

DECLARATION OF CONDOMINIUM OF  
REGENCY CONDOMINIUM

STATE OF ALABAMA,  
BALDWIN COUNTY

I certify that this instrument was filed on

MAY 15 1985

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DECLARATION OF CONDOMINIUM OF  
REGENCY CONDOMINIUM

This Declaration is made and entered into this 14<sup>th</sup>  
day of MAY, 1985, by SCHAAF REALTY &  
INVESTMENTS, INC., a corporation, hereinafter referred to as  
the "Declarant," for itself, and for its successors, gran-  
tees, and assigns, for the purpose of creating a condominium  
and establishing certain easements, covenants, and restric-  
tions to run with the land.

RECITALS

The Declarant is the owner of certain real estate  
described in Article IV below, and located in the City of  
Gulf Shores, County of Baldwin, State of Alabama,  
hereinafter referred to as the "Parcel."

The Declarant intends to and does hereby submit the  
Parcel together with all buildings, structures, improve-  
ments, and other permanent fixtures thereon, and all rights  
and privileges belonging or in any way pertaining thereto,  
to the provisions of the Alabama Condominium Ownership Act.

The Declarant further desires to establish for its own  
benefit 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, occu-  
pants, mortgagees, 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 Declarant proposes to develop the Condominium,  
which shall be known as REGENCY CONDOMINIUM, in one or more  
phases, but reserves the right, in its sole discretion, to  
complete only as many phases as market of other relevant  
consideration may dictate. Any phases shall be completed no  
later than five (5) years from the filing of this  
Declaration. Each phase shall become part of the  
Condominium and phases shall share the common elements of  
the whole upon the happening of the following:

(a) The filing of an amendment hereto by the  
Developer dedicating the subsequent phase to the condominium  
form of ownership.

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(b) The granting of reciprocal easements between the common elements of each of the phases previously incorporated into the condominium and the common elements of the phase to be incorporated, however the failure to exercise this power or inability to exercise this power shall not prevent the subsequent phase from becoming part of this condominium.

(c) Upon the addition of a phase to the Condominium it shall be as if the added phase had always been a part of the Condominium, however, the Developer shall be the sole owner of any added phase.

(d) The rights of a subsequently added phase shall be determined according to the method set out in this document as to voting rights, percentage ownership of common areas and limited common areas, obligation to pay common expenses and rights to common surplus.

(e) Upon the sole election of the Developer, subsequent phases not already added may never be added and separate lands may be developed separately in any manner whatsoever, notwithstanding their inclusion in the plans of this document as subsequent phases.

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

ARTICLE I  
DEFINITIONS

The terms used herein and in the Exhibits attached hereto shall have the meaning specified in the Act, and as follows, unless the context otherwise requires:

- (1) "Act" means the Alabama Condominium Ownership Act.
- (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 and Limited Common Expenses which from time to time may be levied against each Unit Owner.
- (4) "Association" means Regency Condominium Owners Association, Inc., an Alabama not for profit Corporation, and its successors, that is the entity responsible for the administration and management of the Condominium.
- (5) "Board" means the Board of Directors of the Association.

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(6) "Building" means all structures or structural improvements located on the Parcel and forming part of the Condominium.

(7) "Bylaws" means the duly adopted Bylaws of the Association.

(8) "Common Elements" means any part of the Condominium Property, as set forth and defined in Paragraph 4.04 of this Declaration, in which all of the Unit Owners have an undivided interest.

(9) "Common Expenses" means the expenses arising out of the ownership of the Common Elements, including 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 Regency Condominium, and consists of the Condominium Property submitted to the condominium form of ownership by this Declaration;

(12) "Condominium Documents" means the Declaration, Bylaws, Articles, and all exhibits attached thereto as the same may be amended from time to time;

(13) "Condominium Property" or "Property" means all property covered by the Declaration, and includes the Land 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 Schaaf Realty & Investments, Inc., and its successors and assigns.

(16) "Institutional Mortgagee" means a bank, a savings and loan association, an insurance company, a FHA-approved mortgage lender, a pension fund, a credit union, a real estate or mortgage investment trust, The Federal National Mortgage Association, The Federal Home Loan Mortgage Corporation, a mortgage banker, mortgage broker, federal or state agencies, or any other lender generally recognized in the community as an institutional type of lender or its loan correspondent, or any other like business entity holding a mortgage on a condominium parcel and insurers or guarantors of same, or the Declarant, holding a Mortgage on one or more individual Units. Institutional Mortgagee shall also include the successors and/or assigns of the above entities.

(17) "Limited Common Elements" means the part or parts of the Condominium Property as set forth in Paragraph 4.05 of this Declaration, in which more than one, but not all of the Unit Owners have an undivided interest.

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(18) "Limited Common Expenses" means the expenses arising out of the ownership of the Limited Common Elements, including expenses incurred in the maintenance, administration, improvement, and repair of the Limited 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;

(19) "Limited Common Surplus" means the excess of all receipts of the Association arising out of the ownership of Limited Common Elements over the amount of the Limited Common Expenses;

(20) "Member" means a member of the Association, membership in which is confined to persons holding fee ownership in a Unit.

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

(22) "Plans" means the site plan, building plans, floor plans, and sections prepared by J. Martin Smith III which depict the location, layout, identifying numbers, and dimensions of the Units and the Limited Common Elements and the Common Elements, identified as the Condominium, that are attached hereto as Exhibit A, and by this reference made a part hereof.

(23) "Special Assessments" means the costs and expenses, other than Common Expenses and Limited Common Expenses, for which the Unit Owners are liable to the Association.

(24) "Unit" or "Private Element" means a part of the Property designed and intended for any type of independent use and consisting of one or more rooms situated on one or more floors of the Buildings or a part or parts thereof, so specified as a Unit on the Plan. 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.

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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 or more other Units or the Common 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.

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

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ARTICLE II  
SUBMISSION OF PROPERTY TO ACT

By this Declaration, the Declarant hereby submits the Parcel and the Property as described in Exhibit     B     to the provisions of the Act.

ARTICLE III  
NAME AND ADDRESS

The name of the Condominium is Regency Condominium. The Condominium is located on Regency Road, in Gulf Shores, Baldwin County, Alabama.



ARTICLE IV  
DESCRIPTION OF PROPERTY - DEVELOPMENT PLAN

4.01. Land. The following property is hereby submitted, as Phase I, to the condominium form of ownership:

SEE EXHIBIT B, attached hereto and made a part hereof, by reference herein.

4.02. Plans. Phase I of the Condominium is being developed substantially in accordance with the plans and specifications therefor, said plans and specifications being identified as Exhibit H, attached hereto and made a part hereof. When completed, a set of plans, including a set of floor plans of the buildings, showing the layout, location, the designating numbers of each unit and bearing the verified statement of a licensed or registered engineer or architect that such drawings are in sufficient detail to identify the common elements and the private elements comprising the units "as built", shall be filed in the same manner as and Amendment of Plans as specified in 4.03 hereof.

4.03. Amendment of Plans. This Declaration may be amended by the filing of additional or amended plans and as may be required to accurately describe the improvements of the Condominium hereinafter and in order to show completion of improvements. Such completion may be shown by the filing of a verified statement of a licensed or registered engineer or architect certifying that the completed improvements have been constructed as substantially as herein represented and upon the plans herewith filed, or, if not so constructed, then designating the changes made and certifying that the plans being filed simultaneously with such certificate fully and accurately depict the layout, location, numbers, size and dimensions of the Units as built. Such plans, or certificate, or both, when signed and acknowledged by such a licensed or registered engineer or architect, and by the Developer, shall constitute an amendment to this Declaration without approval of the Association, Unit Owners, lessees or mortgagees of Units in the Condominium, whether or not elsewhere required for an amendment.

4.04. Buildings. Phase I of the Condominium consists of seven (7) buildings, constructed primarily of cypress board and batten, and brick, with the bottom floors to be on slab, and containing a total of twenty-eight (28) Units. Said buildings shall be comprised of three (3) basic type

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units as shown on the attached Exhibit   D   and generally described as follows:

Type A: A town house unit comprised of three (3) bedrooms, 2 1/2 baths, and containing approximately 1,570 square feet;

Type B: A town house unit comprised of three (3) bedrooms, 2 1/2 baths, and containing approximately 1,520 square feet; and

Type C: A one-story unit comprised of two (2) bedrooms two baths, and containing approximately 1,170 square feet.

4.05. Units. Each Unit is assigned a number or letter or a combination thereof, which is indicated on the Plans made Exhibit   H   hereto, 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 Plan, 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 deed book and page number where the first page of this Declaration is recorded. The description and location of the Units/Private Elements are determined with the aid of the Plans and as follows:

Central air conditioning and heating systems, vaulted ceilings, garbage disposal, range, oven, refrigerator and fireplace.

