

DECLARATION OF CONDOMINIUM
OF
LAGOON TOWER, A CONDOMINIUM

INDEX

- I. DEFINITIONS
- II. SUBMISSION OF PROPERTY TO ACT
- III. NAME AND ADDRESS
- IV. DESCRIPTION OF PROPERTY - DEVELOPMENT PLAN
 - 4.01. Land
 - 4.02. General Description of Improvements
 - 4.03. Plans
 - 4.04. Buildings
 - 4.05. Units
 - 4.06. Type of Units
 - 4.07. Common Elements
 - 4.08. Limited Common Elements
 - 4.09. Changes
- V. COMMON ELEMENTS AND LIMITED COMMON ELEMENTS
 - 5.01. Ownership
 - 5.02. Use
 - 5.03. Share of Expenses
 - 5.04. Lien for Expenses
 - 5.05. Priority of Lien
 - 5.06. Disposition of Surplus
- VI. THE ASSOCIATION
 - 6.01. Name
 - 6.02. Powers and Duties
 - 6.03. Membership
 - 6.04. Voting Rights
 - 6.05. Bylaws
 - 6.06. Restraint Upon Assignment of Shares in Assets
 - 6.07. Board of Directors
 - 6.08. Indemnification
 - 6.09. Limitation of Liability
 - 6.10. Control
 - 6.11. Contracts
 - 6.12. Availability of Records
 - 6.13. Reserves for Replacements
 - 6.14. Working Capital

State of Alabama, Baldwin County
I certify this instrument was filed
and taxes collected on:

2007 February -28 11: 7AM

Instrument Number 1034015 Pages 78
Recording 234.00 Mortgage
Deed Min Tax
Index DP 5.00
Archive 5.00
Adrian T. Johns, Judge of Probate

1034015

VII. OCCUPANCY, USE AND LEASING RESTRICTIONS

- 7.01. Use of Units
- 7.02. Use of Common Elements
- 7.03. Use of Limited Common Elements
- 7.04. Nuisances
- 7.05. Lawful Use
- 7.06. Leases
- 7.07. Completion of Improvements
- 7.08. Right of First Refusal
- 7.09. Restrictions on Mortgaging Units
- 7.10. Miscellaneous Restrictions
- 7.11. Rights of Developer

VIII. EASEMENTS

IX. MAINTENANCE, ALTERATIONS AND IMPROVEMENTS

- 9.01. Maintenance by the Association
- 9.02. Maintenance by Unit Owners
- 9.03. Unit Owner's Covenants
- 9.04. Facade
- 9.05. Repairs
- 9.06. Addition, Alteration and Improvement of the Common Elements

X. INSURANCE

- 10.01. Obligation to Purchase
- 10.02. Specified Insurance
- 10.03. Location of Policies
- 10.04. Notice of Change in Insurance Company
- 10.05. Qualification of Insurance Company
- 10.06. Provisions
- 10.07. Named Insured
- 10.08. Property Damage Insurance
- 10.09. Public Liability Insurance
- 10.10. Flood Insurance
- 10.11. Personnel Coverages
- 10.12. Fidelity Bonds
- 10.13. Other Coverage
- 10.14. Unit Owner's Individual Responsibilities
- 10.15. Premiums
- 10.16. Association as Agent
- 10.17. Shares of Proceeds
- 10.18. Distribution of Proceeds
- 10.19. Individual Insurance

- XI. RECONSTRUCTION AND REPAIR/DEVELOPER'S RIGHT TO CURE ALLEGED DEFECTS
 - 11.01. Responsibility
 - 11.02. Determination to Reconstruct or Repair
 - 11.03. Plans and Specifications
 - 11.04. Estimate of Cost
 - 11.05. Assessments for Reconstruction and Repair
 - 11.06. Construction Funds
 - 11.07. Developer's Right to Cure Alleged Defects
- XII. TERMINATION
- XIII. EMINENT DOMAIN/CONDEMNATION
 - 13.01. Determination Whether to Continue Condominium
 - 13.02. Proceeds
 - 13.03. Disbursement of Funds
 - 13.04. Unit Reduced but Habitable
 - 13.05. Unit Made Uninhabitable
 - 13.06. Taking of Common Elements
 - 13.07. Conflict with Act
- XIV. PURCHASE OF CONDOMINIUM UNIT BY ASSOCIATION
 - 14.01. Decision
 - 14.02. Limitation
- XV. NOTICE OF LIEN OR SUIT
 - 15.01. Notice of Lien
 - 15.02. Notice of Suit
 - 15.03. Failure to Comply
- XVI. RULES AND REGULATIONS
 - 16.01. Compliance
 - 16.02. Enforcement
 - 16.03. Negligence
 - 16.04. No Waiver of Rights
- XVII. GENERAL PROVISIONS PERTAINING TO MORTGAGES
 - 17.01. Lender's Notices
 - 17.02. Blanket Mortgages
- XVIII. COVENANT AGAINST PARTITION
- XIX. AMENDMENT OF THE DECLARATION
 - 19.01. Notice
 - 19.02. Adoption
 - 19.03. Prohibited Amendments
 - 19.04. Recording

XX.

MISCELLANEOUS

- 20.01. Intent
- 20.02. Covenants, Conditions, and Restrictions
- 20.03. Severability
- 20.04. Taxation of Condominium Parcels
- 20.05. Notice
- 20.06. Governing Law
- 20.07. Waiver
- 20.08. Ratification
- 20.09. Captions
- 20.10. Assignment
- 20.11. Costs and Attorney's Fees
- 20.12. Rights of Action
- 20.13. Applicability

EXHIBIT "A" Real Property Legal Description

EXHIBIT "B" By-Laws of Lagoon Tower Condominium Owner's Association, Inc.

EXHIBIT "C" Fractional Ownership Interest In Common Elements (respective share of each unit) and Numerical Value of Vote to which each Unit is entitled.

EXHIBIT "D" Plans

DECLARATION OF CONDOMINIUM

OF

LAGOON TOWER, A CONDOMINIUM

This Declaration is made and entered into this 19 day of February, 2007, by LAGOON TOWER, INC., ("Declarant"), for itself, its successors and assigns, for the purpose of creating a Condominium and establishing certain easements, covenants and restrictions to run with the land.

R E C I T A L S:

Declarant is the fee simple owner of certain real estate described in Article IV of this Declaration, and located in the City of Gulf Shores, County of Baldwin, State of Alabama, ("Parcel").

Declarant intends to and does hereby submit the parcel together with all Buildings, structures, improvements and other permanent fixtures thereon, and all rights and privileges belonging or in any way pertaining thereto, to the provisions of the Alabama Uniform Condominium Act of 1991, §§ 35-8A-101, et seq., Code of Alabama (1975). The Condominium shall be known as LAGOON TOWER, a Condominium.

Declarant further desires to establish for the benefit of Declarant and for the mutual benefit of all future Owners or Occupants of the Parcel or any part thereof, a Condominium form of Ownership; and intends that all future Owners, Occupants, Mortgages and any other persons hereinafter acquiring an interest in the Parcel shall hold that interest subject to certain rights, easements and privileges in the Parcel, and certain mutually beneficial restrictions and obligations with respect to the proper use, conduct and maintenance of the Property, as hereinafter set forth.

The Condominium will consist of one Building containing a total of thirty-two (32) Residential Units, together with the appurtenances described in this Declaration.

This Declaration may be amended by the Declarant without the consent of any Unit Owner, Mortgagee or other person or entity in order to exercise any Development Rights or Special Declarant Rights, so long as said amendment complies with the requirements of the Act.

NOW, THEREFORE, Declarant, as the Owner of the Parcel, and for the purposes above set forth, declares as follows:

Article I
DEFINITIONS

The terms used in this Declaration and in the Exhibits attached to this Declaration and in the By-Laws shall have the meaning specified in the Act, and as follows, unless the context otherwise requires:

- (1) "Act" means the Alabama Uniform Condominium Act of 1991, §§ 35-8A-101, et seq., Code of Alabama (1975).
- (2) "Articles" means the Articles of Incorporation of the Association, recorded in the Office of the Judge of Probate of Baldwin County, Alabama.
- (3) "Assessment" means a proportionate share of the funds required for the payment of the Common Expenses which from time to time may be levied against each Unit Owner.
- (4) "Association" means Lagoon Tower Condominium Owner's Association, Inc., an Alabama not-for-profit Corporation, and its successors and assigns, that is the entity responsible for the administration and management of the Condominium and is the Corporation organized in accordance with the Act.
- (5) "Board" means the Board of Directors of the Association.
- (6) "Building" means all structures or structural improvements located on the Parcel and forming part of the Condominium.
- (7) "By-Laws" means the duly adopted By-Laws of the Association and are identified as EXHIBIT "B" attached hereto and made a part hereof as if fully set out in this Declaration.
- (8) "Common Elements" means any part of the Condominium Property, as set forth and defined in Article IV of this Declaration, in which all of the Unit Owners have an undivided interest.
- (9) "Common Expenses" means the expenditures made by or financial liabilities of the Association, together with any allocation to reserves, including but not necessarily limited to expenses incurred in the maintenance, administration, improvement and repair of the Common Elements, whether incurred or estimated by the Board, for which the Unit Owners are liable to the Association in accordance with the terms of the Condominium Documents.
- (10) "Common Surplus" means the excess of all receipts of the Association arising out of the Ownership of Common Elements over the amount of the Common Expenses.

(11) "Condominium" means the LAGOON TOWER, a Condominium, and consists of the Condominium Property submitted to the Condominium form of Ownership by this Declaration.

(12) "Condominium Documents" means the Declaration, By-Laws, Articles and all Rules and Regulations as may be adopted by the Association; and all exhibits attached thereto, as the same may be amended from time to time.

(13) "Condominium Property" or "Property" means all Property, both real, personal or mixed, which is submitted by this Declaration, and includes the Parcel and all improvements now existing or hereafter placed thereon, all easements, rights, interests and appurtenances thereto, and all personal property now or hereafter used in connection therewith.

(14) "Declaration" means this Declaration as it may be amended from time to time.

(15) "Developer" means LAGOON TOWER, INC., its successor and assigns.

(16) "Limited Common Elements" shall have the same meaning as is defined in the Act and as set out in this Declaration.

(17) "Member" means a Member of the Association, Membership in which is confined to Unit Owners.

(18) "Mortgagee" means any holder and Owner of a mortgage or vendor's lien on any part or all of the Condominium Property.

(19) "Occupant" means a person or persons in possession of a Unit, regardless of whether that person is the Unit Owner.

(20) "Person(s)" means a natural person, a corporation, a partnership, a limited partnership, an association, a trustee, a joint venture or other legal entity.

(21) "Plans" means the site plan, floor plans and elevations of the Condominium prepared by an independent registered engineer or registered architect, which are marked EXHIBIT "D" and attached to this Declaration and expressly made a part hereof as though fully set out in this Declaration. The Plans contain a certificate of completion executed by an independent registered engineer or registered architect in accordance with the Act. The Plans contain a certification that the Plans contain all information required by the Act.

(22) "Real Property" or "Parcel" means the Real Property as described in this Declaration which is herein submitted to the Condominium form of Ownership.

(23) "Unit" or "Private Elements" means a physical portion of the Property designated, designed and intended for separate Ownership or occupancy, the boundaries of which are described in this Declaration. Each Unit shall consist of the space and structures enclosed and bounded by the horizontal and vertical planes as shown on the plan, which planes shall be determined as follows:

(a) Horizontal Boundaries (Planes). The upper and lower boundaries extended to their planar intersections with the vertical boundaries of the Unit as follows:

(i) Upper Boundary - the horizontal plane of the unfinished lower interior surface of the ceiling.

(ii) Lower Boundary - the horizontal plane of the unfinished upper interior surface of the floor.

(b) Vertical Boundaries (Planes). The vertical boundaries of each Unit shall be the vertical planes of the interior surfaces of exterior windows and glass doors bounding a Unit and the unfinished interior surfaces of the walls and entry doors bounding the Unit, excluding paint, wallpaper and like coverings, extended to their planar intersections with each other and with the upper and lower boundaries.

Each Unit shall include all improvements contained within such area, including any plumbing and electrical fixtures, provided, however, that no weight bearing walls and columns of the Buildings in which such Unit is located, and no pipes, wires, conduits, ducts, flues, shafts and public utility lines situated within such Unit and forming part of any system serving one (1) or more other Units or the Common Elements or Limited Common Elements shall be deemed to be a part of the Unit.

When a Unit is conveyed, the following shall pass with it as appurtenances thereto: (a) an undivided share in the Common Elements and Common Surplus; (b) the exclusive right to use such portion of the Common Elements as may be provided by this Declaration and as may not be separately conveyed in accordance with this Declaration; (c) an exclusive easement for the use of the airspace occupied by the Unit as it exists at any particular time and as the Unit may lawfully be altered or reconstructed from time to time, provided that an easement in a space that is vacated shall be terminated automatically; and (d) other appurtenances as may be provided in this Declaration.

(24) "Unit Owner" means the person or persons whose estates or interests, individually or collectively, aggregate fee simple Ownership of a Unit and of the appurtenant undivided interest in the Common Elements.

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

Article II SUBMISSION OF PROPERTY TO ACT

By this Declaration, Declarant submits the Parcel and the Property to the provisions of the Act.

Article III NAME AND ADDRESS

The name of the Condominium is LAGOON TOWER, a Condominium. The Condominium is located at 1940 West Beach Boulevard, in the City of Gulf Shores, County of Baldwin, State of Alabama.

Article IV DESCRIPTION OF PROPERTY – DEVELOPMENT PLAN

4.01. Land. The following Real Property, together with all buildings, structures, improvements, and all other permanent fixtures thereon, and all rights and privileges belonging or in anyway pertaining thereto, is hereby submitted to the Condominium form of Ownership.

See EXHIBIT "A" attached hereto and made a part hereof by reference in this Declaration.

4.02. General Description of Improvements. The Condominium shall consist of the above described Real Property, together with the improvements, landscaping and other aesthetic amenities, automobile parking areas and other Common Areas as more specifically set out in this Declaration and as shown on the attached Plans.

4.03. Plans. The improvements for the Condominium are substantially completed in accordance with the Plans, as evidenced by the Certificate of Completion executed by an independent registered architect or registered engineer.

