensed with by unanimous consent), and each Member shall be entitled to vote for each vacancy. There shall be no cumulative voting. Those candidates receiving the greatest number of votes cast either in person or by proxy shall be elected.

7.05 Vacancies. Any vacancy in the position of a Director elected by the Members of the Association shall be filled by a majority vote of the remaining Directors, and any Director so elected shall hold office for a term equal to the

unexpired term of the Director whom he or she succeeds.

7.06 Removal. Any Director may be removed in accordance with the provisions of the Act. The vacancy in the Board of Directors so created shall be filled by the Members at the same meeting.

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

ARTICLE VIII MEETINGS OF DIRECTORS

8.01 Regular Meetings. Regular meetings of the Board of Directors shall be held twice a year at such place, and at such time and date as the Board shall designate. Notice of the regular meetings shall be given to each Director personally, by mail, by telephone, by E-mail or by facsimile transmission and shall be transmitted at least ten (10) days prior to the meeting. A copy of the notice of any meeting of Directors shall also be posted in a conspicuous place, on the Condominium Property, at least seven (7) days prior to said meeting.

8.02 Special Meetings. Special meetings of the Directors may be called by the President at any time, and must be called by the President or Secretary at the written request of a majority of the Directors. A notice of the meeting stating the time, place and purpose of the meeting shall be given to each Director personally, by mail, by telephone by E-mail or by facsimile transmission and shall be transmitted at least one day prior to the meeting. Special meetings of the Board of Directors may be conducted by teleconferencing.

8.03 Open Meetings. Except as set forth in Section 8.04 herein and any meetings conducted by teleconferencing, all meetings of the Board of Directors shall be open to all members of the Association.

8.04 Work Shop Meetings. A Work Shop meeting may be called by the President, at any time. For the purposes of this Section, a Work Shop meeting shall be a meeting where no votes shall be cast by the Directors and that the subject matter of the meeting is such that it will be considered in a subsequent open meeting of the membership and/or the Board of Directors. A Work Shop meeting is not subject to the notice requirements as set forth in Section 8.01, Section 8.02 and open meeting requirements as set forth in Section 8.03 herein.

8.05 Waiver of Notice. Any Director may waive notice of a meeting either before or after the meeting, or may consent to the holding of a meeting without notice. Attendance by any Director at a meeting shall constitute waiver of notice of that meeting, except when attendance is for the express purpose of objecting at the beginning of the meeting to the transaction of business on the grounds that the meeting was not lawfully called.

8.06 Quorum. A quorum shall consist of the Directors entitled to cast a majority of the votes of the entire Board of Directors. The acts of the Directors approved by a majority of the votes present at a meeting at which a quorum is present shall constitute the acts of the Board of Directors. The joinder of a Director in the action of a meeting by signing and concurring in the minutes thereof, shall constitute the presence of such a Director for the purpose of determining a quorum. A Director may not cast a vote by proxy.

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

the minutes of the proceedings of the Board.

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

8.09 Minutes of Meetings. The minutes of all meetings of the Board of Directors shall be kept in a minute book available for inspection by Unit Owners, or their authorized representatives, or by Directors at any reasonable time.

ARTICLE IX POWERS AND DUTIES OF THE DIRECTORS

9.01 Specific Powers. The Board of Directors shall have the power to exercise all powers, duties and authority vested in the Association by the Act, the Declaration or these By-Laws, except for such powers and duties reserved thereby to the Members. The powers and duties of the Board shall include, but shall not be limited to, the following:

- A. To elect and remove officers of the Association as hereinafter provided.
- B. To administer the affairs of the Association and the Condominium Property.
- C. To maintain bank accounts on behalf of the Association and to designate signatories required therefor.
- D. To sell, lease, mortgage or otherwise deal with Units acquired by the Association.

E. To pay the cost of all taxes and utilities assessed against the Condominium that are not assessed and billed to the Owners of individual Units.

F. To borrow money, from time to time, at its sole discretion and without the approval of the unit owners, any sum necessary and required in order to meet the financial needs of the Association and to assess the unit owners without the approval of the unit owners for the repayment of said borrowed funds.

G. To estimate the amount of the annual budget and to make, levy, enforce and collect Assessments against Unit Owners to defray the costs, expenses and losses for the Condominium and to provide adequate remedies for failure to pay such assessments.

H. To use the proceeds of Assessments in the exercise of its powers and duties.

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

J. To purchase insurance on the Property and to purchase insurance for the protection of the Association and its Members, the members of the Board of Directors, and Officers of the Association.

K. To reconstruct improvements after casualty and to further improve the Property.

L. To make and amend reasonable Rules and Regulations respecting the use of the Property and the operation of the Condominium.