4.06. Common Elements. The Common Elements 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 Paragraph 4.01, hereof;
- (2) The foundations and footings, exterior walls, roofs, girders, beams, supports, stairs and stairways, porches, decks, patios, entry walks, and entry porches of any Building;
- (3) The yard, streets, walkways, parking areas, garage areas, recreational 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

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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, including but not limited to those certain easements to construct and maintain an aesthetic lake as more fully described in Exhibits F and G, attached hereto and made a part hereof.

(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.

4.07. Limited Common Elements. Limited Common Elements of the Condominium shall include those common elements in which more than one but not all Unit Owners have an undivided interest, as may be set forth in this Declaration as it may be amended from time to time; however, as of the date of this Declaration and the filing of the plans simultaneously herewith, the Condominium Proper contains no Limited Common Elements.

4.08. Future Phases. Exhibit C describes certain real property which may be incorporated into the condominium property hereby created and called Regency Condominium. If the property described in Exhibit C is later added to this condominium, it may only be added if developed in conjunction with the allocation of percentage ownership of the common elements and the sharing of common expenses and surplus and the sharing of voting rights as set forth in Paragraphs 5.01, 5.03, 5.06 and 6.03 of this condominium document. Developer may improve the property described in Exhibit C attached hereto and made a part hereof by reference by construction of additional condominium units and additional common elements and amenities. This should be done within five (5) years of the filing of this condominium document. If these additional phases are added, this document shall control the ownership interest of the unit owners. If the Developer chooses not to develop

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all or part of the property described in Exhibit C within the time period allowed in this paragraph, then it will no longer have the right to so develop the property described in Exhibit C to the condominium set out herein without the agreement of one hundred percent (100%) of the unit owners of the property who are members of the condominium set forth herein.

The Developer retains an irrevocable power of attorney coupled with his interest in the real property herein described as Exhibit C to grant permanent, reciprocal easements of the common elements between the phases of the development set forth in this Declaration of Condominium of REGENCY CONDOMINIUM and the property and any improvements thereon which may be added to such condominium as future phases.

Upon submission of such additional lands and improvements to the condominium regime, the common elements submitted to the condominium by this Declaration shall revert to Developer for the sole purpose of redistribution of said common elements, plus any common elements added by the amendment submitting such additional land and improvements and, concomitantly, the redistribution of the obligation and interest for the common expenses and common surplus of the condominium, to the unit owners as their interest may be determined pursuant to the provisions of this paragraph and of paragraphs 5.01, 5.03, 5.06 and 6.03 hereof. Any such amendments must be made within five (5) years of the date hereof.

(a) Nothing herein to the contrary withstanding, the consent of unit owners of the project shall not be required for such redistribution and Developer may proceed with such expansion at its own option;

(b) The additional land is described herein in Exhibit C;

(c) The Developer may add all or part or none of the land described in Exhibit C and may add the additional land at one time or at different times;

(d) The improvements to be placed on the additional land, if brought into the Condominium, will be compatible with the improvements located within the rest of the Condominium and will be of the same or similar quality of construction and materials, and the architectural style will be substantially the same as that of the improvements located within the rest of the Condominium. Nevertheless, Developer reserves the right to develop all improvements to the land described in Exhibit C to achieve the best development of the additional land at the option and in the sole discretion of the Developer. The locations set forth in brochures or otherwise are conceptual only and may be

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changed by the Developer as to the number of units, placement of units, number or placement of buildings or other particulars not herein enumerated;

(e) Future phases to be submitted to the condominium may contain easements as described in Exhibit G, attached hereto and made a part hereof.

(f) Developer reserves the right to develop land described in Exhibit C not submitted to the Condominium in any manner which it deems proper.

#### ARTICLE V COMMON ELEMENTS AND LIMITED COMMON ELEMENTS

5.01. Ownership. Each Unit Owner shall be entitled to the percentage of Ownership in the Common Elements and Limited Common Elements allocated to the respective Unit, as set forth in Exhibit E. The ownership interests in the Common Elements and Limited 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 or Limited Common Elements. The ownership interest in the Common Elements or Limited 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) 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 the 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, Bylaws, 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 and Limited Common Elements subject to the provisions of the Declaration and Bylaws.

(b) Anything contained herein notwithstanding, a valid exclusive easement is hereby declared and established for the benefit of each unit and its owner con-

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sisting of the right to use and occupy the carport and adjacent storage area serving the Unit, and balcony or deck serving only such Unit, as shown on Exhibit H.

5.03. (a) Share of Expenses. Each Unit Owner shall be assessed and liable for a proportionate share of the Common Expenses and Limited Common Expenses, and the proportionate share of Common Expenses and Limited Common Expenses shall be the same ratio as his percentage of ownership in the Common Elements and Limited Common Elements, as the case may be. Payment of Common Expenses and Limited Common Expenses shall be in such amounts and at such times as determined in the Bylaws. No Unit Owner shall be exempt from payment of his or her proportionate share of the Common Expenses or Limited Common Expenses by waiver or nonuse or nonenjoyment of the Common Elements or Limited Common Elements, or by abandonment of his 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.

(b) Proviso. Unless controlling and governing law shall provide otherwise, Developer/Declarant shall be required to pay assessments for common expenses and limited expenses for completed, unsold units only to the extent of and proportionate to the share of such assessments allocated to handle the costs of future improvements and major maintenance. Nothing contained herein shall preempt the Developer/Declarant, from its implied duty, prior to the termination of its control as provided in Paragraph 4.09 and 6.11 of the Bylaws and Paragraph 6.05 of this Declaration, to assure that all current operating expenses of the Association are paid as they become due and payable.

5.04. Lien for Expenses. If any Unit Owner shall fail or refuse to make any payment of the Common Expenses or Limited 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, Limited 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 subordinate to any lien for taxes, the lien of any mortgage of record and any other lien recorded prior to the time of recording of the claim of the Association's lien. A lien for common expenses assessments shall not be affected by any sale or transfer of a Unit,

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except that a sale or transfer pursuant to a foreclosure of a first mortgage shall extinguish a subordinate lien for assessments which became payable prior to such sale or transfer. However, any such delinquent assessments which were extinguished pursuant to the foregoing provision may be reallocated and assessed to all of the Units as a common expense. Any such sale or transfer pursuant to a foreclosure does not relieve the purchaser or transferee of a Unit from liability for, nor the Unit from the lien of, any assessments made thereafter.

5.06. Disposition of Surplus. The Common Surplus and Limited Common Surplus shall appertain to the Units in proportion to the liability for respectively Common Expenses and Limited 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 or Limited Common Elements, as the case may be, at the sole discretion of the Association.

#### ARTICLE VI THE ASSOCIATION

6.01. Powers and Duties. 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 Bylaws and 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 its powers and duties, 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.

6.02. Membership. Each Unit Owner shall be a member of the Association so long as he is a Unit Owner. A Unit

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Owner's membership shall automatically terminate when he ceases to be Unit Owner. The membership of a Unit Owner cannot be assigned or transferred in any manner except as an appurtenance to his Unit.

6.03. Voting Rights. Each Unit is entitled to one vote, which vote is not divisible. All votes of a Unit shall be cast in accordance with the provisions set forth in the Bylaws.

6.04. Bylaws. The Association and its members shall be governed by the Bylaws, identified as Exhibit A, attached hereto and made a part hereof, as if set out fully herein.

6.05. Control. The right of the Developer/Declarant to control the Association, the Board of Directors, this Project, or the Unit Owners in any manner except through votes allocated to units it owns on the same basis as votes pertaining to sold units, shall continue only until four (4) months after the the Developer/Declarant of the Condominium has completed and sold seventy-five (75%) of the units of the Condominium, or until three (3) years from the conveyance of the first unit or until Developer/Declarant elects to terminate its control of the Condominium, whichever shall first occur.

6.06. Contracts. The Association, prior to passage of control, shall not be bound, either directly or indirectly, to contracts or leases (including a management contract) unless there is a right of termination of any such contract or lease, without cause, which is exercisable without penalty at any time after transfer of control, not more than ninety (90) days notice to the other party.

## ARTICLE VII OCCUPANCY, USE, AND LEASING RESTRICTIONS

7.01. Residential Use. Each individual unit shall be occupied only by a family, its servants and guests, as a residence and for no other purpose.

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

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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 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 herein, and their agents, servants, tenants, family members, invitees, and licensees for such purposes incidental to the use of said 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 Limited 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 Limited Common Elements. No Unit Owner or Occupant shall place, distribute, or maintain any sign, poster, or bill in any portion of the Limited Common Elements outside his Unit without the approval of the Board of Directors.

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, 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.