4.04. Building. The Condominium building shall consist of nineteen (19) levels (including ground level) constructed out of concrete. The next eighteen (18) levels shall contain residential units. The Condominium shall have a total of thirty-two (32) residential units.

4.05. Units. Each Unit is assigned a number or letter or a combination thereof, which is indicated on the plans made EXHIBIT "D" to this Declaration, so that no Unit bears the same designation as any other Unit. The legal description of each Unit shall consist of the identifying number or letter as shown on the plans, the name of the

Condominium, the name of the county in which the Parcel is situated, the name of the office in which this Declaration is recorded, and the book and page number where the first (1st) page of this Declaration is recorded. The description and location of the Units/Private Elements are determined with the aid of the plans and the horizontal and vertical planes as described in the definition Article herein.

Each Unit Owner shall be entitled to the exclusive Ownership and possession of his Unit. Each Unit Owner shall have the unrestricted right of ingress and egress to his or her Unit, which right shall be an appurtenance to his or her Unit. The Private Elements of each Unit shall consist of the following:

- (a) The air space of the area of the building lying within the Unit boundaries.
- (b) The surfacing materials on the interior of the exterior walls and on interior walls separating one Unit from another Unit. This is not intended to include the sheetrock on any common-party walls falling between Units. Such sheetrock is a Common Element.
- (c) The structural components and surfacing materials of all interior walls located within the boundaries of the Unit.
- (d) The structural components and surfacing materials of the floors and ceilings of the Unit.
- (e) All bathtubs, toilets and sinks, hot water heater, air conditioning and heating Units, lighting fixtures and all hardware and interior and exterior wall fixtures except those exterior lighting fixtures assigned to the common use of the Condominium, and the power meter and its appurtenances.
- (f) All interior trim and finishing materials.

4.06. Types of Units. All Units of the Condominium shall be for residential use only except as may be otherwise stated herein. There are three (3) basic type Units, creating three (3) basic floor plans.

Basic Unit Type "A" is a three (3) bedroom, three (3) bath Unit containing kitchen, dining, living and laundry areas encompassing approximately 1,803 square feet, together with a covered balcony consisting of a approximately 237 square feet serving the Unit as a limited common element. There are a total of fourteen (14) type "A" Units.

Basic Unit Type "B" is also a three (3) bedroom, three (3) bath Unit containing kitchen, dining, living and laundry areas encompassing approximately 1,860 square feet, together with a covered balcony containing

approximately 237 square feet serving the Unit as a limited common element. There are a total of fourteen (14) Type "B" Units.

Basic Unit Type "P" is a four (4) bedroom, three and one-half (3½) bath Unit containing kitchen, dining, living, media and laundry areas encompassing approximately 3,746 square feet, together with a covered balcony consisting of a approximately 617 square feet serving the Unit as a limited common element. There are a total of four (4) type "P" Units.

Square Footage Calculations. Notwithstanding any square footage figures contained in any sales brochures, the project website or any other sales materials to the contrary, the square footage figures for the particular Unit types shall be as set forth in this subparagraph. The square footage calculations set forth herein were made using a measurement from (i) outside walls to (ii) the outside walls. Notwithstanding this method of calculating square footage, a Unit shall be defined as set forth in this Declaration.

4.07. Common Elements. The Common Elements are all portions of the Condominium other than the Units and shall include generally the Common Areas and facilities located substantially as shown on the plans. Such Common Elements will include the following unless specifically included within a Unit:

- (1) The land described in Article IV of this Declaration;
- (2) The foundations and footings, exterior walls, roofs, girders, beams, supports, entry walks and entry porches of any Building;
- (3) The yard, walkways, parking areas and landscaping;
- (4) The mechanical systems and installations providing service to any buildings, or to any Unit, such as electrical power, gas, light, hot and cold water, heating and air conditioning, sanitary and storm sewer facilities, and including all lines, pipes, ducts, flues, chutes, conduits, cables, wires and other apparatus and installations in connection therewith, whether located in the Common Elements or in the Units, except when situated entirely within a Unit for service only of that Unit;
- (5) All maintenance facilities, water storage tanks, pumps, outdoor lighting and the like;
- (6) All easements, rights or appurtenances affecting or relating to the use of the Condominium Property, unless specifically included in any Unit;

(7) All other parts of the buildings, all apparatus and installations existing in the buildings or on the Property for the common use of the Unit Owners, or necessary for the convenience or the existence, maintenance and safety of the building, and which are not specifically made part of the Private Elements by the terms of this Declaration.

4.08. Limited Common Elements. The Limited Common Elements located on the Property and the Unit to which they are assigned are as follows: The balcony or balconies abutting each Condominium Residential Unit and constructed so as to serve only such Unit are Limited Common Elements appurtenant to those Units to which they attach. The Association may promulgate such reasonable Rules and Regulations for the use and occupancy of the Limited Common Element as it may deem necessary and in the best interest of the Association and its Unit Owners. Should any Limited Common Element ever be determined not to be a Limited Common Element under the Act, then the same shall be part of the Common Elements with an exclusive easement of use appurtenant to the Private Element or unit to which it was originally assigned as a Limited Common Element. The use of such Limited Common Elements is restricted to the Units to which they are appurtenant.

4.09. Changes. Declarant reserves the right to change the interior design and arrangement of any or all Units owned by Declarant. Declarant further reserves the right to alter the boundaries between Units, which said change shall be reflected by an amendment of this Declaration, which may be executed by Declarant alone, notwithstanding the procedures for amendment described in this Declaration. However, no such change of boundaries shall increase the number of Units, nor alter the boundaries of the Common Elements without amendment of this Declaration in the manner described herein. If the boundaries of more than one (1) Unit are altered, the Declarant shall appropriately reapportion the shares of the Common Elements which are allocated to the altered Units. Provided, however, the Special Declarant right granted by this Article must be exercised on or before two (2) years from the date of the recording of this Declaration in the Office of the Judge of Probate of Baldwin County, Alabama. No assurance is made concerning whether or not any Unit will be or will not be changed by the Declarant nor is any assurance made concerning the nature, character or quality of said change. The exercise by Declarant of the Special Development right to change a Unit does not obligate the Developer to exercise said right in any one (1) or all of any other Unit in the Condominium.

Article V
COMMON ELEMENTS AND LIMITED COMMON ELEMENTS

5.01. Ownership. Each Unit Owner shall be entitled to the fractional Ownership in the Common Elements allocated to the respective Unit as set forth in EXHIBIT "C" to this Declaration. The Ownership interests in the Common Elements shall be an undivided interest, and except as provided in the Act and this Declaration, shall remain undivided. No Unit Owner shall bring any action for partition or division of the Common Elements. The Ownership interest in the Common Elements shall not be conveyed, transferred, encumbered or otherwise affected separate from the Ownership of the Unit, and any agreement to the contrary shall be void.

5.02. Use.

(a) Each Unit Owner shall have the right to use the Common Elements (except any portions of the property subject to leases made by or assigned to the Board and except any portions thereof designated as a Limited Common Elements and restricted to the exclusive use of and as an appurtenance to another Unit) in common with all other Unit Owners, as may be required for the purposes of access, ingress to, egress from, use, occupancy and enjoyment of the respective Unit Owner by such Unit Owner. The Unit Owner shall have the right to non-exclusive use and possession of the Limited Common Elements considered appurtenant to the Ownership of such Unit. The right to use the Common Elements and Limited Common Elements shall be subject to and governed by the provisions of the Act, Declaration, By-Laws and the Rules and Regulations of the Association. In addition, the Association shall have the authority to lease, grant concessions or grant easements with respect to parts of the Common Elements subject to the provisions of the Declaration and By-Laws.

(b) Anything contained herein notwithstanding, a valid exclusive easement is hereby declared and established for the benefit of each Unit and the Unit Owner consisting of the right to use and occupy the balcony or deck serving only such Unit.

5.03. Share of Expenses. Each Unit Owner shall be assessed and is personally liable for a proportionate share of the Common Expenses, and the proportionate share of Common Expenses shall be the same ratio as the fractional Ownership of a Unit Owner in the Common Elements. Each Unit Owner shall be assessed and is personally liable for a proportionate share of the Limited Common Expenses in connection with the Limited Common Elements which are appurtenant to the Unit Owner's Unit. Payment of Common Expenses shall be in such amounts and at such times as determined in the By-Laws. No Unit Owner shall be exempt from payment of

his or her proportionate share of the Common Expenses by waiver or nonuse or nonenjoyment of the Common Elements, or by abandonment of his or her Unit. Common Expenses shall include but shall not necessarily be Limited to expenditures made or liabilities incurred by the Association, together with payments or obligations to reserve accounts.

5.04. Lien for Expenses. If any Unit Owner shall fail or refuse to make any payment of the Common Expenses or other Assessment 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, become due and payable, in accordance with applicable law, shall constitute a lien on the interest of the Unit Owner in the Property.

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

5.06. Disposition of Surplus. The Common Surplus shall appertain to the Units in proportion to the liability for Common Expenses appertaining to each Unit; or in the alternative, such Surplus or any portion thereof may be added to a reserve fund for maintenance, repair and replacement of the Common Elements at the sole discretion of the Association.

Article VI THE ASSOCIATION

6.01. Name. The name of the Association shall be Lagoon Tower Condominium Owner's Association, Inc.

6.02. Powers and Duties. The operation and administration of the Condominium shall be by the Association of Unit Owners, pursuant to the Act. The Association shall be a not for profit corporation and shall be responsible for the maintenance, repair, replacement, administration and operation of the Property. The Association shall have all the powers and duties set forth in the Act, as well as all the powers and duties granted to or imposed on it under the By-Laws and the other Condominium Documents as they may be amended from time to time. Without limiting the foregoing, 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 or persons. Also, without limiting any of the foregoing, the Association shall have a reasonable right of entry upon any Unit to make emergency repairs and to do other work reasonably necessary for the proper maintenance and

operation of the project and further, shall have the right to grant permits, licenses and easements over the Common Areas for utilities, roads and other purposes reasonably necessary or useful for the proper maintenance or operation of the Project. The Board of Directors shall have the authority and the duty to levy and enforce the collection of general and specific assessments for Common Expenses and Limited Common Expenses, and is further authorized to provide adequate remedies for failure to pay such assessments.

6.03. Unit Ownership. Each Unit Owner shall be a Member of the Association so long as he or she is a Unit Owner. The Membership of a Unit Owner shall automatically terminate when he or she ceases to be a Unit Owner. The Membership of a Unit Owner cannot be assigned or transferred in any manner except as an appurtenance to his or her Unit.

6.04. Voting Rights. The aggregate number of votes for all Members shall be thirty six (36). Each Type A and Type B Unit shall be entitled to one (1) vote, each Type P Unit shall be entitled to two (2) votes. The vote of a Unit shall not be divisible. All votes shall be cast in accordance with the provisions set forth in the By-Laws.

6.05. By-Laws. The Association and its Members shall be governed by the By-Laws identified as EXHIBIT "B" and attached hereto and made a part hereof as if set out fully in this Declaration.

6.06. Restraint Upon Assignment of Shares in Assets. The share of a Member in the funds and assets of the Association cannot be assigned, hypothecated or transferred in any manner except as an appurtenance to his or her Unit.

6.07. Board of Directors. The affairs of the Association shall be conducted by a Board of Directors which shall consist of such number not less than three (3) nor more than five (5) as shall, from time to time, be determined and fixed by a vote of a majority of the voting rights present at any annual meeting of the Members.

6.08. Indemnification. Every director and every officer of the Association shall be indemnified by the Association against all expenses and liabilities, or any settlement thereof, including counsel fees, reasonably incurred by or imposed upon him or her in connection with any proceeding to which he may be a party, or in which he or she may become involved, by reason of his or her being or having been a director or officer of the Association, whether or not he or she is a director or officer at the time such expenses are incurred, except in such cases wherein the director or officer is adjudged guilty of willful misfeasance or malfeasance in the performance of

his or her duties; provided that in the event of a settlement, the indemnification herein shall apply only when the Board of Directors approves such settlement and reimbursement as being in the best interest of the Association. The foregoing rights of indemnification shall be in addition to and not exclusive of all other rights to which such director or officer may be entitled.

6.09. Limitation of Liability. Notwithstanding the liability of the Association to maintain and repair parts of the Condominium Property, the Association shall not be liable for injury or damage caused by a latent condition of the Property to be maintained and repaired by the Association nor for injury or damage caused by the elements, or other Owners or persons.

6.10. Control. Subject to the provisions in this Declaration, until the earliest of (i) sixty (60) days after conveyance of seventy-five percent (75%) of the Units which may be created to Unit Owners other than Developer; (ii) two (2) years after Developer or the successors or assigns of Developer have ceased to offer Units for sale in the ordinary course of business; or (iii) two (2) years after any development right to add new Units was last exercised, the By-Laws and rules adopted by Developer shall govern and Developer shall have the exclusive right to appoint, remove and designate the officers and Members of the Board of Directors, and neither the Unit Owners nor the Association nor the use of the Condominium Property by Unit Owners shall interfere with the completion of the contemplated improvements and the sale of the Units. Developer may voluntarily surrender the right to appoint and remove officers and Members of the Board; but, in that event, Developer may require, for the duration of the period of Developer control, that specified actions of the Association or Board, as described in a recorded instrument executed by Developer, be approved by the Developer before they become effective. Provided, however, not later than ninety (90) days after conveyance of twenty-five percent (25%) of the Units which may be created to Unit Owners other than Developer, at least one (1) Member and not less than twenty-five percent (25%) of the Members of the Board must be elected by Unit Owners other than Developer. Not later than ninety (90) days after conveyance of fifty percent (50%) of the Units which may be created to Unit Owners other than the Developer, not less than thirty three and one-third percent (33 1/3%) of the Members of the Board must be elected by Unit Owners other than Developer. Except as provided for in the Act, not later than the termination of any period of Developer control, the Unit Owners shall elect a Board of at least three (3) Members, at least a majority of whom must be Unit Owners other than Developer.

6.11. Contracts. If entered into before the Board elected by the Unit Owners pursuant to the Act takes office, any professional management contract must contain provisions that the contract may be terminated without penalty and upon not more than ninety (90) days notice to the other party by the Association at any time after the Board elected by the Unit Owners pursuant to the Act takes office.