M. To enforce, by legal means, the provisions of the Act, the Declaration, the Articles of Incorporation, these By-laws, and the Rules and Regulations for the use of the Property.

N. To contract for the management of the Property and to delegate to such managing agent, all powers and duties of the Association except such as are specifically required by the Declaration to have approval of the Board of Directors or the membership of the Association.

O. To contract for the management or operation of portions of the Common Elements of the Condominium susceptible to separate management or operation and to lease such portions.

P. To retain attorneys and accountants.

Q. To employ personnel to perform the services required for proper operation of the Condominium.

R. Except as prohibited in the Declaration or the Act, to purchase a Unit of the Condominium for the purposes authorized in the Declaration.

S. To maintain a class action and to settle a cause of action on behalf of Owners with reference to the Common Elements, the roof and structural components of a building or other improvement, and mechanical,

electrical and plumbing elements serving an improvement or a building as distinguished from such elements serving only one (1) Unit; and to bring an action and to settle the same on behalf of two (2) or more of the Owners, as their respective interests may appear, with respect to any cause of action relating to the Common Elements or more than one (1) Condominium Unit; all as the Board deems advisable.

T. To procure such fidelity bonds, as the Board deems advisable, covering officers and employees of the Association handling and responsible for the Association's funds and personal property, and to procure Directors' and Officers' liability insurance, if the Board deems it advisable, and the premiums of such bonds and insurance shall be paid by the Association as Common Expense.

9.02 Committees. The Board of Directors may, by resolution, appoint one or more standing committees as deemed appropriate in carrying out its duties and responsibilities. Such committees shall have the powers provided in the resolution designating such committee. Any such committee shall keep regular minutes of its proceedings and shall report the same to the Board of Directors and the Board of Directors shall act on the committee's information as it deems appropriate.

9.03 Managing Agent. The Board of Directors shall be authorized to employ the services of a manager or managing agent, who may either be an employee of the Association or an independent person or firm qualified to manage the Property and affairs of the Condominium under the supervision of the Board. The compensation paid to any such manager or managing agent shall be in the amount established from time to time by the Board.

ARTICLE X OFFICERS

10.01 Election. The executive officers of the Association shall be a President, a Vice-President, a Secretary and a Treasurer. The officers shall be elected annually by the Board of Directors. Any two (2) offices may be held by the same

person, except the President shall hold no other offices. All executive officers shall be elected from the duly elected or appointed Board members.

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

10.03 Special Appointments. The Board may appoint such other Officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may from time to time determine.

10.04 Resignation and Removal. Any Officer may be removed from office either with or without cause by the vote of a majority of the Directors present at any meeting. Any Officer may resign at any time by giving written notice to the Board, Such resignation shall take effect on the date of receipt or at any later time specified therein, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

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

10.06 Compensation. An Officer shall not receive any compensation for any

service he may render to the Association as an Officer; provided, however, that any Officer may be reimbursed for actual out-of-pocket expenses incurred by him in the performance of his duties.

10.07 Duties of the President. The President, who shall be a Director, is the Chief Executive Officer of the Association, and shall have all of the powers and duties that are usually vested in the office of President of a condominium association, including but not limited to the following powers:

- A. To preside over all meetings of the Members and of the Board.
- B. To sign as President all deeds, contracts, and other instruments that have been duly approved by the Board.
- C. To call meetings of the Board whenever he deems it necessary in accordance with the rules.
- D. To have the general supervision, direction and control of the affairs of the Association.
- E. To, along with the Secretary, prepare, execute, certify and record amendments to the Declaration on behalf of the Association.

10.08 Duties of the Vice-President. The Vice-President, who shall be a Director, shall have all of the powers and duties that are usually vested in the office of Vice-President of a condominium association, including but not limited to the following powers:

- A. To perform the duties and exercise the powers of the President, in the absence or disability of the President.

B. To assist the President in the exercise of his powers and the performance of his duties.

10.09 Duties of the Secretary. The Secretary, who shall be a Director, shall have all of the powers and duties that are usually vested in the Secretary of a condominium association. However, the Board of Directors shall be authorized to employ an independent person or firm qualified to perform any or all of said powers and duties which include, but are not limited to, the following powers:

A. To keep a record of all meetings and proceedings of the Board and of the Members.

B. To keep the seal of the Association, if any, and affix it on all papers requiring said seal.

C. To prepare and serve such notices of meetings to the Board and the Members required either by law or by these By-Laws.

D. To keep current records showing the Members of the Association together with their addresses.

E. To sign as Secretary all deeds, contracts, and other instruments which have been duly approved by the Board, if said instrument requires a second Association signature.