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7.07. Completion of Improvements. Until such time as the developer has completed and sold all of the private individual units or any proposed futures improvements (phases) as contemplated herein, 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 of 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 a Unit Owner's right to mortgage his or her Unit.

#### ARTICLE VIII EASEMENTS

Each of the following easements is reserved to the Association for the benefit of its Members, their guests and lessees, is a covenant running with the land, may not be amended or revoked, and shall survive the termination of the Condominium:

(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

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sidewalks, paths, walks, lobbies, elevators, stairways, 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. This easement shall be nonexclusive and shall include the right of ingress and egress.

(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 or Limited Common Elements now encroaches upon any Unit, or if any Unit now encroaches upon any other Unit or upon any portion of the Common 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 shall exist. In any event any building, any Unit, any adjoining Unit, or any adjoining Common or Limited Common Element, 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 or Limited Common Elements upon any Unit or of any Unit upon another Unit or upon any portion of the Common 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.

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ARTICLE IX  
MAINTENANCE, ALTERATION, AND IMPROVEMENTS

9.01. Maintenance by the Association.

(1) The Association, as a Common Expense, or Limited Common Expense, as the case may be, 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. Said maintenance shall include but not be limited to all obligations and covenants as contained in those certain easements as described in Exhibits F and G, attached hereto and made a part 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, that any such contract shall be for a term not to exceed one year, and shall provide that it may be terminated by either party, without cause or payment of any fee, on not more than ninety (90) days' prior written notice.

9.02. Maintenance by Unit Owners. 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 therefor.

9.03. Unit Owner's Covenants. Each Unit Owner agrees as follows:

(1) To perform all maintenance, repairs, and replacements that are his obligation under Paragraph 9.02, hereof.

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

(3) Not to make, or cause to be made, any repairs to any plumbing, heating, ventilation or air conditioning systems located outside his Unit but required to be maintained by him under Paragraph 9.02(2), hereof, except by licensed plumbers or electricians authorized to do such work by the Association or its delegate.

(4) Not to make any addition or alteration to his 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 outshutters 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.

9.04. Facade. The Association shall determine the exterior color scheme of the Buildings and shall be respon-

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sible 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 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. Except for repairs and maintenance of existing improvements, after the completion of the improvements in accordance with the Plans, there shall be no addition, alteration, or further improvement of the Common Elements or Limited Common Elements (except by any changes or additions resulting from additional phases, if any, in accordance with this Declaration) without the prior approval of not less than Seventy-five percent (75%) of the Members and the approval in writing of all mortgagees who are the holders of mortgages comprising first liens on the units so approving, provided, however, that any alteration or improvement of common elements bearing the approval in writing of Unit Owners entitled to cast fifty-one percent (51%) of the votes in the Association, and the approval in writing of all mortgagees who are the holders of mortgages comprising first liens on the Units of such approving Unit Owners, and which does not prejudice the rights of any Owners not consenting, may be done if the Owners who do not approve are relieved from the initial cost thereof. There shall be no change in the share and rights and obligations of a Unit Owner in the Common Elements which are altered or further improved, whether or not the Unit Owner contributes to the initial cost thereof. Any such alteration or addition shall be done in accordance with complete plans and specifications therefor first approved in writing by the Board; and promptly upon completion of such additional building or structural alteration or addition to any structure, the Association shall duly record or file of record in the office of the Judge of Probate of Baldwin County, Alabama, such amendment together with a complete set of plans of the Condominium, as so altered, certified "as built" by a licensed or registered engineer or architect.

ARTICLE X  
INSURANCE

10.01. 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 coverages shall be consistent with local and state insurance laws.

10.02. 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 Mortgagees requesting such copies.

10.03. 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.

10.04. 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.

10.05. 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 thereunder shall not be affected by, and that the insurer shall not claim any right of set-off, counterclaim, apportionment, proration or contribution by reason of any other insurance obtained by or for any apartment 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.

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(3) Provide that such policy may not be cancelled 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 mortgage on an undivided unit, and every other person in interest who shall have requested such notice of the insurer.

(4) Contain a waiver by the insurer of any right of subrogation to any right of the Association, or either against the Owner or lessee of any Unit; and

(5) Contain a standard mortgage clause which shall:

(a) Provide that any reference to a mortgage 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 mortgage clause by reason of the failure of the mortgagee to notify that insurer of any hazardous use or vacancy, any requirement that the mortgagee pay any premium thereon, and any contribution clause.

(6) Any insurance trust agreement will be recognized.

10.06. 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 the insurance trustee as a trustee for each Unit Owner and the holder of each Unit's mortgage.

10.07. Property Damage Insurance. The Board shall secure and maintain in effect a "master" or "blanket" policy of property damage insurance providing coverage in an amount not less than the full replacement value of the Buildings, excluding coverage of improvements and betterments of Units made by Unit Owners, 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 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

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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 there shall be a construction code provision that requires changes to undamaged portions of the buildings even when only part of the project is destroyed by an insured hazard, the policy shall include construction code endorsements. Further, if applicable, the policy shall include Steam Boiler Coverage Endorsement, providing at least \$50,000.00 coverage for each accident at each location. Such coverage 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.

10.08. Public Liability Insurance. The Association shall secure and maintain a comprehensive general liability insurance policy covering all common areas, public ways and any other areas that are under its supervision. 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 bodily injury or property damage, or both, that results from the operation, maintenance, or use of the project's common areas 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 of at least \$1,000,000.00 for bodily injury and property damage for any single occurrence. The coverage shall also include protection against water damage liability and, if applicable, elevator collision, garagekeeper's liability, and such other risks as shall customarily be covered with respect to condominium buildings similar in construction, location, and use.

10.09. 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

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of flood insurance and provide for the premiums to be paid as a common expenses. 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) 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.

10.10. 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.

10.11. Fidelity Bonds.

(1) The Board 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, 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 and Limited 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 defnigion of employee or similar expression.

(d) The bonds shall provide that they may not be cancelled 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 of property in the Condominium.

(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.

10.12. Other Coverage. The Board shall secure other boiler and machinery insurance, directors' and officers' liability

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insurance, and plate glass insurance as it deems necessary and shall also have authority to obtain such other insurance as it deems desirable, in such amounts, from such sources and in such forms as it deems desirable. The premiums for such insurance shall be a Common Expense or a Limited common Expense, as the case may be.

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

10.14. Premiums. Premiums for insurance maintained by the Association shall be paid by the Association as a Common Expense or Limited Common Expense, as the case may be. 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 its option, to order insurance policies and to advance such sums as are required to maintain or procure such insurance. To the extent of any money so advanced, the 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 or Limited Common Expense, as the case may be.

10.15. Association as Agent. All insurance policies purchased by the Association shall provide that all proceeds covering property losses shall be paid to the Association. The Association is hereby irrevocably appointed agent with full power of substitution, 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 insureds; 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 the Mortgage Holder if the claim shall involve more than one Unit, and if only one Unit is involved, such actions shall be subject to the approval of any institutional Mortgagee holding a Mortgage encumbering such Unit.

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

(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 percentage as the share of the Common Elements appurtenant to his Unit as set forth in Exhibit E.

(2) Units. Except as provided in subparagraph (3), below, proceeds on account of damage to Units shall be held in the following undivided shares:

(a) When the Buildings are to be restored, the proceeds shall be held for the Unit Owners of damaged Units, 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 Buildings are 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 F.

(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 elsewhere in this Declaration.

10.17. 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 mortgagees being payable jointly to them. This is a covenant for the benefit of any mortgagee of a Unit and may be enforced by any such mortgagee.

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(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.

ARTICLE XI  
DAMAGE, DESTRUCTION, AND TERMINATION

11.01. Determination to Reconstruct or Repair. If any part of the Common Elements or Limited Common Elements shall be damaged to the extent that reconstruction, replacement or repair is necessary, then such damage shall be reconstructed and repaired pursuant to the provisions of this Article, unless within Thirty (30) days after notice is given to all Unit Owners and Institutional Mortgagees of the extent of the damage and the amount of such insurance that is forthcoming, Unit Owners of Units to which not less than One Hundred Percent (100%) of the votes in the Association appertain and the holders of all Mortgages on all such Units shall agree in writing that the same shall not be reconstructed, replaced or repaired.

11.02. Plans and Specifications. Any reconstruction or repair must be sufficient to restore the Property to substantially the same condition in which it existed prior to the casualty and must be made substantially in accordance with the plans and specifications of the original Buildings. In the alternative, reconstruction may be according to plans and specifications approved by the Board. If the damaged property includes part or all of the Buildings, approval shall be by the Unit Owners of all damaged Units and by the Mortgage Holder if it shall hold a Mortgage on one or more of the damaged Units. If the Mortgage Holder does not hold a Mortgage on at least one of the damaged Units, approval shall be by all Institutional Mortgagees holding Mortgages on the damaged Units. No approvals shall be unreasonably withheld.