6.12. Availability of Records. The Association shall keep financial records sufficiently detailed to enable the Association to comply with the Act. The Association shall make reasonably available in the county where the Condominium is located for examination by Unit Owners, prospective purchasers, first Mortgages and insurers of first (1st) Mortgages of any Unit, or their authorized agents, current copies of the Declaration, By-Laws, Rules and Regulations and other books, records, financial statements and the most recent annual financial statement of the Association. Reasonably available shall mean available for inspection upon request, during normal business hours or under reasonable circumstances. Any eligible Mortgagee shall have the right to have prepared, at the expense of said Mortgagee, an audited financial statement of the Association.

6.13. 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 Limited Common Elements. The fund shall be maintained out of regular assessments for Common Expenses.

6.14. Working Capital. In order to insure that the Association Board will have cash available to meet unforeseen expenditures or to acquire additional equipment or services deemed necessary or desirable, and to provide for the Project's operation in the initial months of operation, there shall be established a working capital fund. Each Unit's share of the working capital fund shall be collected and transferred to the Association at the time of closing of the initial sale of each Unit from Developer and maintained in a segregated fund account for the use and benefit of the Association. Amounts paid into the fund shall not be considered as advance payment of regular assessments. Developer shall be prohibited from using the working capital funds to defray any of the expenses, reserve contributions or construction costs of Developer or to make up any budget deficits while Developer is in control of the Owner's Association. Developer may, however, when unsold Units are sold, reimburse Developer for funds paid by Developer to the Owner's Association for an unsold Unit's share of the working capital fund by using funds collected at closing when the Unit is sold.

Article VII
OCCUPANCY, USE AND LEASING RESTRICTIONS

7.01. Residential Use. Each Unit or any two or more adjoining Units used together shall be used only as a residence, except that, if permitted by applicable zoning ordinances, a professional or quasi-professional Unit Owner or Occupant using a Unit as a residence may also use that Unit as an ancillary or secondary facility to an office established elsewhere. The foregoing restrictions as to residence shall not, however, be construed in such manner as to prohibit an Occupant from (1) maintaining his personal professional library, (2) keeping his personal business or professional records or accounts, or (3) handling telephone calls or correspondence relating to his personal business or profession. Such uses are expressly declared customarily incidental to the principal residential use and not in violation of said restrictions.

7.02. Use of Common Elements. The Common Elements shall be used only by the Unit Owners and their agents, servants, tenants, family members, invitees and licensees for access, ingress to and egress from the respective Units and for such other purposes incidental to use of the Units. However, other areas designed for a specific use shall be used for the purposes approved by the Board. The use, maintenance and operation of the Common Elements shall not be obstructed, damaged or unreasonably interfered with by any Unit Owner, and shall be subject to any lease, concession or easement, presently in existence or entered into by the Board at some future time, affecting any part or all of said Common Elements. No Unit Owner or Occupant shall place, distribute or maintain any sign, poster or bill in any portion of the Common Elements outside his or her Unit without the approval of the Board of Directors.

7.03. Use of Limited Common Elements. The Limited Common Elements shall be used only by the Unit Owners having an undivided interest in and to the Unit to which the Limited Common Elements is assigned, and their agents, servants, tenants, family members, invitees and licensees for such purposes incidental to the use of said Units. Such uses shall at all times be consistent with this Declaration.

7.04. Nuisances. No nuisances shall be allowed on the Condominium Property, nor any use or practice that is the source of unreasonable annoyance to residents or that interferes with the peaceful possession and proper use of the Condominium Property by its residents. All parts of the Condominium Property shall be kept in a clean and sanitary condition, and no rubbish, refuse or garbage shall be allowed to accumulate nor any fire hazard allowed to exist.

7.05. Lawful Use. No offensive or unlawful use shall be made of the Condominium Property, nor any part thereof, and all valid laws, zoning ordinances and regulations of all governmental bodies having jurisdiction thereof shall be observed. The responsibility of meeting the requirements of governmental bodies that require maintenance, modification or repair of the Condominium Property shall be the same as the responsibility for the maintenance and repair of the Condominium Property concerned.

7.06. Leases. Units may be leased by the Unit Owners, provided, however; (1) that such lease and the rights of any tenant thereunder is hereby made expressly subject to the power of the Association to prescribe reasonable Rules and Regulations relating to the lease and rental of Units and to enforce the same directly against such tenant or other occupant by the exercise of such remedies as the Board deems appropriate, including eviction; and (2) that such lease or rental agreement shall be in writing.

Each Unit Owner who has or who shall hereafter lease his or her Unit hereby irrevocably empowers and authorizes the Association or the managing agent of the Association to enforce the Rules and Regulations of the Condominium Association and to terminate the lease of and evict any tenant who fails to comply with said Rules and Regulations or who provides other sufficient cause for termination of the lease and eviction in accordance with the Laws of the State of Alabama, this Declaration, the By-Laws, Rules and Regulations of the Association or any contract for lease. The Association, the Board of Directors or its managing agent shall not become liable to any Unit Owner or sublessor or other party for any loss of rents or other damages resulting from the reasonable exercise of the provisions of this paragraph.

The provisions of this Article shall not be applicable to Declarant who is hereby irrevocably empowered without any limitation at all times, whether for permanent or temporary occupancy to sell, lease or rent Units for any period and under any terms to any lessees or purchasers or transferees with the right to take any action necessary to consummate the sale or rental of said Units, including, but not limited to, the right to maintain model Units post signs, have employees in the offices maintained in the Condominium Buildings, use the Common Elements and show Units to prospective purchasers. Sale office signs and all items pertaining to sale shall not be considered Common Elements and shall remain the property of declarant.

7.07. Completion of Improvements. Until such time as Developer has completed and sold all of the private individual Units or any proposed future improvements (phases) as contemplated in this Declaration, or any

amenities associated therewith, neither the private individual Unit Owners, nor the Association, nor the users of the Condominium Property shall interfere with the completion of the planned improvements or the sale of Units. The Developer may make such use of the unsold Units and Common Areas as may facilitate such completion and sale.

7.08. Right to First Refusal. The right of a Unit Owner to sell, transfer or otherwise convey his or her Unit shall not be subject to any right of first refusal or similar restriction.

7.09. Restrictions on Mortgaging Units. Anything construed in any of the Condominium Documents notwithstanding, there shall be no restrictions of the right of a Unit Owner to mortgage his or her Unit.

7.10. Miscellaneous Restrictions.

(1) Rules and Regulations of Lagoon Tower, a Condominium. The Association is authorized to promulgate amend and enforce the Rules and Regulations, a copy of which is attached hereto as Exhibit "F", concerning the operation and use of the Condominium provided that such Rules and Regulations are not contrary to or inconsistent with the Act and the Condominium Documents. A copy of the Rules and Regulations shall be furnished by the Board of Directors to each Unit Owner prior to the time they become effective. All present and future Unit Owners, tenants, occupants, and any other persons who use any part of the Condominium Property in any manner, are subject to, and shall comply with the provisions of the Condominium Documents and the Rules and Regulations regarding their type of units. The acquisition, rental or occupancy of a Unit or the use of any part of the Condominium Property by any person shall constitute such person's agreement to be subject to and bound by the provisions of the Condominium Documents and the Rules and Regulations, and such provisions shall be deemed to be enforceable as equitable servitudes and covenants running with the Land and shall bind any person having at any time any interest or estate in such Unit as though such provisions were recited and stipulated in full in each and every deed of conveyance or lease thereof. The Association may promulgate enforcement provisions for violation of any Rule or Regulation by an Owner, an Owners family members, guests, invitees, lessees or renters, including the payment of penalties for such violations.

(2) No waste shall be committed in or on the Common Elements.

(3) Except as expressly provided in this Declaration, nothing shall be altered or constructed in or removed from the Common Elements, except upon the written consent of the Board.

(4) Nothing shall be stored in or upon the Common Elements or Limited Common Elements without prior consent of the Board except in storage closets or areas or as otherwise expressly provided in this Declaration.

(5) All parts of the Property shall be kept in an clean and sanitary condition and no rubbish, refuse or garbage allowed to accumulate nor any fire hazard allowed to exist.

(6) Nothing shall be done or kept in any Unit or in the Common Elements which will increase the rate of insurance for the Property without the prior written consent of the Board. No Unit Owner shall permit anything to be done or kept in his Unit or in or on the Common Elements which will result in the cancellation of insurance of any Unit or any part of the Common Elements or which will be in violation of any law.

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

(8) Parking of vehicles in driveways and parking areas shall be subject to the Rules and Regulations of the Board applicable thereto.

(9) Except within individual Units, no planting, transplanting or gardening shall be done, and no fences, hedges or walls shall be erected or maintained upon the Property, except as approved by the Board.

(10) No animal or pet shall be kept for commercial purposes, nor be allowed to create or cause any disturbance or nuisance of any kind, and if an animal or pet does cause or create a nuisance or an unreasonable disturbance. The owner of any pet or animal shall be liable for any and all damage caused by such animal or pet to any part of the Condominium Property operated by the Association.

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

(12) Neither the Board nor the Association shall take or permit to be taken any action that unlawfully discriminates against one or more Unit Owners.

(13) Motorcycles, motor bikes, motor scooters or other similar vehicles shall not be operated within the Property except for the purpose of transportation, it being intended that said vehicles shall not be operated within the Property so as to annoy or disturb persons or endanger persons or Property.

7.11 Rights of Developer. Developer may make such use of the unsold Units and of the Common Areas and facilities as may facilitate such completion and sale, including but not limited to showing of the Property and the display of signs. Developer may maintain sales offices, management offices, leasing and operations offices and models in any Unit of the Condominium or on Common Elements in the Condominium without restriction as to the number, size or location of said sales offices, management offices, leasing and operations offices and models. Developer shall be permitted to relocate said sales offices, management offices, leasing and operations offices and models from one (1) Unit location to another or from one (1) area of the Common Elements to another area of the Common Elements in the Condominium. Developer may maintain signs on the Common Elements advertising the Condominium. The rights of Developer as provided for in this paragraph shall cease and terminate ten (10) years from the date of the recording of this Declaration in the Office of the Judge of Probate of Baldwin County, Alabama.

Article VIII EASEMENTS

Each of the following easements are reserved to the Association for the benefit of the Members of the Association and their guests and lessees, is a covenant running with the land:

(1) Utilities. Each Unit shall have an easement as may be required for Utility Services needed to serve the Condominium adequately; provided, however, easements through a Unit shall be according to the plans and specifications for the Building or as the Building is actually constructed or reconstructed, unless otherwise approved in writing by the Unit Owner. The Board of Directors or its designee shall have a right of access to each Unit to inspect such Unit, to maintain, repair or replace drainage facilities and the pipes, wires, ducts, vents, cables, conduits and other facilities related to the providing of utility services, and Common Elements or Limited Common Elements contained in the Unit or elsewhere in the Condominium Property, and to remove any improvements interfering with or impairing the utility services, drainage facilities and easements herein reserved; provided such

right of access, except in the event of an emergency, shall not unreasonably interfere with the Unit Owner's permitted use of the Unit, and except in the event of an emergency, entries shall not be made without prior notice to the Unit Owner.

(2) Ingress and Egress. Each Unit shall have an easement for pedestrian traffic over, through and across sidewalks, paths, walks, walkways and lanes, and like passageways, as the same may from time to time exist on the Common Elements; and for vehicular traffic over, through and across such portions of the Common Elements as from time to time may be paved and intended for such purposes, but the same shall not give or create in any person the right to park on any portion of the Condominium Property not designated as a parking area, nor shall it give or create in any person the right to use or occupy a Limited Common Elements designated for the exclusive use of others. This easement shall be nonexclusive and shall include the right of ingress and egress to a public street or highway upon and over Common Elements providing such access and as shown on the plans.

(3) Drainage. Each Unit shall have an easement as may be required to drain the Condominium Property adequately.

(4) Support. Each Unit shall have an easement of support and of necessity and shall be subject to an easement of support and of necessity in favor of all other Units, the Common Elements and the Limited Common Elements.

(5) Encroachments. If any portion of the Common Elements or Limited Common Elements encroaches upon any Unit, or if any Unit encroaches upon any other Unit or upon any portion of the Common Elements or Limited Common Elements, as a result of the construction of any building, or if any such encroachment shall occur hereafter as a result of settling or shifting of any building, a valid easement for the encroachment and for the maintenance of the same so long as such building stands. In any event any building, any Unit, any adjoining Unit, or any adjoining Common Elements or Limited Common Elements, shall be partially or totally destroyed as result of fire, or other casualty or as a result of condemnation or eminent domain proceedings, and then rebuilt, encroachments of parts of the Common Elements or Limited Common Elements upon any Unit or of any Unit upon another Unit or upon any portion of the Common Elements or Limited Common Elements, due to such rebuilding, shall be permitted, and valid easements for such encroachments and the maintenance thereof shall exist so long as such building shall stand.

Article IX
MAINTENANCE, ALTERATION, AND IMPROVEMENTS

9.01. Maintenance by the Association.

(1) The Association, as a Common Expense, shall maintain, repair and replace if necessary the following:

(a) All portions of the Common Elements and Limited Common Elements not the responsibility of a Unit Owner under the provisions of Paragraph 9.02, hereof.

(b) All conduits, ducts, plumbing, wiring and other facilities for the furnishing of utility services that are contained within a Unit but service part or parts of the Condominium other than the Unit within which contained and that are not the responsibility of a Unit Owner under Paragraph 9.02, hereof.

(2) The Association may enter into a contract with any firm, person or corporation, or may join with other entities in contracting for the maintenance and repair of the Condominium Property and other type properties, and may delegate to such agent all or any portion of the powers and duties of the Association, except such as are specifically required by the Condominium Documents to have the approval of the Members of the Association; provided, however, if such contract is entered into before the Board elected by the Unit Owners pursuant to the Act takes office, such contract shall be subject to the provisions of Paragraph 6.11 of this Declaration.