F. To, along with the President, prepare, execute, certify and record amendments to the Declaration on behalf of the Association.

10.10 Duties of the Treasurer. The Treasurer shall be the financial officer of the Association, and shall have all powers and duties that are usually vested the

Treasurer of a condominium association. However, the Board of Directors shall be authorized to employ an independent person or firm qualified to perform any or all of said powers and duties which include, but are not limited to, the following powers:

A. To receive and deposit in such bank or banks as the Board may from time to time direct, all of the funds of the Association.

B. To be responsible for and supervise the maintenance of books and records to account for such funds and other Association assets.

C. To disburse and withdraw said funds as the Board may from time to time direct, and in accordance with prescribed procedures.

D. To prepare and distribute the financial statements for the Association.

E. To prepare a record of all receipts and expenditures.

F. To prepare an account for each Unit, setting forth any shares of Common Expenses or other charges due, the due dates thereof, the present balance due and any interest in Common Surplus.

ARTICLE XI FISCAL MANAGEMENT

11.01 Fiscal Year. The fiscal year of the Association shall the calendar year or be such as shall from time to time as established by the Board of Directors.

11.02 Annual Budget. The Board of Directors shall adopt a budget for each fiscal year in accordance with the Act. The annual budget of the Association shall be detailed and shall show the amounts budgeted by accounts and expense classifications. Expenses shall be estimated for each category and item of the Common Expenses. The budget shall also include reserve accounts for capital expenditures, deferred maintenance, reserves and contingencies. The amount reserved shall be computed by means of a formula that is based on the estimated life and estimated replacement cost of each reserve item. The budget shall also set forth each Unit Owner's proposed Assessment for Common Expenses. Copies of the budget and proposed assessments shall be transmitted to each Member in accordance with the Act.

11.03 Adoption of the Annual Budget. The Board of Directors shall prepare or cause to be prepared a proposed annual budget for each fiscal year of the Association. Within thirty (30) days after adoption of any proposed budget for the condominium, the Board shall provide a copy of the budget to all Unit Owners, and shall set a date for a meeting of the Unit Owners to consider ratification of the budget not less than fourteen (14) days nor more than thirty (30) days after delivery or mailing of the proposed budget to the Unit Owners. Unless at that meeting a majority of all the Unit Owners present, in person or by proxy, reject the budget, the budget is ratified, whether or not a quorum is present. In the event the proposed budget is rejected, the periodic budget last ratified by the Unit Owners shall be continued until such time as the Unit Owners ratify a subsequent budget proposed by the Board. The Board shall furnish copies of the final annual budget to each Unit Owner within thirty (30) days after the adoption.

11.04 Assessments. Assessments for Common Expenses shall be made in advance of each calendar year on or before December 31st, in accordance with the Declaration, the Act and these By-Laws. Assessments shall be collected by the Association on a monthly basis as follows: On or before the first day of each

month of the fiscal year for which the Assessments are made, each Unit Owner shall pay one-twelfth (1/12th) of his share of the Common Expenses for such year as shown by the annual budget. The assessments of the Common Expenses shall be as set forth in the Declaration, but the yearly assessment for Common Expenses for each Unit Owner shall be in proportion to his respective Ownership interests in the Common Elements. The Board of Directors may cause to be sent to each Unit Owner, on or before the first day of each month, a statement of the monthly Assessment. However, the failure to send or receive such monthly statement shall not relieve the Unit Owner of his obligation to -make timely payment of the monthly Assessment. If the Board shall not approve an annual budget or shall fail to determine new monthly Assessments for any year, or shall be delayed in doing so, each Unit Owner shall continue to pay the amount of his monthly Assessment as last determined. No Unit Owner shall be relieved of his obligation to pay his Assessment by abandonment of his Unit or lack of use of the Common or Limited Common Elements.

11.05 Supplemental Assessments. If during the course of any fiscal year, it shall appear to the Board that the monthly Assessments, as determined in the annual budget, are insufficient or inadequate to cover the estimated Common Expenses for the remainder of such year, then the Board shall prepare and approve a supplemental budget covering the estimated deficiency. Copies of the supplemental budget shall be delivered to each Unit Owner and a supplemental Assessment shall be made to each Unit Owner for his proportionate share of the supplemental budget in such manner as the Board of Directors may require in the notice of assessment. Such assessments shall constitute a lien as provided for in the Declaration.