11.03. Responsibility. 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.

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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 for Reconstruction and Repair. If the proceeds of insurance are not sufficient to defray completely the estimated cost of reconstructions and repair by the Association, Special Assessments shall be levied against the Unit Owners who own damaged Units, and, in the case of damage to Common Elements, assessments shall be made against all Unit Owners in sufficient amount to provide funds for the payment of such costs. Special Assessments against Unit Owners for damage to Units shall be in the proportion that the cost of reconstruction and repair of their respective Units bears to the total cost of such reconstruction and repair. An Assessment against a Unit Owner on account of damage to Common Elements shall be in proportion to the Unit Owner's share in the Common Elements. Special Assessments for reconstruction and repair may be collected, and the collection enforced, in the same manner as an Assessment.

11.06. Construction Funds. The funds for the payment of costs for reconstruction and repair after casualty, 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 costs of reconstruction and repair that are the responsibility of the Association, this balance shall be distributed to Unit Owners of damaged Units who are responsible for the reconstruction and repair of the damaged portions of their Units. The distribution to each such Unit Owner shall be made in the proportion that the estimated cost of reconstruction and repair of such damage to his Unit bears to the total of such estimated costs in all damaged Units. However, no Unit Owner shall be paid an amount in excess of such estimated costs for his Unit. If an Institutional Mortgagee holds a Mortgage upon a Unit, the distribution shall be paid to the Unit Owner and the Institutional Mortgagee jointly.

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(3) Surplus. It shall be presumed that the first monies disbursed in payment of costs of reconstructions 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. Termination. The termination of the Condominium may be effected by the unanimous agreement of Unit Owners, and the unanimous consent of all Mortgagees on such 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 XII CONDEMNATION

12.01. Determination Whether to Continue Condominium. Whether the Condominium will be continued after condemnation will be determined in the manner provided in Article XI, hereof, for determining whether damaged Property will be reconstructed and repaired after casualty. For this purpose, the taking by condemnation shall be deemed to be a casualty.

12.02. Disbursement of Funds. If the condominium is terminated after condemnation, the proceeds of the condemnation awards will be deemed to be insurance proceeds and shall be owned and distributed in the manner provided in this Declaration for the distribution of insurance proceeds if the Condominium is terminated after damage to the Common Elements. If the Condominium is not terminated after condemnation, the size of the 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 used for these purposes and shall be disbursed in the manner provided for disbursement of funds by the Association after damage to the Common Elements.

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

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(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 Institutional Mortgage encumbering the Unit, the remittance being made payable jointly to the Owner and any such Institutional Mortgagee.

(3) Adjustment of Shares in Common Elements. If the floor area of the Unit is reduced by the taking, the percentage representing the share in the Common Elements, the Common Expenses and the Common Surplus appurtenant to the Unit shall be reduced in the proportion by which the floor area of the Unit is reduced by the taking and then the shares in the Common Elements, Common Expenses, and Common Surplus appurtenant to the other Units shall be restated as percentages of the difference between 100 percent and the total of the new shares as reduced by the taking so that the shares of such other units shall be in the same proportions to each other as before the taking and so that the total of the percentages of such shares shall still equal 100 percent.

12.04. Unit Made Uninhabitable. If the taking is of the entire Unit, or so reduces the size of a Unit that it cannot be made habitable, 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 Institutional Mortgagee in an amount sufficient to pay off its mortgage on such Unit; and then jointly to the Unit Owner and other mortgagees of the Unit in an amount not to exceed the market value of the Condominium parcel immediately prior to the taking as diminished by any sums from the award previously reserved for any Institutional 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,

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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 100 percent 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 mortgagees as above provided) for the taking is not sufficient to finance the alteration of the remaining portion of the Unit for use as a part of the Common Elements, the additional funds required for such purposes shall be raised by Special Assessments against all of the Unit Owners 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 effected by the taking.

(5) Arbitration. If the market value of a Condominium Parcel prior to the taking cannot be determined by agreement among the Unit Owner, mortgagees of the Unit, and the Association within thirty 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 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.

12.05. Taking of Common Elements. Awards for the taking of Common Elements shall be used to make the remaining portion of the Common Elements usable in the manner approved by the Board of Directors; provided that if the cost of the work shall exceed the balance of the funds

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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 Parcel is encumbered by an Institutional Mortgage, the distribution shall be paid jointly to the owner and the Institutional Mortgagee of the Condominium Parcel.

ARTICLE XIII  
PURCHASE OF CONDOMINIUM PARCEL BY ASSOCIATION

13.01. Decision. The decision of the Association to purchase a Condominium Parcel shall be made by the Board of Directors without the approval of the members except as provided in this Article XIII.

13.02. Limitation. If at any one time the Association is already the owner of or has agreed to purchase one or more Condominium Parcels, it may not purchase any additional Condominium Parcel without the prior written approval of members holding 75 percent of the votes of those members eligible to vote thereon, except as provided in this Article XIII. 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 Paragraph 13.01 hereof, 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.

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ARTICLE XIV  
NOTICE OF LIEN OR SUIT

14.01. Notice of Lien. A Unit owner shall give notice in writing to the Secretary of the Association of every lien on his Condominium Parcel, other than liens for Institutional Mortgages, taxes, and special assessments, within Five (5) days after he learns of the attaching of the lien.

14.02. 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 Condominium Parcel, with such notice to be given within Five (5) days after the Unit Owner obtains knowledge thereof.

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

ARTICLE XV  
RULES AND REGULATIONS

15.01. Compliance. Each Unit Owner and the Association shall be governed by and shall comply with the terms of the Condominium Documents and the rules and regulations applicable to the Condominium Property. Ownership of a Unit subjects the Unit Owner to compliance with provisions of the Declaration, the Articles, the Bylaws, the Rules and Regulations of the Association, and any contracts 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.

15.02. Enforcement. The Association, through the Board of Director, 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 from time to time as set forth in the Bylaws. In the event a Unit Owner fails to maintain his Unit in the manner required in the Condominium Documents and any rules and

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regulations of the Association, the Association, through the Board of Directors, shall have the right to assess the Unit Owner and the Unit for the sums necessary to do the work required to effect compliance and to collect, and enforce the collection of, a Special Assessment therefor as provided in this Declaration. In addition, the Association shall have the right, for itself and its employees and agents, to enter such Onwer's Unit and perform the necessary work to effect compliance.

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

15.04. 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 XVI  
AMENDMENT OF THE DECLARATION

16.01. Notice. Notice of the subject matter of a proposed amendment shall be included in the notice of any meeting of the Association or the Board of Directors at which a proposed amendment is considered.

16.02. Resolution. An amendment may be proposed by either a majority of the Board of Directors or by members holding one-third (1/3) of the votes of the Association. A resolution adopting a proposed amendment must be adopted by an affirmative vote of not less than a majority of the Board of Directors and by unanimous consent of Members holding the votes of the Association.

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16.03. Agreement. In the alternative, an amendment may be made by an agreement signed and acknowledged by the record owners of all Units in the manner required for the execution of a deed.

16.04. Amendment by Declarant. (1) In addition to the procedures described above in this Article, as long as the Declarant shall hold fee simple title to any Unit, this Declaration may be amended by the Declarant if such amendment does not violate the terms of the Condominium Act or this Declaration. The subject matter of any such amendment may include, without limitation, the combining of two or more Units or the subdividing of one or more Units owned by the Declarant (without, however, changing the aggregate percentage of Common Elements or Limited Common Elements appurtenant to such Units) or any matter required by a governmental agency or an Institutional Mortgagee willing to make or purchase a permanent mortgage loan secured by a Unit. Any amendment by the Declarant pursuant to this subsection shall be effective without the joinder of any record owner of any Unit, or the joinder of any owner of any lien thereof; provided, however, that no such amendment shall adversely affect the lien or priority of any previously recorded Institutional Mortgage as it affects a Condominium Parcel, or change the size or dimensions of any Unit not owned by the Declarant without the written consent of the Owner of such Unit and the holder of any Institutional Mortgage encumbering such Unit. If such an amendment makes any changes in the size or dimension of any Unit, such changes shall be reflected by an amendment to this Declaration with a survey attached, and said amendment need only be executed and acknowledged by the Declarant and any holders of Institutional Mortgages encumbering any such Unit. Such a survey shall be certified in the manner required by the Condominium Act. If more than one Unit is changed, the Declarant shall apportion among the Units the shares in the Common Elements, Common Expenses, Common Surplus, Limited Common Elements, Limited Common Expenses, Limited Common Surplus, and voting rights of the Units concerned, and such shares of the Common Elements, Common Expenses, Common Surplus, Limited Common Elements, Limited Common Expenses, Limited Common Surplus, and voting rights shall be set forth in the amendment to this Declaration.