9.02. Maintenance by Unit Owners.

(a) Each Unit Owner shall maintain his Unit and the interior thereof in good tenantable condition and repair, and shall repair, maintain and replace if necessary the following:

(1) The fixtures and equipment in his Unit, including the refrigerator, stove, fans, dishwasher and all other appliances, drains, plumbing fixtures and connections, sinks and plumbing within the Unit; electric panels, wiring, outlets, and electric fixtures within the Unit; interior doors, windows, screening and glass, including glass between the Unit and any patio or deck adjacent to such Unit; all exterior doors, except the painting of the exterior faces of exterior doors which shall be a responsibility of the Association; and all wall coverings and carpeting within a Unit.

(2) The plumbing, heating, ventilation, air conditioning and electrical systems serving only that Unit, whether located within or without the boundary of that Unit, including the heater and air

conditioning compressor, hot water heaters, fuse boxes, wiring, fireplace flues and all other plumbing, electrical, gas, or mechanical systems. In the event any such system or a portion thereof is within another Unit, or requires access to another Unit, the repair, maintenance or replacement thereof shall be performed by the Association, and the cost thereof shall constitute an Assessment against the Unit Owner responsible therefore.

(b) Each Unit Owner shall keep the Limited Common Elements, appurtenant to his Unit, if any, in a neat and presentable appearance and shall not allow such area to be used for storage or beyond its intended use.

9.03. Covenants of Owner. Each Unit Owner agrees as follows:

(1) To perform all maintenance, repairs and replacements that are the obligations of the Unit Owner under this Declaration and the Act.

(2) To pay for all utilities of the Unit Owner, including electricity, gas and telephone used within the Unit and all taxes levied against his or her Unit.

(3) Not to make, or cause to be made, any repairs to any plumbing, heating, ventilation or air conditioning systems located outside a Unit Owner's Unit but required to be maintained by the Unit Owner pursuant to the provisions of this Declaration, except by licensed plumbers or electricians authorized to do such work by the Association or a delegate or agent of the Association.

(4) Not to make any addition or alteration to his or her Unit or to the Common Elements or Limited Common Elements or do any Act that would impair the structural soundness or safety of any part of the Condominium Property. Structural alterations within a Unit may be made only with the written consent of the Association.

(5) To make no alterations, additions, improvements, decoration, repair, replacement or change to the Common Elements, or Limited Common Elements, or to any outside or exterior portion of the Building, specifically including, but not limited to screening or enclosing private balconies, installing garage or other exterior doors, or affixing out-shutters to windows, without the prior written consent of the Association. If consent is granted, the Unit Owner shall use only a licensed contractor who shall comply with all Rules and Regulations with respect to the work which may be adopted by the Association. The Unit Owner shall be liable for all damages to another Unit, the Common Elements and to the Limited Common Elements caused by any contractor

employed by such Unit Owner or by the subcontractors or employees of such contractor, whether said damages are caused by negligence, accident or otherwise.

(6) To allow the Association, its delegates, agents or employees, at all reasonable times to enter into any Unit for the purpose of maintaining, inspecting, repairing or replacing Common Elements or Limited Common Elements or for repairing, maintaining or replacing any plumbing, heating, ventilation or air conditioning system located within such Unit but serving other parts of the Condominium Property; or to determine, in case of emergency, the circumstances threatening Units or Common Elements or Limited Common Elements and to correct the same; or, to determine compliance with the provisions of the Condominium Documents.

(7) To promptly report to the Association any defects or needed repairs for which the Association is responsible.

(8) To reimburse the Association for any repairs or replacements which are made necessary because of abuse or negligent use by a Unit Owner of the Condominium Property, the cost of such repair or replacement may be assessed against such Unit Owner.

(9) To comply with all the obligations of a Unit Owner under the Act.

9.04. Facade. The Association shall determine the exterior color scheme of the Buildings and shall be responsible for the maintenance thereof, except as may be otherwise provided for herein. No Owner shall paint any exterior surface or add or replace anything hereon or affixed thereto without the written consent of the Association.

9.05. Repairs. The Association shall be responsible for the maintenance, repair and replacement of the Common Elements and Limited Common Elements, except as otherwise provided for in Paragraph 9.02; provided, that if any repairs or replacements are made necessary because of abuse or negligent use thereof by a Unit Owner, the cost of such repair or replacement may be assessed against such Unit Owner.

9.06. Addition, Alteration and Improvement of the Common Elements. Except as may be permitted by the Act, and except as to any Special Declarant rights provided for in this Declaration, after the completion of the improvements included in the Common Elements or Limited Common Elements which are contemplated by this Declaration, there shall be no addition, alteration, change or further improvement of Common Elements or Limited Common Elements without prior approval of the Association.

Article X INSURANCE

10.01. Obligation to Purchase. Commencing not later than the time of the first (1st) conveyance of a Unit to a person other than the Declarant, the Association shall maintain insurance upon the Condominium Property, to the extent reasonably available, as provided for in the Act and as follows. If the insurance which required to be maintained is not reasonably available, the Association promptly shall cause notice of that fact to be hand delivered or sent prepaid by United States Mail to all Unit Owners.

10.02. Specified Insurance. Insurance, other than title insurance, that shall be carried on the Property and the Property of the Unit Owners shall be governed by the provisions of this Article. Insurance coverage maintained by the Association pursuant to these provisions is hereafter referred to as "Specified Insurance". Anything to the contrary notwithstanding, all insurance coverage shall be consistent with local and state and federal insurance laws.

10.03. Location of Policies. The Association shall retain the original of all insurance policies for Specified Insurance in a place of safekeeping such as a safe or a safety deposit box and shall provide copies of such policies to Institutional Mortgages requesting such copies.

10.04. Notice of Change in Insurance Coverage. No cancellation or substantial change in the specified insurance provisions, including changes in the amount of coverage, the risks covered, the ratio to value of coverage, or endorsements or other changes in the coverage provisions, may be effected by the Association without at least ten (10) days' written notice to the Association or insurance trustee and each Mortgage Holder named in the mortgage clause, and each holder of a first (1st) mortgage on an individual Unit.

10.05. Qualification of Insurance Company. Each company issuing Specified Insurance must be specifically authorized by the Laws of the State of Alabama to transact such business as is necessary to provide the Specified Insurance.

10.06. Provisions. Insurance coverage as specified and required under this Article shall, in substance and effect:

(1) Provide that the policy will be primary, even if Unit Owner has other insurance that covers the same loss, and further provide that the liability of the insurer shall not claim any right of set-off, counterclaim, apportionment, proration or contribution by reason of any other insurance obtained by or for any Unit Owner.

(2) Contain no provision relieving the insurer from liability for a loss occurring while the hazard to such building is increased, whether or not within the knowledge or control of the Association, or because of any breach of warranty or condition or any other act or neglect by the Association or any Unit Owner or any other persons under either of them.

(3) Provide that such policy may not be canceled or substantially modified (whether or not requested by the Association) except by the insurer giving at least ten (10) days' prior written notice thereof to the Association, the fee owner, each holder of a first (1st) mortgage on an individual Unit, and every other person in interest who shall have requested such notice of the insurer.

(4) Provide that each Unit Owner is an insured person under the policy with respect to liability arising out of the interest of said Unit Owner in the Common Elements or Membership in the Association.

(5) Provide that no act or omission by any Unit Owner, unless acting within the scope of his or her authority on behalf of the Association, will void the policy or be a condition to recovery under the policy.

(6) Contain a waiver by the insurer of any right of subrogation to any right of the Association, or either against the Unit Owner or Member of his or her household or lessee of any Unit; and

(7) Contain a standard mortgage clause which shall:

(a) Provide that any reference to a Mortgagee in such policy shall mean and include all holders of mortgages of any Unit, whether or not named therein; and

(b) Provide that such insurance as to the interest of any Mortgagee shall not be invalidated by any act or neglect of the Association or Unit Owners or any persons under any of them; and

(c) Waive any provisions invalidating such Mortgagee clause by reason of the failure of the Mortgagee to notify that insurer of any hazardous use of vacancy, any requirement that the Mortgagee pay any premium thereon, and any contribution clause.

(8) Any insurance trust agreement will be recognized.

10.07. Named Insured. The named insured on all policies of Specified Insurance shall be the Association, for the use and benefit of the individual Owners. Any "loss payable" clause shall show the Association or other insurance trustee as a trustee for each Unit Owner and the holder of each Unit's Mortgage.

10.08. Property Damage Insurance. The Board of Directors shall secure and maintain in effect a "master" or "blanket" type policy of Property damage insurance providing coverage in an amount not less than the full replacement value of the Common Elements and Limited Common Elements (except land, foundation, excavation or other items usually excluded from coverage) and including coverage for all improvements, fixtures and personal Property included in the Common Elements and Limited Common Elements. The policy shall cover all of the Common Elements and Limited Common Elements that are normally included in coverage, including but not Limited to, fixtures and Building service equipment and common personal Property and supplies owned by the Association. If required by any mortgage holder or purchaser of any mortgage, the policy shall also cover fixtures, equipment and other personal Property inside individual Units, whether or not the Property is part of the Common Elements. The policy shall include an "Agreed Amount Endorsement" or its equivalent, if available, or an "Inflation Guard Endorsement," if available. If the enforcement of any Building, zoning or land-use law will result in loss or damage, increase costs of repairs or reconstruction, or additional demolition and removal costs, the Association shall require a Building Ordinance or Law Endorsement which must provide for such contingent liability. Such coverage for Property damage insurance shall afford protection against:

- (1) Loss or damage by fire and all other hazards that are normally covered by the standard extended coverage endorsement; and
- (2) Risks as are covered by an all-risk endorsement; and
- (3) Other risks as from time to time shall be customarily covered with respect to Condominium Buildings similar in construction, location and use as the Buildings. The maximum deductible amount is the lessor of Ten Thousand Dollars (\$10,000.00) or one percent (1 %) of the policy face amount. Funds to cover these deductible amounts shall be included in the operating reserve account of the Owner's Association.

10.09. Public Liability Insurance. The Association shall secure and maintain a comprehensive commercial general liability insurance policy, including medical payments insurance, covering all Common Elements, public ways and any other areas that are under the supervision of the Association. The insurance shall also cover commercial spaces that are owned by the Association, even if they are leased to others. The policy should provide coverage for death, bodily injury and property damage arising out of or in connection with the operation, maintenance or use of the Common Elements and, further, any legal liability that results from law suits

related to employment contracts in which the Association is a party. Such policy shall provide coverage, in an amount to be determined by the Board of Directors, for bodily injury, including death and property damage for any single occurrence. In no event shall the coverage be in an amount less than One Million Dollars (\$1,000,000.00) for any single occurrence. If the policy does not include "severability of interest" in its terms, the policy shall contain a specific endorsement to preclude the insurer's denial of a Unit Owner's claim because of negligent acts of the Association or of other Unit Owners. The coverage shall also include protection against water damage liability and, if applicable, elevator collision, garage keep's liability and such other risks as shall customarily be covered with respect to condominium buildings similar in construction, location and use.

10.10. Flood Insurance. If any part of the Project shall be deemed to be in a special flood hazard area, as defined by the Federal Emergency Management Agency, the Association shall maintain a "master" or "blanket" policy of flood insurance and provide for the premiums to be paid as a Common Expense. The policy shall cover the Buildings and any other Property within the designated hazard area. The amount of insurance should be at least equal to the lesser of: (1) one hundred percent (100%) of the current replacement cost of all Buildings and other insurable Property located in the flood hazard area; or (2) the maximum coverage available for the Property under the National Flood Insurance Program. The policy shall be in a form which meets the criterion set forth in the most current guidelines issued on the subject by the Federal Government. The maximum deductible for policies covering the Common Areas and elements is the lesser of Five Thousand Dollars (\$5,000.00) or one percent (1 %) of the policy's face amount. Funds to cover this deductible amount shall be included in the operating reserve account of the Association.

10.11. Personnel Coverages. Should the Association employ personnel, all coverages required by law, including worker's compensation, shall be obtained so as to meet the requirements of the law.

10.12. Fidelity Bonds.

(1) The Board of Directors shall secure and maintain in effect adequate blanket fidelity coverage to protect against loss of money through dishonest acts on the part of officers, directors, employees and all others who handle or are responsible for handling the funds held or administered by the Association, whether or not

that individual receives compensation for services, including but not limited to employees or professional managers.

Such fidelity bonds shall have their premiums paid as a Common Expense by the Association and shall meet the following requirements:

- (a) Fidelity bonds shall name the Association as an insured or obligee.
- (b) The bonds shall be written in an amount equal to at least One Hundred Fifty percent (150%) of the estimated annual Common Expenses, including reserves, unless a greater amount is required by a federal governmental agency insuring or purchasing mortgages encumbering Units.
- (c) The bonds shall contain waivers of any defense based on the exclusion of persons who serve without compensation from any definition of employee or similar expression.
- (d) The bonds shall provide that they may not be canceled or substantially modified (including cancellation for nonpayment of premium) without at least ten (10) days' prior written notice to the Association or insurance trustee and each mortgage holder or servicer that services a Fannie Mae-owned or securitized mortgage in the Condominium Project.

(2) Any management agent that handles funds for the Association shall also be covered by its own fidelity bond which is equal or exceeds the coverage of that bond obtained by the Association.

10.13. Other Coverages. The Association shall obtain all other insurance required by the Act. The Board shall secure other boiler and machinery insurance, directors' and officers' liability insurance and plate glass insurance as the Board deems necessary and shall also have authority to obtain such other insurance as the Board deems desirable, in such amounts, from such sources and in such forms as the Board deems desirable. The premiums for such insurance shall be a Common Expense.

10.14. Individual Responsibilities of Owner. A Unit Owner shall be liable for any claim, damage or judgment entered as a result of the use or operation of his or her Unit caused by the conduct of said Unit Owner. Each Unit Owner shall be responsible for obtaining insurance on the contents of his or her own Unit and the contents of any Limited Common Elements serving his or her Unit, as well as additions and improvements thereto, decorations, furnishings and personal property therein, and personal property stored elsewhere on the property.

10.15. Premiums. Premiums for insurance maintained by the Association shall be paid by the Association as a Common Expense. Should the Association fail to pay such premiums when due, or should the

Association fail to comply with other insurance requirements of the Mortgage Holder, the Mortgage Holder shall have the right, at the option of the Mortgage Holder, to order insurance policies and to advance such sums as are required to maintain or procure such insurance. To the extent of any money so advanced, the Mortgage Holder shall be subrogated to the assessment and lien rights of the Association as against the individual Unit Owners for the payment of such item of Common Expense.