11.06 Assessments for Emergencies. If during the course of any fiscal year, it shall appear to the Board that the Association has insufficient or inadequate funds to cover the estimated Common Expenses for emergency expenditures then

the Board shall prepare and approve an emergency assessment and, after a ten (10) day notice of the need for such is given to the Members, an emergency assessment shall be made to each Unit Owner for his proportionate share of the assessment in such manner as the Board of Directors may require in the notice of assessment. Such assessments shall constitute a lien as provided for in the Declaration.

11.07 Reserves for Replacements. The Association shall establish and maintain an adequate reserve fund for the periodic maintenance, repair and replacement of improvements to the Common Elements and those Limited Common Elements which the Association may be obligated to maintain. The fund shall be maintained out of regular assessments.

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

11.09 Lien for Expenses. If any Unit Owner shall fail or refuse to make any payment of the Common Expenses or other assessment or fine imposed against him when due, the amount due, together with costs, reasonable attorney's fees, and interest thereon at the maximum percentage rate as may then be permitted under the laws of the State of Alabama, from and after the date said Common Expenses or other assessments or fines become due and payable in accordance with applicable law, shall constitute a lien on the interest of the Unit Owner in the Property. In the event an Assessment is more than thirty (30) days delinquent, said Unit Owner will be levied a late charge in an amount determined by the Board of Directors. In the event the Assessment is delinquent on the thirtieth

(30th) day of any successive month , said Unit Owner shall be levied the late charge until the Assessment and related costs are paid in full. Late charges may be determined by the Board of Directors, in its sole discretion, from time to time.

11.10 Priority of Lien. Any lien of the Owners Association shall be the subject to the rules of priority as stated in the Declaration and other applicable state laws.

11.11 Acceleration of Assessment Installments. In accordance with the provisions of the Act, if an assessment is payable in installments, the full amount of the assessment is a lien from the time the first installment thereof becomes due.

11.12 Default.

A. In the event an Owner of a Unit does not pay any sums, charges or assessments required to be paid to the Association within seventy five (75) days from the due date, the Association may foreclose the lien encumbering the Unit created by non-payment of the required moneys in the same fashion as mortgage liens on real estate are foreclosed; provided that thirty (30) days prior notice of the intention to foreclose shall be mailed, postage prepaid, to the Unit Owner and to all persons having a mortgage lien or other interest of record. The Association shall be entitled to the appointment of a Receiver, if it so requests. The Association shall have the right to bid on the Unit at a foreclosure sale and to acquire, hold, mortgage and convey the same. In lieu of foreclosing its lien, the Association may bring suit to recover a money judgment, brought by or on behalf of the Association against a Unit Owner, and the losing defendant shall pay the cost thereof, together with a reasonable attorney's fee.

B. If the Association becomes the Owner of a Unit by reason of

foreclosure, it shall offer said Unit for sale and at such time as a sale is consummated it shall deduct from such proceeds all sums of money due it for monthly assessments and charges, all costs incurred in the bringing of the foreclosure suit, including reasonable attorney's fees, and any and all expenses incurred in the re-sale of the Unit, which shall include but not be limited to advertising expenses, real estate brokerage fees, abstract or title insurance costs, and expenses necessary for the repairing and refurbishing of the Unit in question. All moneys remaining after deducting the foregoing items of expenses shall be returned to the former Owner of the Unit in question.

11.13 Accounting Statements. The Association shall make a year-end compilation financial statement available to the Members within 120 days of the Association's fiscal year end showing the receipts and expenditures of the Association and such other information as the Board may deem desirable. The Association shall make an audited financial statement available to the Members within 120 days of the Association's fiscal year ending three (3) years after the adoption of these Amended By-Laws as well as every three (3) years thereafter.

11.14 Accounting Records. The Association shall keep financial records sufficiently detailed to enable the Association to comply with the requirements of the Act. The Board shall cause to be kept, in accordance with generally accepted accounting principles, a record of all receipts and expenditures, and a separate account for each Unit showing the Assessments or other charges due, the due dates thereof, the present balance due and any interest in common surplus. Such records shall be open to inspection by Unit Owners and their authorized agents at reasonable times.

11.15 Information. The Association shall be required to make available to Unit Owners and lenders, and to holders, insurers or guarantors of any first

mortgage, current copies of the Declaration, By-Laws or other Rules and Regulations concerning the Project, and the books, records and financial statements of the Association. "Available" means available for inspection, upon request, during normal business hours or under other reasonable circumstances.

In addition to the above, any holder of a first mortgage is entitled, upon written request, to a financial statement for the immediately preceding fiscal year.

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

11.17 Lender's Notices. Upon written request to the Association, any mortgage holder, insurer or guarantor will be entitled to timely written notice of the following upon identifying the name and address of the holder, insurer or guarantor and the Unit number of interest:

A. Any condemnation or Casualty loss that affects either a material portion of the Project or the Unit securing its mortgage.