(2) As long as the Declarant is the Owner of any Unit, no amendment to this Declaration may be made unless the Declarant shall join in the execution of such amendment,

nor shall any amendment make any change that would in any way affect the rights, privileges, or powers of the Declarant unless the Declarant shall join in the execution thereof.

16.05. Proviso. Any provision in this section to the contrary notwithstanding, however, no amendment shall discriminate against any Unit Owner or against any Unit or class or group of Unit Owners or Units unless the Unit Owners so affected and the holders of Institutional Mortgages on such Units shall unanimously consent thereto; no amendment shall change any Unit or change the percentage of its share in the Common Elements or Limited Common Elements appurtenant thereto or any other of its appurtenances, or increase the percentage of any Unit Owner's share of the Common Expenses or Limited Common Expenses, unless the Owners of Units that would be changed or the percentage of whose shares would be changed and all holders of Institutional Mortgages on such Units shall join in the execution of the amendment.

16.06. Execution and Recording. A copy of each amendment shall be attached to a certificate which shall include the recording date identifying this Declaration, certifying that the amendment was duly adopted, which certificate shall be executed by the President and Secretary of the Association with formalities of a deed. The amendment shall be effective when such certificate and copy of the amendment are recorded in the Public Records of Baldwin County.

ARTICLE XVII  
MISCELLANEOUS

17.01. Intent. It is the intent of the 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 several laws of the State of Alabama, the Bylaws, the Articles, and all other instruments and exhibits attached to or make a part of this Declaration.

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17.02. Covenants, Conditions, and Restrictions. All provisions of the Condominium Documents shall, to the extent applicable and unless otherwise expressly therein provided to the contrary, be perpetual and be construed to be covenants running with the Land and with every part thereof and interest therein; and all of the provisions of the Condominium Documents shall be binding on and inure to the benefit of any owner of all or any part thereof, or interest therein, and his heirs, executors, administrators, legal 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.

17.03. Severability. The invalidity in whole or in part of any covenant or restriction or any paragraph, subparagraph, sentence, clause, phrase, word, or other provision of this Declaration, the Articles, the Bylaws, any rules and regulations of the Association promulgated pursuant thereto, and any exhibits attached hereto, as the same may be amended from time to time, or the Act, or the invalidity in whole or in part of the application of any such covenant, restriction, paragraph, subparagraph, sentence, clause, phrase, word, or other provision shall not affect the remaining portions thereof.

17.04. Taxation of Condominium Parcels. For the purpose of ad valorem taxation, the interest of a Unit Owner in his Unit and in the Common Elements shall be inseparable. In any year in which either or both of such interests are not taxed separately to a Unit Owner, the total value of said interests shall be equal to the product obtained by multiplying the entire value of the Condominium Property for purposes of ad valorem taxation by the decimal equivalent of the share of the Common Elements appurtenant to such Unit. No provision in this Declaration shall be construed as giving any Unit Owner the right of contribution or any right of adjustment against any other unit Owner on account of any deviation by the taxing authorities from the valuation herein prescribed; each Unit Owner being required to pay ad valorem taxes and special assessments as are separately assessed by governmental authorities against his Condominium Parcel.

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17.05. 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-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 him 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.

17.06. 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.

17.07. 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.

17.08. 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 fair and reasonable in all material respects.

17.09. 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.

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

17.11. 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.

IN WITNESS WHEREOF, the Declarant has executed this Declaration of Condominium this 14<sup>th</sup> day of MAY, 1985.

SCHAAF REALTY AND INVESTMENT, INC.,  
A Corporation

By: *W. Michael James SchAAF*  
Its: PRESIDENT

ATTEST:

By: *[Signature]*  
Its: *[Signature]*

MSC. 54-20E 050

STATE OF ALABAMA )

COUNTY OF BALDWIN )

I, Betty P. Faulk, the undersigned Notary Public in and for said State and County, hereby certify that Michael James Schaaf and Timothy R. Schaaf, whose names as President and Vice President of SCHAAF REALTY & INVESTMENT, INC., a corporation, are signed to the foregoing conveyance, and who are known to me, acknowledged before me on this day that, being informed of the contents of this conveyance, they, as such officers and with full authority, executed the same voluntarily for and as the act of said corporation on the day the same bears date.

Given under my hand and notarial seal on this the 14th day of May, 1985.

MISC. 54 JUNE 051

Betty P. Faulk  
NOTARY PUBLIC  
"BETTY P. FAULK"  
NOTARY  
JUN 1985  
PUB. C.

My Commission Expires:  
2-23-87

This Instrument Prepared By:  
G. DAVID CHAPMAN III  
Attorney at Law  
Post Office Box 1558  
Gulf Shores, Alabama 36542

DECLARATION OF CONDOMINIUM  
OF  
REGENCY CONDOMINIUM

Exhibit   A  

Bylaws of Regency Condominium Owners  
Association, Inc.

(ATTACHED HERETO)

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BYLAWS  
OF  
REGENCY CONDOMINIUM OWNERS  
ASSOCIATION, INC.

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BYLAWS  
OF  
REGENCY CONDOMINIUM OWNERS  
ASSOCIATION, INC.

The following are the Bylaws of REGENCY CONDOMINIUM OWNERS ASSOCIATION, INC., hereinafter referred to as the "Association," a not for profit corporation under the laws of the State of Alabama, formed for the purpose of managing and operating a certain condominium located in Baldwin County, Alabama, known as Regency Condominium, hereinafter referred to as the "Condominium."

The provisions of the Bylaws 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 Regency Condominium in any manner, are subject to the regulations and provisions set forth in these Bylaws and to the Rules and Regulations established and promulgated by the Association of Unit Owners pursuant to the Bylaws and the Condominium Declaration.

The mere acquisition or rental of any of the units of Regency Condominium or the mere act of occupancy of any said Units will signify that these Bylaws and the provisions of the Declaration and any Rules and Regulations are accepted, ratified and will be complied with.

ARTICLE I  
PRINCIPAL OFFICE

The principal office of the Association shall be at 1574 Gulf Shores Parkway, Gulf Shores, Alabama, or at such other place as may be designated subsequently by the Board of Directors or as the business of the corporation may require. All books and records of the Association shall be kept at its principal office. The mailing address of the Association shall be Post Office Box 1858, Gulf Shores, Alabama 36542.

ARTICLE II  
DEFINITIONS

2.01. Declaration Defined. "Declaration" shall mean that certain Declaration of Condominium of Regency Condominium filed in the Office of the Judge of Probate of

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Baldwin County, State of Alabama, as the same may be amended from time to time in accordance with the terms thereof.

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

### ARTICLE III MEMBERSHIP

3.01. 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.

3.02. 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.

3.03. 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.

3.04. Certificates of Membership. The Corporation shall issue no shares of stock of any kind or nature whatsoever.

### ARTICLE IV MEETINGS OF MEMBERS

4.01. 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

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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.

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

4.03. Notice of Meeting. Notice of all meetings of Members shall state the time and place of the meeting and the objects for which the meeting is called. 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 by said Member, or to the Member's Unit if no such address has been given to the Board. Notice of the annual meeting shall be mailed or delivered to each Member not less than Ten (10) days prior to the meeting, and notice of a special meeting shall be mailed or delivered to each Member not less than Seven (7) days prior to the meeting. No notices of annual or special meetings shall be mailed or delivered more than Sixty (60) 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.

4.04. Waiver of Notice. Any Member 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.

4.05. 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 one-half ( $\frac{1}{2}$ ) 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 these Bylaws.

4.06. 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

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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.

4.07. 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.

4.08. 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.

4.09. Proviso. Provided, however, that until four (4) months after the Developer/Declarant of the Condominium has completed and sold 75% of the units of the Condominium, or until five (5) years from the conveyance of the first Unit, or until Developer/Declarant elects to terminate its control of the Condominium, whichever shall first occur, there shall be no meeting of members of the Association unless a meeting is called by the Board of Directors.

#### ARTICLE V MEMBER'S VOTING RIGHTS

5.01. Number of Votes. The aggregate number of votes for all members shall be the total number of votes appertaining to all units in all phases which have been properly submitted to the condominium form of ownership. In any meeting of Members, each Member shall be entitled to one vote for each Unit owned. If more than one person owns an interest in any Unit, all such persons shall be members, but the Unit shall be entitled to only one vote. The vote of a Unit shall not be divisible. The vote for a Unit with more than one owner shall be exercised as they among themselves determine, or in accordance with the provisions of Paragraph 5.04 below.

5.02. 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 is required.