10.16. Association as Agent. All insurance policies purchased by the Association shall provide that all proceeds covering property losses shall be paid to the Association, for the benefit of the Association and the Unit Owners and their mortgages as their interest may appear and as contemplated in this Declaration. The Association is hereby irrevocably appointed agent with full power of substitution, for each Unit Owner and for each Unit Owner and for each Owner of any other insured interest in the Property. The Association shall have power to adjust all claims arising under insurance policies purchased by the Association; to bring suit thereon in its name and/or in the name of other insured; to deliver releases on payment of claims; to compromise and settle such claims; and otherwise to exercise all of the rights, powers and privileges of the Association and each Unit Owner or any other holder of an insured interest in the Property under such insurance policies. However, the actions of the Association shall be subject to the approval of any first Mortgagee if the claim shall involve more than one (1) Unit, and if only one (1) Unit is involved, such actions shall be subject to the approval of any first (1ST) Mortgagee holding a mortgage encumbering such Unit.

10.17. Share of Proceeds. The Association shall receive such insurance proceeds as are paid to the Association and shall hold the same in trust for the purposes stated herein and for the benefit of the Unit Owners and their mortgages in the following shares:

(1) Common Elements. An undivided share of the proceeds on account of damage to Common Elements shall be held for each Unit Owner, with such share's portion of the total proceeds being the same fraction as the share of the Common Elements appurtenant to his or her Unit as set forth in EXHIBIT "C".

(2) Units and Limited Common Elements. Except as provided in this Declaration, proceeds on account of damage to Units and Limited Common Elements shall be held in the following undivided shares:

(a) When the Condominium Property is to be restored, the proceeds shall be held for the Unit Owners of damaged Units and damaged Limited Common Elements with the share of each in

the total proceeds being in the proportion that the cost of repairing the damage suffered by such Unit Owner bears to the total cost of repair, which costs shall be determined by the Board.

(b) When the Condominium Property is not to be restored, the proceeds shall be held for the Unit Owners in undivided shares that are the same as their respective shares of the Common Elements as set forth in EXHIBIT "C".

(3) Mortgagees. In the event a Mortgagee endorsement has been issued with respect to a Unit, the share of the Owner of that Unit shall be held in trust for the Mortgagee and the Unit Owner as their interests may appear; provided, however, that no Mortgagee shall have any right to determine or participate in the determination whether or not any damaged property shall be reconstructed or repaired except as may be specifically provided to the contrary in this Declaration.

10.18. Distribution of Proceeds. Proceeds of insurance policies received by the Association shall be distributed to or for the benefit of the beneficial Owners in the following manner:

(1) Reconstruction or Repair. First, if the damage for which the proceeds are paid is to be repaired or reconstructed, the remaining proceeds shall be paid to defray the cost thereof. Any proceeds remaining after defraying such costs shall be distributed to the beneficial Owners, with remittances to Unit Owners and Mortgages being payable jointly to them. This is a covenant for the benefit of any Mortgagee of a Unit and may be enforced by any such Mortgagee.

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

10.19. Individual Insurance. Nothing contained in this Declaration shall be construed to prevent a Unit Owner from obtaining insurance for his or her own benefit.

Article XI

RECONSTRUCTION AND REPAIR/DEVELOPER'S RIGHT TO CURE ALLEGED DEFECTS

11.01. Responsibility. In the event of damage or destruction, and if the damage is only to those parts of Units for which the responsibility of maintenance and repair is that of the respective Unit Owners, then those Unit

Owners shall be responsible for reconstruction and repair after casualty. In all other instances the responsibility of reconstruction and repair after casualty shall be that of the Association.

11.02. Determination to Reconstruct or Repair. Any portion of the Condominium for which insurance is required under this Declaration which is damaged or destroyed must be repaired or replaced promptly by the Association unless:

- (1) The Condominium is terminated in accordance with the Act;
- (2) Repair or replacement would be illegal under any state or local statute or ordinance covering health or safety; or
- (3) Eighty percent (80%) of the Unit Owners, including every Owner of a Unit or assigned Limited Common Elements which will not be rebuilt, vote not to rebuild. The cost of repair or replacement of a Common Elements in excess of insurance proceeds in reserves is a Common Expense as provided in this Declaration.

11.03. Plans. Any reconstruction or repair must be substantially in accordance with the Act and in accordance with the Plans for the original improvements or as the Condominium Property was last constructed; or if not, then according to Plans approved by the Board of Directors of the Association and by One Hundred percent (100%) of the Unit Owners.

11.04. Estimate of Cost. When the Association shall have the responsibility of reconstruction or repair, prior to the commencement of reconstruction and repair the Association shall obtain reliable and detailed estimates of the cost to repair or rebuild.

11.05. Assessments If the proceeds of insurance are not sufficient to defray the estimated costs of reconstruction and repair of the Unit and Limited Common Elements by the Association, assessments shall be made against the Unit Owners who own the damaged property or have the exclusive right to use the Limited Common Elements attached to his or her Unit, and against all Unit Owners in the case of damage to Common Areas and facilities in sufficient amounts to provide funds to pay the estimated costs. If at any time during reconstruction and repair, or upon completion of reconstruction and repair, the funds for payment of the costs thereof are insufficient, assessments shall be made against the Unit Owners who own the damaged Unit and have exclusive right to use the Limited Common Elements attached to his Unit, and against all Unit Owners in the case of damage to Common

Areas and facilities in sufficient amounts to provide funds for the payment of such costs. Such assessments against Unit Owners for reconstruction and/or repair of damage to Units and Limited Common Elements shall be in proportion to the cost of reconstruction and repair of their respective Units or Limited Common Elements. Such assessments for reconstruction and/or repair of damage to Common Areas and facilities shall be in proportion to the Owner's share in the Common Elements. Assessments for reconstruction and repair may be collected, and the collection enforced, in the same manner as provided for assessments elsewhere in this Declaration.

11.06. Construction Funds. The funds for the payment of costs for reconstruction and repair after casualty for which the Association is responsible, which shall consist of the proceeds of insurance held by the Association and funds collected by the Association from assessments and special assessments against Unit Owners, shall be disbursed in payment of such costs in the following manner:

(1) Damage. The construction fund shall be disbursed in payment of such costs on the order of and in the manner provided by the Board.

(2) Unit Owner. If there is a balance of insurance proceeds after the payment of the cost of reconstruction and repair that are the responsibility of the Association, this balance shall be distributed to Unit Owners of damaged Units or damaged Limited Common Elements who are responsible for the reconstruction and repair of the damaged portions of their Units or Limited Common Elements. The distribution of each Unit Owner shall be made in the proportion that the estimated costs of reconstruction and repair of such damage to his or her Unit or Limited Common Elements bears to the total of such estimated costs in all damaged Units and Limited Common Elements. However, no Unit Owner shall be paid an amount in excess of such estimated cost for his Unit or Limited Common Elements. If there is a first (1st) Mortgagee, the distribution shall be paid to the Unit Owner and to the first (1st) Mortgagee jointly.

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

11.07 Developer's Right to Cure Alleged Defects. Due to the complex nature of construction and the subjectivity involved in evaluating such quality, disputes may arise as to whether a defect exists and Developer's

responsibility therefor. It is Developer's intent to resolve all disputes and claims regarding "Alleged Defect" (as defined below) amicably, and without the necessity of time-consuming and costly litigation. Accordingly, the Association, Directors and all Unit Owners shall be bound by the following claim resolution procedure:

A. Developer's Right to Cure. In the event that the Association, Board or any Unit Owner or Unit Owners (collectively "Claimant") claim, contend or allege that any portion of the Condominium, including, without limitation, the Common Elements, any Unit, and/or any improvements constructed on the Condominium, are defective or that Developer or its agents, consultants, contractors or subcontractors (collectively "Developer's Agents") were negligent in the planning, design, engineering, grading, construction or other development thereof (collectively an "Alleged Defect"), Developer hereby reserves the right to inspect, repair and/or replace such Alleged Defect as set forth herein.

B. Notice to Developer. In the event that a Claimant discovers any Alleged Defect, Claimant shall, within a reasonable time after discovery, notify Developer, in writing, at such address as Developer may from time to time provide to the Association, or such other address at which Developer maintains its principal place of business, of the specific nature of such Alleged Defect ("Notice of Alleged Defect").

C. Right to Enter, Inspect, Repair and/or Replace. Within a reasonable time after the receipt by Developer of a Notice of Alleged Defect or the independent discovery of any Alleged Defect by Developer, Developer shall have the right, upon reasonable notice to Claimant and during normal business hours, to enter onto or into, as applicable, the Common Elements, any Unit, and/or any improvements or other portion of the Condominium for the purposes of inspecting and, if deemed necessary by Developer, repairing and/or replacing such Alleged Defect. In conducting such inspection, repairs and/or replacement, Developer shall be entitled to take any actions as it shall deem reasonable and necessary under the circumstances.

D. Legal Actions. No Claimant shall initiate any legal action, cause of action, proceeding, reference or arbitration against Developer alleging damages (i) for the costs of repairing or the replacement of any Alleged Defect, (ii) for the diminution in value of any real or personal property resulting from such Alleged Defect, or (iii) for any consequential damages resulting from such Alleged Defect, unless and until Claimant has (1) delivered to Developer a Notice of Alleged Defect and (2) Developer has, within ninety (90) days after its receipt of such Notice of Alleged Defect, either (1) failed to repair or replace such Alleged Defect or (2) if such Alleged

Defect cannot reasonably be repaired or replaced within such ninety (90) day period, failed to commence such repair or replacement of the Alleged Defect and, thereafter, failed to pursue diligently such repair or replacement to completion.

E. No Additional Obligations; Irrevocability and Waiver of Right. Nothing set forth in this Paragraph 11.07 shall be construed to impose any obligation on Developer to inspect, repair, or replace or pay for any item or Alleged Defect for which Developer is not otherwise obligated to do under applicable law or the Purchase and Sale Agreement or other contract. The right of Developer to enter, inspect, repair and/or replace reserved hereby shall be irrevocable and may not be waived or otherwise terminated except by a writing, in recordable form, executed and recorded by Developer in the Public Records of the Clerk of Court. This provision does not create any warranties, express or implied, on the part of the Developer or the Association.

Article XII TERMINATION

The termination of the Condominium may be effected in accordance with the provisions of the Act and by the agreement of Unit Owners of Units to which ninety percent (90%) of the votes in the Association are allocated, and in the case of termination for reasons other than substantial destruction or condemnation of the Property, by eligible mortgage holders (as defined in By-Laws and this Declaration) that represent at least sixty-seven percent (67%) of the votes of the mortgaged Units. The agreement shall be evidenced by a written instrument executed in the manner required for conveyance of land, and recorded in the public records of Baldwin County, Alabama. After termination of the Condominium, the Unit Owners shall own the Condominium Property and all assets of the Association as tenants in common in undivided shares.

Article XIII EMINENT DOMAIN/CONDEMNATION

13.01. Determination Whether to Continue Condominium. The taking of a portion of a Unit or of the Common Elements by eminent domain shall be deemed to be a casualty and the determination as to whether the Condominium will be reconstructed or repaired or continued after condemnation will be determined in the manner provided for in the Act and under the provisions of this Declaration pertaining to reconstruction and repair after casualty losses.

13.02. Proceeds. The proceeds and awards for such taking shall be deemed proceeds from insurance on account of the casualty and shall be deposited with the Association as Insurance Trustee. Even though the awards may be payable to a Unit Owner, the Unit Owner shall deposit the awards with the Association as Insurance Trustee; and in the event of failure to do so, in the discretion of the Board of Directors of the Association an Assessment shall be made against a defaulting Unit Owner in the amount of his or her award, or the amount of such award shall be set off against the sums hereafter made payable to such Unit Owner.

13.03. Disbursement of Funds. If the Condominium is terminated after condemnation, the proceeds of the condemnation awards will be deemed to be insurance proceeds and shall be owned and distributed in the manner provided in this Declaration for the distribution of insurance proceeds if the Condominium is terminated after damage to the Common Elements. If the Condominium is not terminated after condemnation, the size of the Building will be reduced and the Property damaged by the taking will be made usable in the manner provided below. The proceeds of said awards shall be disbursed in the manner provided for disbursement of funds by the Association after damage to the Common Elements.

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

(1) Restoration of Unit. The Unit shall be made habitable. If the cost of the restoration exceeds the amount of the award, and the Owner of the Unit does not within a reasonable period of time provide the additional funds required for restoration, such additional funds may, in the discretion of the Board of Directors, be expended for restoration by the Association and be assessed against the Unit Owner as a Special Assessment.

(2) Distribution of Surplus. The balance of the award, if any, shall be distributed to the Owner of the Unit and to the holder of any Mortgage encumbering the Unit, the remittance being made payable jointly to the Owner and any such Mortgagee.

(3) Adjustment of Shares in Common Elements. If the floor area of the Unit is reduced by the taking, the fraction representing the share in the Common Elements, the Common Expenses and the Common Surplus appurtenant to the Unit shall be reduced in accordance with the provisions of the Act.

13.05. Unit Made Uninhabitable. If the taking is of the entire Unit, or so reduces the size of a Unit that is cannot be used practically or lawfully for any purpose permitted by the Declaration, the award for the taking of the Unit shall be used for the following purposes in the order stated, and the following changes shall be effected in the Condominium:

(1) Payment of Award. The award shall be paid first to any Mortgagee in an amount sufficient to pay off its mortgage on such Unit; and then jointly to the Unit Owner and other Mortgages of the Unit in an amount not to exceed the market value of the Condominium Parcel immediately prior to the taking as diminished by any sums from the award previously reserved for any Mortgagee; and the balance, if any, to the repairing and replacing of the Common Elements damaged by the taking.

(2) Addition to Common Elements. The remaining portion of the Unit, if any, shall become part of the Common Elements and shall be placed in condition for use by all of the Unit Owners in the manner approved by the Board of Directors; provided that if the cost of the work shall exceed the balance of the fund from the award for the taking, the work shall be approved in the manner elsewhere required in this Declaration for further improvement of the Common Elements.