B. Any 60-day delinquency in the payment of assessments or charges owed by the Owner of any Unit on which it holds the mortgage.

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

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

ARTICLE XII OWNER OBLIGATIONS AND COVENANTS

12.01 Assessment. Every Owner of any Unit in the Condominium shall contribute pro rata toward the expense of administration, maintenance, alteration, repair and improvement of the Condominium, as provided in the Articles, the Declaration or these By-Laws. Each assessment against a Unit shall also be the personal obligation of the Owner at the time the assessment fell due. Such personal obligation shall not pass to successors in title unless assumed by such successors or required by applicable law.

12.02 Maintenance and Repair. Every Owner of any Unit in the Condominium shall promptly perform all maintenance and repair work as provided in the Articles, the Declaration or these By-Laws. An Owner shall reimburse the Association for any expenditures incurred in repairing or replacing any common areas or facilities damaged through the Owner's fault.

12.03 Use. The Condominium Property shall be utilized in accordance with the provisions of the Declaration, these By-Laws and the Rules and Regulations of the Association.

ARTICLE XIII RULES AND REGULATIONS

The Board of Directors may from time to time adopt, modify, amend or add to the Rules and Regulations concerning the use of the Condominium Property; provided, however, that a majority of the Members may overrule the Board with respect to any such rules and regulations, or modifications thereof, or any

amendments or additions thereto. Copies of such rules and regulations, or any amendments, additions or modifications, shall be delivered to each Unit Owner not less than fourteen (14) days prior to the effective date thereof. No rule or regulation that is in conflict with the Condominium Documents shall be adopted.

ARTICLE XIV AMENDMENTS TO THE BY-LAWS

14.01 Notice and Proposal. A Resolution adopting a proposed amendment may be adopted by either the Board of Directors or on receipt by the Board of a written request of the Members representing at least twenty percent (20%) of the votes of the Association. Notice of the subject matter of a proposed amendment shall be included in the notice of any meeting at which a proposed amendment is to be considered.

14.02 Adoption. These By-Laws may be altered, amended or appealed, or new By-Laws may be adopted by the affirmative vote or written agreement of Unit Owners to which at least fifty-one percent (51%) of the votes in the Association are allocated.

14.03 Prohibited Amendments. No amendment that is in conflict with the Articles, the Declaration or the Act shall be adopted.

14.04 Recording. Any amendment shall become effective when recorded in the Office of the Judge of Probate of Baldwin County, Alabama, in accordance with the Act.

ARTICLE XV MISCELLANEOUS

15.01 Construction. Wherever the context so permits, the singular shall

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

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

15.03 Parliamentary Rules. Robert's Rules of Order (latest edition) shall govern the conduct of Association meetings when not in conflict with the Act, the Declaration, or these By-Laws.

15.04 Conflicts. In the event of any conflict between the provisions of these By-Laws and the Declaration, the Declaration shall govern, except to the extent the Declaration is inconsistent with the Act.

15.05 Compliance. These By-Laws are set forth to comply with the requirements of the Alabama Nonprofit Corporation Act and the Alabama Uniform Condominium Act of 1991, and shall be considered an appendage to the Declaration filed prior hereto in accordance with said Acts. In case any of these By-Laws conflict with the provisions of said statutes, it is hereby agreed and accepted that the provisions of the Acts will apply.

15.06 Repealer. All previous By-Laws of this Association are repealed.

IN WITNESS WHEREOF, these By-Laws have been executed on this 11th day March, 2008.

HARBOR HOUSE CONDOMINIUM
OWNER'S ASSOCIATION, INC.

Mario Vaccaro

By: Mario Vaccaro, Its Acting President

ATTESTED:

Debbie Smith

By: Debbie Smith, Its Secretary

STATE OF ALABAMA)
COUNTY OF BALDWIN)

I, the undersigned authority, a Notary Public in and for said County in said State, hereby certifies that Mario Vaccaro and Debbie Smith, whose name as President and Secretary of Harbor House Condominium Owner's Association, Inc., an Alabama Non-Profit Corporation, are signed to the foregoing instrument and who are known to me, acknowledged before me on this day, that being informed of the contents of said instrument, they, as such officers and with full authority, executed the same voluntarily for and as the act of said Corporation on the day the same bears date.

Given under my hand and seal this the 28th day of March, 2008.



My Commission Expires: 7/8/09

Lysanne White
Notary Public

This Instrument Prepared By:
Daniel H. Craven, P.C.
Attorney at Law
Post Office Drawer 4489
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