5.03. Designation of Voting Member. If a Unit is owned by more than one person, the person entitled to cast the vote or votes for the Unit may be designated by a certificate signed by all of the record owners of the unit and filed with the Secretary of the Association. If a Unit is owned by a corporation, partnership, trust, or other legal entity, the person entitled to cast the vote or votes for the Unit must 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.

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

(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 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 such owner is present at the meeting, and they concur, any one such owner may cast the vote or votes for the Unit.

5.05. Voting by Proxy. Votes may be cast in person or by proxy. 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.

5.06. Conditional Proxy. The granting of a mortgage on a unit by its owner(s) shall be construed as conferring upon the mortgagee a conditional proxy to cast the vote or votes attributable to such unit at any regular or special meeting of the Association. The condition of such proxy shall be notice by such mortgagee to the Association, in writing, of its intent to exercise the conditional proxy rights granted to it, as mortgagee, by the terms of this subparagraph. In the absence of such written notice, the

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Association shall be entitled to recognize the Unit Owner(s) of mortgaged units as fully entitled to cast the vote or votes attributable to their unit. However, once such written notice is received by the Association, the mortgagee's right to cast the vote or votes attributable to that unit shall be recognized by the Association until the mortgagee withdraws its intent to cast such votes, in writing, or until the mortgage is paid in full and satisfied of record, whichever first occurs.

## ARTICLE VI BOARD OF DIRECTORS

6.01. Number. The affairs of this Association shall be managed by a Board of Directors, consisting of no less than Three (3) persons and no more than Eleven (11) persons in number. The initial number of Directors shall be three (3) and shall remain at that number until changed by the Unit Owners.

6.02. 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 term, he shall cease to be a Director and his place on the Board shall be deemed vacant.

6.03. 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 until such right is voluntarily relinquished by a recorded amendment to the Declaration, or until five (5) years from the conveyance of the first unit or until four (4) months after the Developer/Declarant has completed and sold 75% of the units of the Condominium, whichever occurs first. The Directors appointed by the Developer need not be Unit Owners.

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

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6.05. Initial Election of Directors. Within ninety (90) days after the Unit Owners are entitled to elect one or more Directors, 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 sixty (60) 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 6.06.

6.06. Election of Directors. Directors shall be elected at the annual meeting of Member, or at a special meeting called for that purpose. The election shall be by secret ballot (unless dispensed with by unanimous consent), and each member shall be entitled to vote for each vacancy. There shall be no cumulative voting. Those candidates receiving the greatest number of votes cast either in person or by proxy shall be elected. At the initial election, the candidate receiving the most votes shall serve a two (2) year term, and the next two candidates receiving the most votes shall serve one (1) year terms. At subsequent annual elections, the two (2) vacancies shall be filled as follows: two (2) directors shall be elected with the candidate receiving the most votes to serve a two (2) year term and the remaining candidate elected to serve a one (1) year term.

6.07. Term. Each Director elected by the Members shall hold office until the next annual meeting of Members, and until his successor shall be elected and qualified, or until he resigns or is removed in any manner provided elsewhere herein. Each Director appointed by the Developer shall hold office until he resigns, is removed by the Developer, or his term expires as provided in Paragraph 6.03.

6.08. 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 unexpired term of the Director whom he succeeds. Any vacancy in the position of a Director appointed by the Developer shall be filled by the Developer.

6.09. Removal. Any Director may be removed for cause by the concurrence of two-thirds (2/3) of the votes of the Association at a special meeting of the Members called for that purpose. The vacancy in the Board of Directors so created shall be filled by the Members at the same meeting.

6.10. 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 him in the performance of his duties.

6.11. Proviso. Provided, however, that until four (4) months after the Developer/Declarant of the Condominium has completed and sold 75% of the units of the Condominium, or until five (5) years from the conveyance of the first unit, or until Developer/Declarant elects to terminate its control of the Condominium, whichever shall first occur, there shall be no meeting of members of the Association unless a meeting is called by the Board of Directors.

## ARTICLE VII MEETINGS OF DIRECTORS

7.01. 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 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.

7.02. 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.

7.03. 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.

7.04. 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.

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7.05. 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.

7.06. 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.

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

#### ARTICLE VIII POWERS AND DUTIES OF THE DIRECTORS

8.01. 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 Bylaws, except for such powers and duties reserved thereby to the Members or the Developer. The powers and duties of the Board shall include, but shall not be limited to, the following:

(1) To elect and remove officers of the Association as hereinafter provided.

(2) To administer the affairs of the Association and the Condominium Property.

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

(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 and Limited Common Elements, provided, however, that the consent of at least two-thirds (2/3) of the votes of the Members, obtained at a meeting

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duly called and held for such purpose in accordance with the provision of these Bylaws, shall be required for the borrowing of such money.

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

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

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

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

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

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

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

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

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

(16) To retain attorneys and accountants.

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

(18) To purchase a Unit of the Condominium for the purposes authorized in the Declaration.

(19) To maintain a class action and to settle a cause of action on behalf of owners with reference to the Common and Limited Common Elements, the roof and structural components of a building or other improvement, and mechanical,

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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 or Limited Common Elements or more than one (1) condominium unit; all as the Board deems advisable.

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

8.02. 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.

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

#### ARTICLE IX OFFICERS

9.01. 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 or more offices may be held by the same person, except the offices of President and Secretary.

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

9.03. Special Appointments. The Board may appoint such other Officers as the affairs of the Association may

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require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may from time to time determine.

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

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

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

9.07. 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.

(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.

9.08. 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 powers and the performance of his duties.

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9.09. 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 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 and the Members required either by law or by these Bylaws.
- (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, if said instrument requires a second Association signature.

9.10 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 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 funds and other Association assets.
- (3) To disburse and withdraw said funds as the Board 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 Limited Common Expenses or other charges due, the due dates thereof, the present balance due and any interest in Common Surplus or Limited Common Surplus.

#### ARTICLE X FISCAL MANAGEMENT

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

10.02. Annual Budget. 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 of the categories as set out in Exhibit A attached hereto and made a part hereof. The budget shall also include reserve accounts for capital expenditures, deferred maintenance, reserves, and contingencies, including, but not limited to: see Exhibit A attached hereto and made a part hereof. 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 and Limited Common Expenses.

10.03. 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. Each Unit Owner shall receive a copy of the proposed annual budget at least seven (7) days prior to the meeting of the Board at which the budget will be considered, and the meeting shall be open to all Unit Owners. The final annual budget shall be adopted by the Board at a duly noticed meeting, and the Board shall furnish copies of the final annual budget to each Unit Owner within Thirty (30) days after the adoption.

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

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

10.06. 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 equal to two months assessments for each Unit. Each Unit's share of the working capital fund shall be collected and transferred to the Association at the time of closing of the sale of each Unit and maintained in an account for the use and benefit of the Association. Amounts paid into the fund shall not be considered as advance payment of regular assessments.

10.07. Lien for Expenses. If any Unit Owner shall fail or refuse to make any payment of the Common Expenses or Limited 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, Limited 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.

10.08. Priority of Lien. Any lien of the Owners Association shall be subordinate to any lien for taxes, the lien of any mortgage of record and any other lien recorded prior to the time of recording of the claim of the Association's lien. A lien for Common Expense assessments shall not be affected by any sale or transfer of a Unit, except that a sale or transfer pursuant to a foreclosure of a first mortgage shall extinguish a subordinate lien for assessments which became payable prior to such sale or transfer. However, any such delinquent assessments which were extinguished pursuant to the foregoing provision may be reallocated and assessed to all of the Units as a common Expense. Any such sale or transfer pursuant to a foreclosure does not relieve the purchaser or transferee of a Unit from liability for, nor the Unit from the lien of, any assessments made thereafter.

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10.09. Acceleration of Assessment Installments. If a Unit Owner shall be in default in the payment of any installment of an annual Assessment for more than thirty (30) days, the Board may, upon notice thereof to the Unit Owner, accelerate all remaining monthly installments due for the balance of the term covered by the annual budget, and the same shall thereupon become immediately due and payable. Upon default in the payment of an installment upon any assessment, the Board shall be entitled to charge interest and service charges at the highest rate allowable under the Laws of the State of Alabama.

10.10. Default.

(a) In the event an owner of a unit does not pay any sums, charges or assessments required to be paid to the Association within 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 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 in such unit as shown in the Association's record of ownership. The Association shall be entitled to the appointment of a Receiver, if it so requests. The Association shall have the right to bid in the unit at a foreclosure sale and to acquire, hold, mortgage and convey the same. In any such foreclosure action the lien of the Association shall be subordinate and inferior to tax liens in favor of the state, county, any municipality and any special district, and any first mortgage liens of record encumbering such unit at the time of the commencement of the foreclosure action by the Association. 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, the losing defendant shall pay the cost thereof, together with a reasonable attorney's fee.