(3) Adjustment of Shares in Common Elements, Common Expenses and Common Surplus. The shares in the Common Elements, the Common Expenses and the Common Surplus appurtenant to the Units that continue as part of the Condominium shall be adjusted to distribute the Ownership of the other shares among the reduced number of Unit Owners. This adjustment shall be done by restating said share of the continuing Unit Owners as percentages aggregating one hundred percent (100%) so that the shares appurtenant to the Units of the continuing Owners shall be in the same proportions to each other as before the adjustment.

(4) Assessments. If the balance of the award (after payments to the Unit Owner and such Owner's Mortgages as above provided) for the taking is not sufficient to finance the alteration of the remaining portion of the Unit for use as a part of the Common Elements, the additional funds required for such purposes shall be raised by Special assessments against all of the Unit Owner who will continue as Owners of Units after the changes in the Condominium effected by the taking. Such Special assessments shall be made in proportion to the shares of those Owners in the Common Elements after the changes in the Condominium effected by the taking.

(5) Arbitration. If the market value of any portion of the Condominium Property prior to the taking cannot be determined by agreement among the Unit Owner, Mortgages of the Unit and the Association within thirty (30) days after notice by either party, the value shall be determined by arbitration in accordance with the then existing rules of the American Arbitration Association, except that the arbitrators shall be two (2) appraisers appointed by the American Arbitration Association who shall base their determination on an average of their appraisals of the Condominium Parcel; and a judgment of specific performance on the decision rendered by the arbitrators may be entered in any court of competent jurisdiction. The cost of arbitration proceedings shall be assessed against all Owners of Units prior to the taking in proportion to the shares of the Owners in the Common Elements as they exist prior to the changes effected by the taking.

13.06. Taking of Common Elements. Awards for the taking of Common Elements shall be used to make the remaining portion of the Common Elements usable in the manner approved by the Board of Directors; provided that if the cost of the work shall exceed the balance of the funds from the awards for the taking, the work shall be approved in the manner required elsewhere in this Declaration for further improvement of the Common Elements. The balance of the awards for the taking of the Common Elements, if any, shall be distributed to the Unit Owners in the shares in which they own the Common Elements, after adjustment of these shares on account of the condemnation, except that if a Condominium Unit is encumbered by a Mortgage, the distribution shall be paid jointly to the Owner and the Mortgagee of the Condominium Parcel.

13.07. Conflict With Act. If there is any conflict with the provisions of this Article and the Act, the provisions of the Act shall control.

Article XIV

PURCHASE OF CONDOMINIUM UNIT BY ASSOCIATION

14.01. Decision. The decision of the Association to purchase a Condominium Unit shall be made by the Board of Directors without the approval of the Members except as provided in this Article.

14.02. Limitation. If at any time the Association is already the Owner of or has agreed to purchase one (1) or more Condominium Parcels, the Association may not purchase any additional Condominium Parcel without the prior written approval of seventy-five percent (75%) of the Members eligible to vote thereon, except as provided in this Article. A Member whose Condominium Parcel is the subject matter of the proposed purchase shall be ineligible to vote thereon. Notwithstanding the foregoing, however, the foregoing limitation shall not apply to

Condominium Parcels either to be purchased at a public sale resulting from a foreclosure of the Association's lien for delinquent assessments, Special assessments, or both, where the bid of the Association does not exceed the amount found due the Association, or to be acquired by the Association in lieu of foreclosure of such lien if the consideration therefor does not exceed the cancellation of such lien. In any event, the Board of Directors or a designee thereof, Acting on behalf of the Association, may only purchase a Condominium Parcel in accordance with this Article, or as the result of a sale pursuant to the foreclosure of (i) a lien on the Condominium Parcel for unpaid taxes; (ii) the lien of a mortgage; (iii) the lien for unpaid assessments, Special assessments or both; or (iv) any other judgment lien or lien attaching to such Condominium Parcel by operation of law.

Article XV NOTICE OF LIEN OR SUIT

15.01. Notice of Lien. A Unit Owner shall give notice in writing to the Secretary of the Association of every lien on his or her Condominium Parcel, other than liens for Mortgages, taxes and Special assessments, within five (5) days after he or she learns of the attaching of the lien.

15.02. Notice of Suit. A Unit Owner shall give notice in writing to the Secretary of the Association of every suit or other proceeding that may affect the title to his or her Condominium Parcel, with such notice to be given within five (5) days after the Unit Owner obtains knowledge thereof.

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

Article XVI RULES AND REGULATIONS

16.01. Compliance. Each Unit Owner and the Association shall be governed by and shall comply with the terms of the Condominium Documents and the Rules and Regulations applicable to the Condominium Property. Ownership of a Unit subjects the Unit Owner to compliance with provisions of the Declaration, the Articles, the By-Laws, the Rules and Regulations of the Association, and any contract which the Association is a party, as well as to any amendments to any of the foregoing. Failure of the Unit Owner to comply therewith shall entitle the Association or other Unit Owners to an Action for damages or injunctive relief, or both, in addition to other remedies provided in the Condominium Documents and the Condominium Act.

16.02. Enforcement. The Association, through the Board of Directors, is hereby empowered to enforce the Condominium Documents and all Rules and Regulations of the Association by such means as are provided by the Laws of the State of Alabama, including the imposition of reasonable fines (after reasonable notice and opportunity to be heard) from time to time as set forth in the By-Laws. In the event a Unit Owner fails to maintain his or her Unit in the manner required in the Condominium Documents and any Rules and Regulations of the Association, the Association, through the Board of Directors, shall have the right to assess the Unit Owner and the Unit for the sums necessary to do the work required to effect compliance and to collect, and enforce the collection of a Special Assessment therefore as provided in this Declaration. In addition, the Association shall have the right, for itself and its employees and agents, to enter such Owner's Unit and perform the necessary work to effect compliance.

16.03. Negligence. A Unit Owner shall be liable for the expense of any maintenance, repair or replacement rendered necessary by his Act, neglect or carelessness or by that of any Member of the Unit Owner's family, his or her lessees, or his or their guests, invitees, employees or agents, but only to the extent that such expense is not met by the proceeds of insurance carried by the Association. Such liability shall include any increase in fire and casualty insurance rates occasioned by the use, misuse, occupancy or abandonment of a Unit, or the Common Elements or the Limited Common Elements. The liability for such increases in insurance rates shall equal five (5) times the first resulting increase in the annual premium rate for such insurance.

16.04. No Waiver of Rights. The failure of the Association or any Unit Owner to enforce any covenant, restriction or other provision of the Condominium Act, the Condominium Documents, or any Rules and Regulations adopted pursuant thereto shall not constitute a waiver of the right to do so.

Article XVII

GENERAL PROVISIONS PERTAINING TO MORTGAGES

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

(a) Any condemnation or casualty loss that affects either a material portion of the project or the Unit securing its mortgage.

(b) Any sixty (60) day delinquency in the payment of assessments or charges owed by the Owner of any Unit on which it holds the Mortgage.

(c) A lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association.

(d) Any proposed Action that requires the consent of a specified percentage of Mortgage holders.

17.02. Blanket Mortgages. The entire Condominium Property, or some or all of the Units included therein, may be subjected to a single or blanket mortgage constituting a first lien thereon created by a recordable instrument executed by all of the Owners of the Property or Units covered thereby. Any Unit included under the lien of such mortgage may be sold or otherwise conveyed or transferred subject thereto. Any such mortgage shall provide a method whereby any Unit Owner may obtain a release of his Unit from the lien of such Mortgage and a satisfaction and discharge in recordable form upon payment to the holder of the Mortgage of a sum equal to the reasonable proportionate share attributable to his Unit of the then outstanding balance of unpaid principal and accrued interest, and any other charges then due and unpaid. The proportionate share of the Mortgage required to be paid for release shall be determined by provisions pertaining thereto stated in the Mortgage, or, if the Mortgage contains no such provisions, then according to the proportionate share of the Common Elements of the Condominium attributable to such Unit or Units.

Article XVIII COVENANT AGAINST PARTITION

There shall be no judicial or other partition of the Condominium Property or any part thereof, nor shall Developer or any person acquiring any interest in the Property or any part thereof seek any such partition unless the Property has been removed from the provisions of the Act.

Article XIX AMENDMENT OF THE DECLARATION

19.01. Notice. 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.

19.02. Adoption. Except in the cases where this Declaration may be amended by the Developer/Declarant under the terms hereof or the Act, the Declaration may be altered, amended or appealed or a new Declaration may

be adopted by the affirmative vote or agreement of Unit Owners or Units to which at least sixty-seven percent (67%) of the votes in the Association are allocated. In addition, amendments of a material nature (as defined below) must be agreed to by eligible Mortgages who represent at least fifty-one percent (51%) of the votes of Unit estates that are subject to Mortgages held by eligible holders. Eligible Mortgagee are those holders of a first (1st) Mortgage on a Unit estate who have submitted a written request that the Owners' Association notify them on any proposed Action requiring the consent of a specific percentage of eligible Mortgage holders. Amendments of a material nature include a change to any of the provisions governing the following:

- voting rights;
- increases in assessments that raise the previously assessed amount by more than 25%, Assessment liens, or the priority of Assessment liens;
- reductions in reserves for maintenance, repair and replacement of Common Elements;
- responsibility for maintenance and repairs;
- Reallocation of interests in the general or Limited Common Elements, or rights to their use;
- redefinition of any Unit boundaries;
- convertibility of Units into Common Elements or vice versa;
- Expansion or contraction of the project, or the addition, annexation or withdrawal of Property to or from the Project;
- hazard or fidelity insurance requirements;
- imposition of any restrictions on the leasing of Units;
- imposition of any restrictions on the right of a Unit Owner to sell or transfer his or her Unit;
- a decision by the Owner's Association of a project that consists of fifty (50) or more Units to establish self-management if professional management had been required previously by the project Documents or by an eligible Mortgage holder;
- restoration or repair of the project (after damage or partial condemnation) in a manner other than that specified in the Documents; or
- any provisions that expressly benefit mortgage holders, insurers or guarantors.

Implied consent and approval may be assumed when an eligible Mortgagee fails to submit a response to any written proposal for an amendment within thirty (30) days after it receives proper notice of the proposal, provided the notice was delivered by certified or registered mail, "return receipt" requested.

19.03. Prohibited Amendments. No amendment may be adopted that would eliminate, modify, prejudice, abridge or otherwise adversely affect any rights, benefits, privileges or priorities granted to the Developer without the consent of Developer. No amendment that is in conflict with the Articles, the Declaration or the Act shall be adopted.

19.04. 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 XX MISCELLANEOUS

20.01. Intent. It is the intent of Declarant to create a Condominium pursuant to the Act. In the event that the Condominium created by this Declaration shall fail in any respect to comply with the Act, then the common law as the same exists on the filing date of this Declaration shall control, and the Condominium hereby created shall be governed in accordance with the Laws of the State of Alabama, the By-Laws, the Articles and all other instruments and exhibits attached to or make a part of this Declaration.

20.02. Covenants, Conditions and Restrictions. All provisions of the Condominium Documents shall, to the extent applicable and unless otherwise expressly therein provided to the contrary, be perpetual and be construed to be covenants running with the Land and with every part thereof and interest therein; and all of the provisions of the Condominium Documents shall be binding on and inure to the benefit of any Owner of all or any part thereof, or interest therein, and his or her heirs, executors, administrators, legal representatives, successors and assigns, but said provisions are not intended to create nor shall they be construed as creating any rights in or for the benefit of the general public. All Unit Owners and Occupants shall be subject to and shall comply with the provisions of the Condominium Documents and any Rules and Regulations promulgated thereunder.

20.03. Severability. The invalidity in whole or in part of any covenant or restriction or any paragraph subparagraph, sentence, clause, phrase, word or other provision of this Declaration, the Articles, the By-Laws, any Rules and Regulations of the Association promulgated pursuant thereto, and any Exhibit attached to this Declaration, as the same may be amended from time to time, or the Act, or the invalidity in whole or in part of the application of any such covenant, restriction, paragraph, subparagraph, sentence, clause, phrase word or other provision shall not affect the remaining portions thereof.

20.04. Taxation of Condominium Parcels. The Assessment and taxation of the Condominium Property shall be governed by the Act.

20.05. Notice. The following provisions shall govern the construction of the Condominium Documents, except as may be specifically provided to the contrary herein: All notices required or desired under the Condominium Documents to be sent to the Association shall be sent certified mail, return receipt requested, to the Secretary of the Association, at such other address as the Association may designate from time to time by notice in writing to all Unit Owners. Except as provided specifically to the contrary in the Act, all notices to any Unit Owner shall be delivered in person or sent by first (1st) class mail to the address of such Unit Owner at the Condominium, or to such other address as he may have designated from time to time, in a writing duly receipted for, to the Association. Proof of such mailing or personal delivery to a Unit Owner by the Association may be provided by the affidavit of the person personally delivering said notice or by a post office certificate of mailing. All notices to the Association or a Unit Owner shall be deemed to have been given when delivered to the addressee in person in accordance with the provisions of this Declaration or when mailed in a postage-paid, sealed envelope, except notices of address changes, which shall be deemed to have been given when received.

20.06. Governing Law. Should any dispute or litigation between any of the parties whose rights or duties are affected or determined by the Condominium Documents or any Rules and Regulations adopted pursuant to such Documents, such dispute or litigation shall be governed by the Laws of the State of Alabama.

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

20.08. Ratification. Each Unit Owner, by reason of having acquired Ownership of his Condominium Parcel, whether by purchase, gift, operation of law, or otherwise, shall be deemed to have acknowledged and agreed that all the provisions of the Condominium Documents and any Rules and Regulations promulgated thereunder are faire and reasonable in all material respects.

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

20.10. Assignment. All rights in favor of the Declarant reserved in this Declaration are freely assignable in whole or in part by Declarant and may be exercised by any nominee of Declarant and/or exercised by the successors in interest of Declarant.

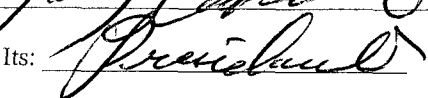
20.11. Costs and Attorney's Fees. In any proceeding arising because of an alleged default by a Unit Owner, the prevailing party shall be entitled to recover the costs of the proceedings and such reasonable attorney's fees as may be awarded by the Court.

20.12. Rights of Action. The Association and any aggrieved Unit Owner shall have the right of Action against Unit Owners who fail to comply with the provisions of the Declaration, By-Laws, Rules and Regulations, the Act and other Condominium Documents. Unit Owners shall have the right of Action against the Association for failure of the Association to comply with the provisions of the Declaration, By-Laws, Rules and Regulations, the Act and other Condominium Documents. In the event that the Condominium Documents give Developer or the Association the right to use summary abatement or similar means to enforce restrictions against the Unit or its use, a judicial proceeding shall be instituted before any items of construction can be altered or demolished.

20.13. Applicability. Each Unit Owner shall be subject to all rights and duties assigned to Owners under the terms of the Condominium Documents. When there are unsold Units in the Project, the Developer shall enjoy the same rights and assume the same duties as they relate to each individual unsold Unit.

IN WITNESS WHEREOF, LAGOON TOWER, INC., An Alabama Corporation, has caused this instrument to be executed on this 19th day of FEBRUARY 2007.

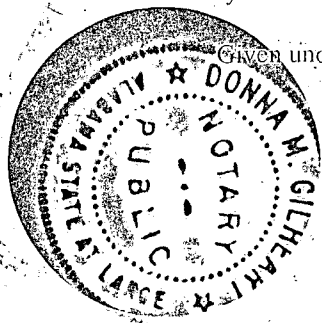
LAGOON TOWER, INC.
An Alabama Corporation

By: 
Its: 

STATE OF ALABAMA

COUNTY OF BALDWIN

I, the undersigned authority, a Notary Public in and for said County in said State, hereby certify that LARRY CALVERT whose name as PRESIDENT of LAGOON TOWER, INC., a Corporation, 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 said instrument, he, as such officer 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 19th day of FEBRUARY, 2007.

Donna M. Gilheart

NOTARY PUBLIC

My Commission Expires:

**My Commission
Expires 6-22-08**

THIS INSTRUMENT PREPARED BY:

G. DAVID CHAPMAN III, P.C.

Attorney at Law

Post office Box 1508

Gulf Shores, Alabama 36547

File 04.7969

EXHIBIT "A"
ATTACHED TO
DECLARATION OF CONDOMINIUM
OF
LAGOON TOWER, A CONDOMINIUM.

REAL PROPERTY LEGAL DESCRIPTION

Lot 21, Block 1, Lagoon Estates, Second Addition, according to map or plat thereof as recorded in Map Book 4, page 149 in the Office of the Judge of Probate, Baldwin County, Alabama.

TOGETHER WITH an appurtenant easement across the East 6 feet of the West one-half of Lot 60, Unit 6 Subdivision of Gulf Shores, per re-plat of Lots 40-67, Unit 6 according to plat thereof recorded in Map Book 4, page 199 in the Office of the Judge of Probate, Baldwin County, Alabama.

THE REAL PROPERTY IS SUBJECT TO THE FOLLOWING:

1. Interest created by or limitations and restrictions imposed on the use of the Real Property as established by the Federal Coastal Zone Management Act or other Federal law or regulation.
2. Zoning, planning and other restrictions or regulations upon the use of the Real Property as may be imposed by the City of Gulf Shores, Alabama or any other governmental authorities having jurisdiction over the Real Property.
3. Development Rights and Special Declarant Rights granted Developer by the Condominium Documents and by the Act.
4. All ad valorem taxes and assessments.
5. The rights of eminent domain or governmental rights of police power.
6. Terms and conditions of all permits and licenses of Federal, state, and local government, including applicable agencies and departments and private and quasi governmental agencies having jurisdiction over the Real Property.
7. Prior mineral reservations of record in the Office of the Judge of Probate, Baldwin County, Alabama.
8. Terms, conditions, restrictions, etc., as contained in Real Property Book 398, page 638, as pertain to the easement described herein. Said terms, conditions, restrictions, etc., modified by Final decree pursuant to Circuit Case #CV-98-286 as recorded at Instrument #538462 and all amendments thereto, but omitting any covenant, condition or

restriction, if any, based on race, color, religion, sex, handicap, familial status or national origin unless and only to the extent that the covenant, condition or restriction (a) is exempt under Title 42 of the United States Code, or (b) relates to handicap, but does not discriminate against handicapped persons.

9. Reservation of 1/2 oil, gas and other minerals, and all rights in connection therewith as contained in deed from Meyer Properties, Inc. to Robert G. Wallace, dated February 1, 1972 and recorded in Deed Book 425, page 253.
10. Rights of other parties, the United States of America or State of Alabama in and to the shore, littoral or riparian rights to the property described herein lying adjacent to Little Lagoon.
11. Any of the lands described hereof that would be below mean high tide.
12. Any adverse claim arising by reason of rules or regulations being imposed upon the property described herein by any environmental agency of the State of Alabama or of the United States of America.
13. Any adverse claim based upon the assertion that some portion of the land described herein is tide or submerged land or has been created by artificial means or has accreted to such portion so created.
14. Restrictive covenants as contained in Map Book 4, page 149 and amended in Miscellaneous Book 13, page 400 and all amendments thereto, but omitting any covenant, condition or restriction, if any, based on race, color, religion, sex, handicap, familial status or national origin unless and only to the extent that the covenant, condition or restriction (a) is exempt under Title 42 of the United States Code, or (b) relates to handicap, but does not discriminate against handicapped persons.
15. Any claim arising by reason of the record distance of 100 feet and the actual distance of 99.91 feet along the South line not being the same, being a difference of .09 feet according to survey dated October 11, 1995 by Bay Area Surveying, Inc., R. G. Jerry Perez (Ala. Reg. No. 18117).
16. Any claim arising by reason of the record distance of 455 feet and the actual distance of 446+/- feet along the West line not being the same, being a difference of 11+/- feet according to survey dated October 11, 1995 by Bay Area Surveying, Inc., R. G. Jerry Perez (Ala. Reg. No. 18117).
17. Any claim arising by reason of the record distance of 450 feet and the actual distance of 442+/- feet along the East line not being the same, being a difference of 8+/- feet according to survey dated October 11, 1995 by Bay Area Surveying, Inc., R. G. Jerry Perez (Ala. Reg. No. 18117).
18. Bulkhead along the North line as shown on survey by Bay Area Surveying, Inc., dated October 11, 1995.
19. Reservation of 1/2 interest in and to all oil, gas and other minerals, and all rights in connection therewith as contained in deed from Meyer Properties, Inc., to Robert G. Wallace dated February 1, 1972 and recorded in Deed Book 425 page 253.

20. Reservation of a six foot walking easement on the East line of the property described herein as contained in deed from Larrayne H. Andress and Harry R. Andress to Henry H. Tyler and Sandra L. Tyler dated August 20, 1990 and recorded in Real Property Book 398, page 638.
21. Rights of the United States of America, State of Alabama of other parties in and to the bed, shore, and water of the Gulf of Mexico.
22. Rights, if any, of the public to use as a public beach or recreation area, any part of the property described herein lying between the body of water abutting said land and the natural line of vegetation, dunes, extreme high water line or the apparent boundary line separating the publicly used area from the upland private area.
23. Rights of other parties in and to the easement.
24. Reservation , restrictions, limitations and rights set forth in easement conveyed from W. C. Gullahorn, Jr., and Jennifer J. Gullahorn to Lagoon Tower, Inc., an easement interest, dated May 12, 2005 and recorded at Instrument #891213 and all amendments thereto, but omitting any covenant, condition or restriction, if any, based on race, color, religion, sex, handicap, familial status or national origin unless and only to the extent that the covenant, condition or restriction (a) is exempt under Title 42 of the United States Code, or (b) relates to handicap, but does not discriminate against handicapped persons.
25. Amendment by the Planning Commission of the City of Gulf Shores of the Subdivision Regulations of the City of Gulf Shores filed May 27, 1997 in Miscellaneous Book 93, page 1379, as amended by Instrument recorded at Instrument #493242, as further amended by instruments recorded at Instrument #534263; Instrument #534264; Instrument #534265; Instrument #534266; Instrument #534267; Instrument #535644; and Instrument #545891; Instrument #629528; Instrument #650108; Instrument #650109 and Instrument #650111; Instrument #672072, Instrument #704127, Instrument # 778241, and any amendments thereto.

EXHIBIT "B"
ATTACHED TO
DECLARATION OF CONDOMINIUM
OF
LAGOON TOWER, A CONDOMINIUM

BY-LAWS
OF
LAGOON TOWER CONDOMINIUM OWNER'S ASSOCIATION, INC.

BY-LAWS
OF
LAGOON TOWER CONDOMINIUM
OWNERS ASSOCIATION, INC.

INDEX

I. PURPOSE AND APPLICATION

- 1.01. Purpose and Application

II. PRINCIPAL OFFICE

- 2.01. Principal Office
- 2.02. Principal Agent

III. DEFINITIONS

- 3.01. Declaration Defined
- 3.02. Other Terms Defined

IV. MEMBERSHIP

- 4.01. Qualifications
- 4.02. No Additional Qualifications
- 4.03. Succession
- 4.04. Certificates of Membership

V. MEETINGS OF MEMBERS

- 5.01. Annual Meeting
- 5.02. Special Meeting
- 5.03. Notice of Meeting
- 5.04. Waiver of Notice
- 5.05. Quorum
- 5.06. Adjournment for Lack of Quorum
- 5.07. Action Without Meeting
- 5.08. Order of Business
- 5.09. Minutes of Meeting
- 5.10. Proviso

VI. MEMBER'S VOTING RIGHTS

- 6.01. Number of Votes
- 6.02. Vote Required to Transact Business
- 6.03. Designation of Voting Member
- 6.04. Failure to Designate a Voting Member
- 6.05. Voting by Proxy
- 6.06. Conditional Proxy

VII. BOARD OF DIRECTORS

- 7.01. Number
- 7.02. Qualification
- 7.03. Appointment by Developer
- 7.04. Nomination for Election
- 7.05. Initial Election of Directors
- 7.06. Election of Directors
- 7.07. Term
- 7.08. Vacancies
- 7.09. Removal
- 7.10. Compensation
- 7.11. Proviso

VIII. MEETINGS OF DIRECTORS

- 8.01. Regular Meetings
- 8.02. Special Meetings
- 8.03. Open Meetings
- 8.04. Waiver of Notice
- 8.05. Quorum
- 8.06. Action Without Meeting
- 8.07. Presiding Officer
- 8.08. Minutes of Meeting
- 8.09. Order of Business

XI. POWERS AND DUTIES OF THE DIRECTORS

- 9.01. Specific Powers
- 9.02. Committees
- 9.03. Managing Agent

X. OFFICERS

- 10.01. Election
- 10.02. Term
- 10.03. Special Appointments
- 10.04. Resignation and Removal
- 10.05. Vacancies
- 10.06. Compensation
- 10.07. Duties of the President
- 10.08. Duties of the Vice-President
- 10.09. Duties of the Secretary
- 10.10. Duties of the Treasurer

XI. FISCAL MANAGEMENT

- 11.01. Fiscal Year
- 11.02. Annual budget
- 11.03. Adoption of the Annual Budget
- 11.04. Assessments
- 11.05. Reserves for Replacement
- 11.06. Depository

- 11.07. Lien for Expenses
- 11.08. Priority of Lien
- 11.09. Acceleration of Assessment Installments
- 11.10. Default
- 11.11. Supplemental Assessments
- 11.12. Annual Statement
- 11.13. Accounting Records
- 11.14. Information
- 11.15. Fidelity Bonds
- 11.16. Lender's Notices

XII. OWNER OBLIGATIONS AND COVENANTS

- 12.01. Assessments
- 12.02. Maintenance and Repair
- 12.03. Use

XIII. RULES AND REGULATIONS

- 13.01. Rules and Regulations

XIV. AMENDMENTS TO THE BY-LAWS

- 14.01. Notice
- 14.02. Adoption
- 14.03. Prohibited Amendments
- 14.04. Recording

XV. MISCELLANEOUS

- 15.01. Construction
- 15.02. Captions
- 15.03. Parliamentary Rules
- 15.04. Conflicts
- 15.05. Compliance

BY-LAWS
OF
LAGOON TOWER CONDOMINIUM
OWNERS ASSOCIATION, INC.

ARTICLE I
PURPOSE AND APPLICATION

1.01. Purpose and Application. The following are the By-Laws of Lagoon Tower Condominium Owner's Association, Inc., ("Association") a Not-for-profit Corporation, organized pursuant to the Alabama Nonprofit Corporation Act, §§ 10-3A-1, 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 Lagoon Tower, a Condominium, ("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 Lagoon Tower 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 Declaration.

The mere acquisition or rental of any of the Units of Lagoon Tower 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 8590 Bayview Drive, Foley, Alabama 36535 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 the principal office of the Association. The mailing address of the Association shall be 8590 Bayview Drive, Foley, Alabama 36535.

2.02. Principal Agent. The initial principal agent of the Association at such office shall be LARRY M. CALVERT.

ARTICLE III DEFINITIONS

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

3.02. Other Terms Defined. Other terms used in these By-Laws shall have the meaning given to them in the Declaration and are incorporated by reference and made a part of these By-Laws.

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 automatically be transferred to the new Unit Owner succeeding to such ownership interest. On the conveyance, transfer or other disposition of a portion of a Unit Owner's interest in a Unit, the transferring Unit Owner and the transferee shall each be Members of the Association in accordance with the ownership interest of each following such conveyance or transfer.

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 date, at the place, and at the time, as determined by the Board of Directors from time to time, provided that there shall be an annual meeting every calendar year and not later than thirteen months after the last preceding 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.

5.02. Special Meeting. Special meetings of the Members may be called at any time by the President, a majority of the Board of Directors, or on receipt by the Board of Directors of a written request of Members representing at least twenty percent (20%) 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 of a member of the Board of Directors. Notices shall be prepared and delivered by or at the direction of the Secretary, and may be delivered either personally or by mail to a Member at the address given to the Board of Directors by said Member, or to the Member's Unit if no such address has been given to the Board of Directors. Notice of the annual meeting and special meetings shall be mailed or delivered to each Member not less than ten (10) days prior to the meeting. No notices of annual or special meetings shall be mailed or delivered more than fifty (50) days prior to such meeting. A copy of the notice of any meeting of Members shall also be posted in a 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 more than thirty-three percent (33%) 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 thereat, 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.