(b) If the Association becomes the owner of a unit by reason of foreclosure, it shall offer said unit for sale and at such time as a sale is consummated it shall deduct from such proceeds all sums of money due it for monthly assessments and charges, all costs incurred in the bringing of the foreclosure suit, including reasonable attorney's fees, and any and all expenses incurred in the re-sale of the unit, which shall include but not be limited to advertising expenses, real estate brokerage fees, abstract or title insurance costs, and expenses necessary

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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.

10.11. Supplemental Assessments. If during the course of any fiscal year, it shall appear to the Board that the monthly Assessments, as determined in the annual budget, are insufficient or inadequate to cover the estimated Common Expenses for the remainder of such year, then the Board shall prepare and approve a supplemental budget covering the estimated deficiency. Copies of the supplemental budget shall be delivered to each Unit Owner, and thereupon a supplemental Assessment shall be made to each Unit Owner for his proportionate share of the supplemental budget.

10.12. Annual Statement. Within Sixty (60) days after the end of each fiscal year, the Board shall cause to be furnished to each Unit Owner, a statement for the year so ended showing the receipts and expenditures of the Association, and such other information as the Board may deem desirable.

10.13. Accounting Records. The Board shall cause to be kept, in accordance with generally accepted accounting principles, a record of all receipts and expenditures; and a separate account for each Unit showing the Assessments or other charges due, the due dates thereof, the present balance due, and any interest in common surplus. Such records shall be open to inspection by Unit owners at reasonable times.

10.14. Information. The Association shall be required to make available to Unit Owners, lenders, and to holders, insurers or guarantors of any first mortgage, current copies of the Declaration, Bylaws, or other Rules and Regulations concerning the Project, and the books, records, 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.

10.15. 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 or address, any mortgage holder, insurer, or guarantor will be entitled to timely written notice of:

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- (a) Any condemnation or casualty loss that affects either a material portion of the Project or the Unit securing its mortgage.
- (b) Any 60-day delinquency in the payment of assessments or charges owed by the Owner of any Unit on which it holds the mortgage.
- (c) A lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Owner's Association.
- (d) Any proposed action that requires the consent of a specified percentage of mortgage holders.

ARTICLE XI  
OWNER OBLIGATIONS AND COVENANTS

11.01 Assessments. Every owner of any unit in the Condominium shall constitute pro rate toward the expense of administration, maintenance, alteration, repair and improvement of the Condominium, as provided in the Articles, the Declaration or these Bylaws. Each assessment against a Unit shall also be the personal obligation of the Owner at the time the assessment fell due. Such personal obligation shall not pass to successors in title unless assumed by such successors, or required by applicable law.

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

ARTICLE XII  
RULES AND REGULATIONS

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

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ARTICLE XIII  
AMENDMENTS TO THE BYLAWS

13.01. 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.

13.02. Adoption. The Board of Directors shall have the power to alter, amend, or repeal any of these Bylaws or to adopt new Bylaws by the affirmative vote of a majority of all of the Directors; provided, however, that any bylaw adopted by the Board may be altered, amended, or repealed, and new Bylaws may be adopted by the affirmative vote of at least Seventy-Five (75%) Percent of the total number of votes of all or the Members. The Members may prescribe in any bylaw adopted by them that such bylaw shall not be altered, amended, or repealed by the Board.

13.03. 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 Declarant or any Institutional Mortgagee without the consent of the Declarant or the Institutional Mortgagee, as the case may be. No amendment that is in conflict with the Articles or the Declaration shall be adopted.

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

ARTICLE XIV  
MISCELLANEOUS

14.01. 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.

14.02. 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 Bylaws or the intent of any provision hereof.

14.03. Conflicts. In the event of any conflict between the provisions of these Bylaws and the Declaration, the Declaration shall govern.

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

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BYLAWS  
OF  
REGENCY CONDOMINIUM OWNERS  
ASSOCIATION, INC.

Exhibit A

Budgeted Accounts and Expense Classifications

Administrative Expenses:

Office Expenses and Supplies  
Management Fees  
Legal and Accounting

Operating Expenses:

Utilities  
Trash and Garbage Removal  
Exterminating

Repairs and Maintenance:

Decorating  
Building Maintenance and Repairs  
Lake Maintenance  
Pool Maintenance and Repairs  
Parking and Drive Maintenance and Repairs  
Landscaping and Grounds Keeping  
Miscellaneous

Fixed Expenses:

Insurance

Reserve Accounts

Paving  
Roofing  
Pool  
Exterior Painting and Fixtures

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DECLARATION OF CONDOMINIUM  
OF  
REGENCY CONDOMINIUM

Exhibit     B    

The property hereby submitted, as Phase I, to the condominium form of ownership is legally described as follows:

Commence at the Southeast corner of Section 7, Township 9 South, Range 4 East, Baldwin County, Alabama, run West 50.0 feet to a point on the West right of way line of Regency Road; thence run N00°49'22"E along the West line of Regency Road 0.33 feet to a point; thence run N00°22'39"E and along the West line of said Regency Road 245.53 feet to the Point of Beginning; thence continue N00°22'39"E along the West line of Regency Road right of way 320.0 feet to a point, said point being the intersection of Regency Road and Club House Road, thence run S32°34'39"W and along the East right of way line of said Club House Road, 58.25 feet to a point, said point being a P.I. of said Club House Road, thence run N57°25'21"W and along the South line of said Club House Road, 280 feet to a point, said point being on the East property line of the Gulf Shores Golf Course, thence run S32°34'39"W, along the said East line of the Gulf Shores Golf Course, 502.0 feet to a point; thence run S57°25'21"E 217.0 feet to a point; thence run N37°59'34"E, 152.13 feet to a point; thence run S89°37'21"E, 259.0 feet to the Point of Beginning.

All being 3.76 acres, more or less, and lying in Section 7, Township 9 South, Range 4 East, Baldwin County, Alabama.

Together with that certain easement as follows:

Beginning at the intersection of the north line of Clubhouse Drive and the east property line of Gulf Shores Golf Club, Inc., run thence S32°34'39"W along the east line of said Golf Club Property 582.0 feet; thence run N57°25'21"W, 106.4 feet; thence run N24°34'39"E, 145.29 feet; thence run N39°34'39"E, 280.0 feet; thence run N62°34'39"E, 185.0 feet to the Point of Beginning.

MISC. 54.4/E 077

DECLARATION OF CONDOMINIUM  
OF  
REGENCY CONDOMINIUM

Exhibit   C  

Additional property currently owned by the Developer/  
Declarant which may or may not be, in part or in whole, in  
increments or at once, submitted to the condominium form of  
ownership as one or more future phases, is legally described  
as follows:

PARCEL I:

Commence at the Southeast corner of Section 7, T-9-S, R-4-E,  
Baldwin County, Alabama, run West 50.0 feet to the Point of  
Beginning, also being a point on the West right of way line  
of Regency Road; thence run N00°49'22"E along the West line  
of Regency Road 0.33 feet to a point; thence run N00°22'39"E  
and along the West line of said Regency Road 245.53 feet to  
a point; thence run N89°37'21"W, 259 feet to a point; thence  
run S37°59'34"W, 152.13 feet to a point; thence run  
N57°25'21"W, 217 feet to a point, said point being on the  
East property line of the Gulf Shores Golf Course; thence  
run S32°34'39"W, along the said East line of the Gulf Shores  
Golf Course 505.94 feet to a point; thence run S89°37'21"E,  
803.63 feet to a point on the West right of way line of  
Regency Road; thence run N00°49'22"E along the West line of  
Regency Road 187.14 feet to the Point of Beginning.

All being 6.251 acres, more or less, and lying in Sections 7  
and 18, T-9-S, R-4-E, Baldwin County, Alabama.

PARCEL II:

Commence at the Northeast corner of Section 18, Township 9  
South, Range 4 East, Baldwin County, Alabama, run West 50.0  
feet to a point on the West right of way line of Regency  
Road; thence run S00°49'22"W along the West line of Regency  
Road 187.14 feet to the Point of Beginning; thence run  
N89°37'21"W, 803.63 feet to a point, said point being on the  
East property line of the Gulf Shores Golf Course; thence  
run S32°34'39"W, 387.65 feet to a point; thence run  
S54°31'30"E, 872.05 feet to a point; thence run S89°54'28"E,  
290.27 feet to a point on the West right of way line of  
Regency Road; thence run N00°49'22"E along the West line of  
Regency Road 828.01 feet to the Point of Beginning.

All being 14.28 acres, more or less, and lying in Section  
18, Township 9 South, Range 4 East, Baldwin County, Alabama.