5.10. Proviso. Provided, however, the Developer shall retain control of the Association in accordance with the terms and conditions of the Declaration.

ARTICLE VI MEMBER'S VOTING RIGHTS

6.01. Number of Votes. The aggregate number of votes for all members shall be 36, the number of vote to which each Unit is entitled is provided in the Declaration. The votes of the Units shall not be devisable.

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 (1) 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 involved. 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 (1) person and they do not designate a voting Member, the following provisions shall apply:

(1) 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 present of, or lack thereof, of a quorum.

(2) If only one (1) such Owner is present at a meeting, that person shall be entitled to cast the vote or votes pertaining to the Unit.

(3) If more than one (1) 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 the Owner or Owner of the Unit 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 right of the Mortgagee 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. The affairs of the Association shall be managed by a Board of Directors, consisting of the number as may be selected by the Members, however the Board of Directors shall consist of no less than three (3) persons nor more than five (5) persons.

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

7.03. Appointment by Developer. The initial Board of Directors, as well as successor Directors, shall be appointed by the Developer/Declarant, and may be removed by the Developer/Declarant at any time. The Developer/Declarant shall have the right to appoint and remove Directors in accordance with the terms of the Declaration. The Directors appointed by the Developer need not be Unit Owners.

7.04. Nomination for Election. Nomination for election to the Board of Directors shall be made from the floor at the annual meeting of Members or at any other meeting of Members called for the purpose of electing Directors. Nominations shall also be made by a nominating committee appointed by the Board of Directors prior to the annual meeting of the Members or prior to any other meeting of Members called for the purpose of electing Directors.

7.05. Initial Election of Directors. At such time as the Unit Owners are entitled to elect one (1) or more Directors, in accordance with the terms of the Act, the Association shall call a meeting of the Members to elect the Director. The Association shall give not less than ten (10) days nor more than fifty (50) days notice of the meeting to each Member. The meeting may be called and the notice may be given by any Unit Owner if the Association fails to do so. The election shall be conducted in the manner specified in Paragraph 7.06. of these By-Laws.

7.06. Election of Directors. Directors shall be elected at the annual meeting of Members. 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.

7.07. Term. Each Director elected by the Members shall hold office until the next annual meeting of Members, and until his or her successor shall be elected and qualified, or until said Director's resigns or is removed in any manner provided elsewhere in these By-Laws. Each Director appointed by the Developer shall hold office until he or she resigns, is removed by the Developer or his or her term expires as provided for in these By-Laws and in the Declaration.

7.08. 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 un-expired term of the Director whom he or she succeeds. Any vacancy in the position of a Director appointed by the Developer shall be filled by the Developer, except as provided in the Act.

7.09. Removal. Any Director may be removed for cause by the concurrence of two-thirds (2/3) of the votes of the Association 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.

7.10. 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 said Directors in the performance of his or her duties.

7.11. Proviso. Provided, however, the Developer shall retain control of the Association in accordance with the terms and conditions of the Declaration.

ARTICLE VIII MEETINGS OF DIRECTORS

8.01. Regular Meetings. Regular meetings of the Board of Directors shall be held quarterly at such place, and at such time and date as the Board of Directors shall designate. Notice of the regular meetings shall be given to each Director, personally or by mail, telephone or telegraph, and shall be transmitted at least fourteen (14) days prior to the 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 or by mail, telephone or telegraph, at least three (3) days prior to the meeting.

8.03. Open Meetings. All meetings of the Board of Directors shall be open to all Members of the Association, and notice of such meetings shall be posted conspicuously on the Condominium Property at least forty-eight (48) hours prior to the meeting, except in the event of an emergency.

8.04. Waiver of Notice. Any Director may waive notice of a meeting either before or after the meeting, or may consent to the holding of a meeting without notice. Attendance by any Director at a meeting shall constitute waiver of notice of 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.

8.05. 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.

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

8.07. 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 (1) of their number to preside.

8.08. 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.

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

- Call of Roll
- Proof of due notice of meeting
- Reading and disposal of unapproved minutes
- Reports of Officers and Committees
- Election of Officers
- Unfinished business
- New business
- Adjournment

**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 or the Developer. The powers and duties of the Board of Directors shall include, but shall not be limited to, the following:

- (1) To elect and remove officers of the Association as hereinafter provided.
- (2) To administer the affairs of the Association and the Condominium Property.
- (3) To maintain bank accounts on behalf of the Association and to designate signatories required therefor.
- (4) To sell, lease, mortgage or otherwise deal with Units acquired by the Association.
- (5) To pay the cost of all taxes and utilities assessed against the Condominium that are not assessed and billed to the owners of individual Units.
- (6) To borrow money on behalf of the Association when required in connection with the operation, care, upkeep and maintenance of the Common Elements and Limited Common Elements, provided, however, that the consent of a least two-thirds (2/3) of the votes of the Members, obtained at a meeting duly called and held for such purpose in accordance with the provision of these By-Laws, shall be required for the borrowing of such money.
- (7) To estimate the amount of the annual budget and to make, levy, enforce and collect Assessments against Unit Owners to defray the costs, expenses and losses for the Condominium, and to provide adequate remedies for failure to pay such Assessments.
- (8) To use the proceeds of Assessments in the exercise of its powers and duties.
- (9) To maintain, repair, replace and operate the Condominium Property, including the reasonable right of entry upon any Unit to make emergency repairs and to do other work reasonably necessary for the proper maintenance and operation of the project and the right to grant permits, licenses and easements over the Common Areas for utilities, roads and other purposes reasonably necessary or useful for the proper maintenance or operation of the Project.

(10) To purchase insurance on the Property, and to purchase insurance for the protection of the Association and the Members of the Association, and the Members of the Board of Directors and Officers of the Association.

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

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

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

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

(15) To contract for the management or operation of portions of the Common Elements of the Condominium susceptible to separate management or operation, and to lease such portions.

(16) To retain attorneys and accountants.

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

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

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

(20) To procure such fidelity bonds, as the Board of Directors 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 Expenses.

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

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 a Director, Officer or employee of the Association, or an independent person or firm qualified to manage the Property and affairs of the Condominium under the supervision of the Board of Directors. The compensation paid to any such manager or managing agent shall be in the amount established from time to time by the Board of Directors.

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) or more offices may be held by the same person, except the President shall not also be the Secretary. 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 or her successor shall have been appointed or elected and qualified, provided that any officer may succeed himself.

10.03. Special Appointments. The Board of Directors 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 of Directors 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 of Directors. 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 un-expired term of the Officer he or she 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 said Officer in the performance of his or her 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:

- (1) To preside over all meetings of the Members and of the Board of Directors.
- (2) To sign as President all deeds, contract, and other instruments that have been duly approved by the Board.
- (3) To call meetings of the Board whenever he deems it necessary in accordance with the Rules.
- (4) To have the general supervision, direction and control of the affairs of the Association.
- (5) 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:

- (1) To perform the duties and exercise the powers of the President, in the absence or disability of the President.
- (2) To assist the President in the exercise of his or her powers and the performance of his or her 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, including but not limited to the following powers:

(1) To keep a record of all meetings and proceedings of the Board of Directors and of the Members.

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

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

(4) To keep current records showing the Members of the Association together with their addresses.

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

(6) 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, including but not limited to the following powers:

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

(2) To be responsible for and supervise the maintenance of books and records to account for such finds and other Association assets.

(3) To disburse and withdraw said funds as the Board of Directors may from time to time direct, and in accordance with prescribed procedures.

(4) To prepare and distribute the financial statements for the Association.

(5) To prepare a record of all receipts and expenditures.

(6) 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 be such as shall from time to time be established by the Association.

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 of Directors 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 of Directors. The Board of Directors 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 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 (1st) 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 each Unit Owner shall be in proportion to his or her 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 (1st) 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 or her obligation to make timely payment of the

monthly Assessment. If the Board of Directors 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 or her monthly Assessment as last determined. No Unit Owner shall be relieved of his obligation to pay his or her Assessment by abandonment of his or her Unit or lack of use of the Common Elements or Limited Common Elements. The collection for Assessments shall begin at such time as the first (1st) Unit is conveyed by the Developer.

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

11.06. 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.

11.07. 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 the Unit Owner 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.

11.08. 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.

11.09. 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.

11.10. Default.

(1) In the event a Unit Owner does not pay any sums, charges or Assessments required to be paid to the Association within thirty (30) days from the due date, the Association may foreclose the lien encumbering the Unit created by non-payment of the required moneys in 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 in 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.

(2) If the Association becomes the Owner of a Unit by reason of foreclosure, the Association 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.

11.11. Supplemental Assessments. If during the course of any fiscal year, it shall appear to the Board of Directors 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 of Directors shall prepare and approve a supplemental budget covering the estimated deficiency. Copies of the supplemental budget shall be delivered to each Unit Owner, and thereupon a supplemental Assessment shall be made to each Unit Owner for his or her proportionate share of the supplemental budget.

11.12. Annual Statement. Within sixty (60) days after the end of each fiscal year, the Board of Directors shall cause to be furnished to each Unit Owner, a statement for the year so ended showing the receipts and expenditures of the Association, and such other information as the Board of Directors may deem desirable. If the condominium consists of fifty (50) or more Units, the Association shall make an audited statement for the preceding

fiscal year (if the project has been established for a full fiscal year) available to the holder, insurer or guarantor of any first (1st) mortgage that is secured by a Unit in the Condominium on submission of a written request for it. Said audited financial statement shall be available within one hundred twenty (120) days of the Owners' Association fiscal year end. If the Condominium consists of fewer than fifty (50) Units and there is no audited statement available, the Project documents must allow any mortgage holder to have an audited statement prepared at its own expense.

11.13. Accounting Records. The Association shall keep financial records sufficiently detailed to enable the Association to comply with the requirements of the Act. The Board of Directors 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.

11.14. Information. The Association shall be required to make available to Unit Owners, lenders, and to holders, insurers or guarantors of any first (1st) 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.

11.15. Fidelity Bonds. Fidelity bonds shall be required by the Board of Directors 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 fifty percent (150%) of the total annual Assessments against Members for recurring expenses. The premiums on such bonds shall be paid by the Association.

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

(a) Any condemnation or casualty loss that affects either a material portion of the Project or the Unit securing its mortgage.

(b) Any sixty (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 Owner's 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 a 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 a Unit in the Condominium shall promptly perform all maintenance and repair work, as provided for in the Articles of Incorporation, 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

13.01. 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 of Directors with respect to any such rules and regulations or modifications thereof or any amendments or additions thereof. 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. 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. Except in the cases where this document may be amended by Developer/Declarant under the terms hereof or the Act, By-Laws may be altered, amended or appealed or new By-Laws may be adopted by the affirmative vote or agreement of Unit Owners or Units to which at least sixty seven percent (67%) of the votes in the Association are allocated. In addition, amendments of a material nature (as defined below) must be agreed to by eligible mortgage holders (as defined below) who represent at least fifty one percent (51%) of the votes of Unit that are subject to mortgages held by eligible holders. Eligible mortgage holders are those holders of a first(1st) mortgage on a Unit who have submitted a written request that the Owners' Association notify them on any proposed action requiring the consent of a specific percentage of eligible mortgage holders. Amendments of a material nature include a change to any of the provisions governing the following:

- voting rights;
- increases in Assessments that raise the previously assessed amount by more than twenty-five percent (25%), Assessment liens, or the priority of assessment liens;
- reductions in reserves for maintenance, repair and replacement of Common Elements;
- responsibility for maintenance and repairs;
- reallocation of interests in the general or Limited Common Elements, or rights to their use;
- redefinition of any Unit boundaries;
- convertibility of Units into Common Elements or vice versa;
- Expansion or contraction of the project, or the addition, annexation or withdrawal of property to or from the project;
- hazard or fidelity insurance requirements;
- imposition of any restrictions on the leasing of Units;
- imposition of any restrictions on the right of a Unit Owner to sell or transfer his or her unit;
- a decision by the Owners' Association of a project that consists of fifty (50) or more Units to establish self-management if professional management had been required previously by the project documents or by an eligible mortgage holder;
- restoration or repair of the project (after damage or partial condemnation) in a manner other than that specified in the documents; or
- any provisions that expressly benefit mortgage holders, insurers, or guarantors.

Implied consent and approval may be assumed when an eligible mortgage holder fails to submit a response to any written proposal for an amendment within thirty (30) days after it receives proper notice of the proposal, provided the notice was delivered by certified or registered mail, with a "return receipt" requested.

14.03. Prohibited Amendments. No amendment may be adopted that would eliminate, modify, prejudice, abridge, or otherwise adversely affect any rights, benefits, privileges, or priorities granted to the Developer without the consent of the Developer. No amendment that is in conflict with the Articles of Incorporation, 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.

This Instrument Prepared by:

G. DAVID CHAPMAN III, P.C.
Attorney at Law
Post Office Box 1508
Gulf Shores, Alabama 36547
File 04.7969

EXHIBIT "C"
ATTACHED TO
DECLARATION OF CONDOMINIUM
OF
LAGOON TOWER, A CONDOMINIUM

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

<u>UNIT NUMBER</u>	<u>FRACTIONAL OWNERSHIP INTEREST IN COMMON ELEMENTS (Respective Share of each unit)</u>	<u>NUMERICAL VALUE OF VOTE TO WHICH UNIT ENTITLED</u>
201	1/36	1
202	1/36	1
301	1/36	1
302	1/36	1
401	1/36	1
402	1/36	1
501	1/36	1
502	1/36	1
601	1/36	1
602	1/36	1
701	1/36	1
702	1/36	1
801	1/36	1
802	1/36	1
901	1/36	1
902	1/36	1
1001	1/36	1
1002	1/36	1
1101	1/36	1
1102	1/36	1

1201	1/36	1
1202	1/36	1
1301	1/36	1
1302	1/36	1
1401	1/36	1
1402	1/36	1
1501	1/36	1
1502	1/36	1
P16	2/36	2
P17	2/36	2
P18	2/36	2
P19	2/36	2

EXHIBIT "D"

ATTACHED TO
DECLARATION OF CONDOMINIUM
OF
LAGOON TOWER, A CONDOMINIUM

PLANS

Plats and plans recorded on Apt Bk 25, pages 103-114

CERTIFICATION

For Architect's Certifications see
Apartment Book 25 Page 105