MISC. 54-AGE 078

Together with those certain easements as follows:

EASEMENT I:

From the intersection of the north line of Clubhouse Drive and the east property line of Gulf Shores Golf Club, Inc., run thence S32°34'39"W along the East line of said Golf Club Property 582.0 feet to the Point of Beginning; thence continue S32°34'39"W along the East line of said Golf Club Property 505.94 feet; thence run N57°25'21" W, 52.16 feet; thence run N32°34'39"E, 120.02 feet; thence run N24°34'39"E, 389.71 feet; thence run S57°25'21"E, 106.4 feet to the Point of Beginning.

EASEMENT II:

From the intersection of the north line of Clubhouse Drive and the east property line of Gulf Shores Golf Club, Inc., run thence S32°34'39"W along the east line of said Golf Club Property 1,087.94 feet to the Point of Beginning; thence continue S32°34'39"W along the east line of said Golf Club Property 387.65 feet; thence run N57°25'21"W, 125.52 feet; thence run N49°04'39"E, 258.31 feet; thence run N32°34'39"E, 139.98 feet; thence run S57°25'21"E, 52.16 feet to the Point of Beginning.

MISC. 54 USE 079

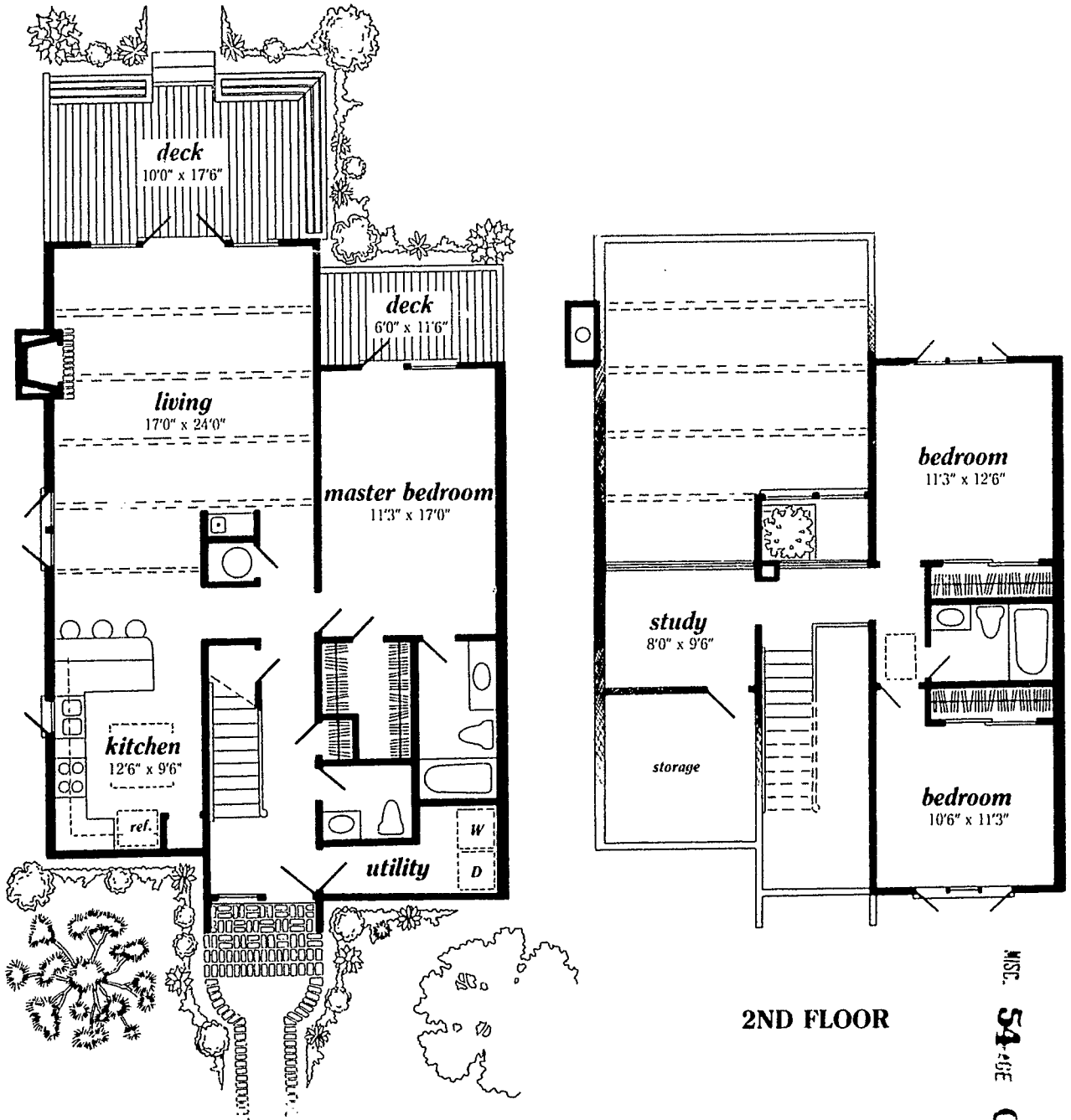
DECLARATION OF CONDOMINIUM  
OF  
REGENCY CONDOMINIUM

Exhibit   D  

Typical Units, Phase I

MISC. 54:102 080

# FLOOR PLAN A



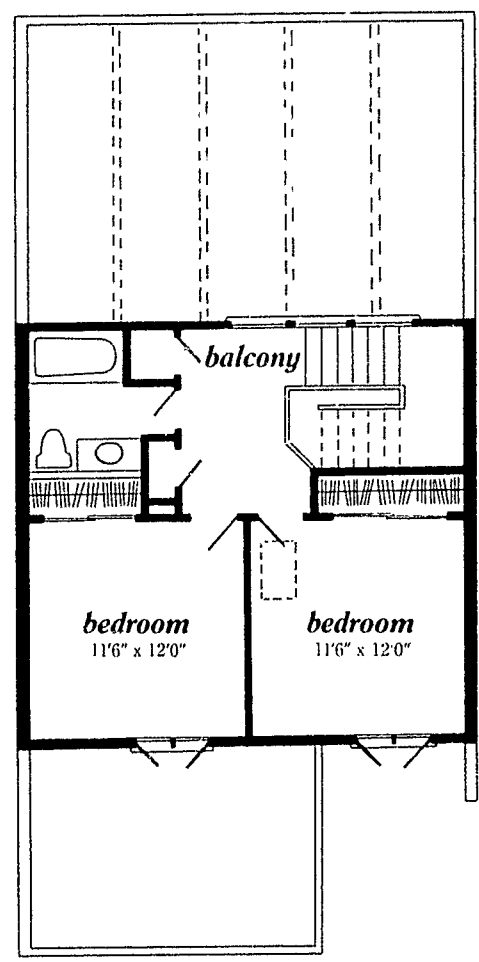
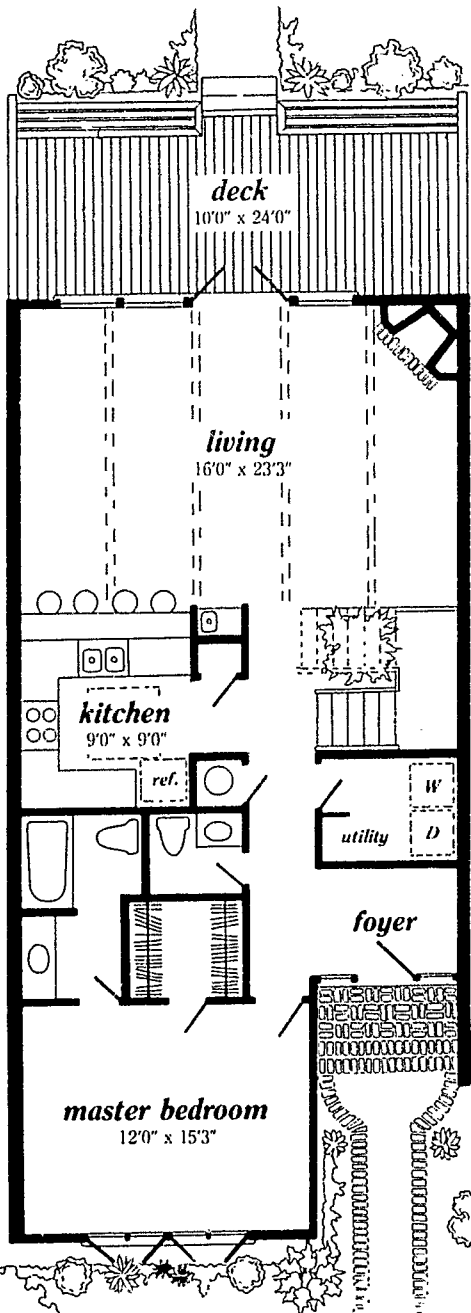
2ND FLOOR

MISC. 54  
SARE 081





# FLOOR PLAN B

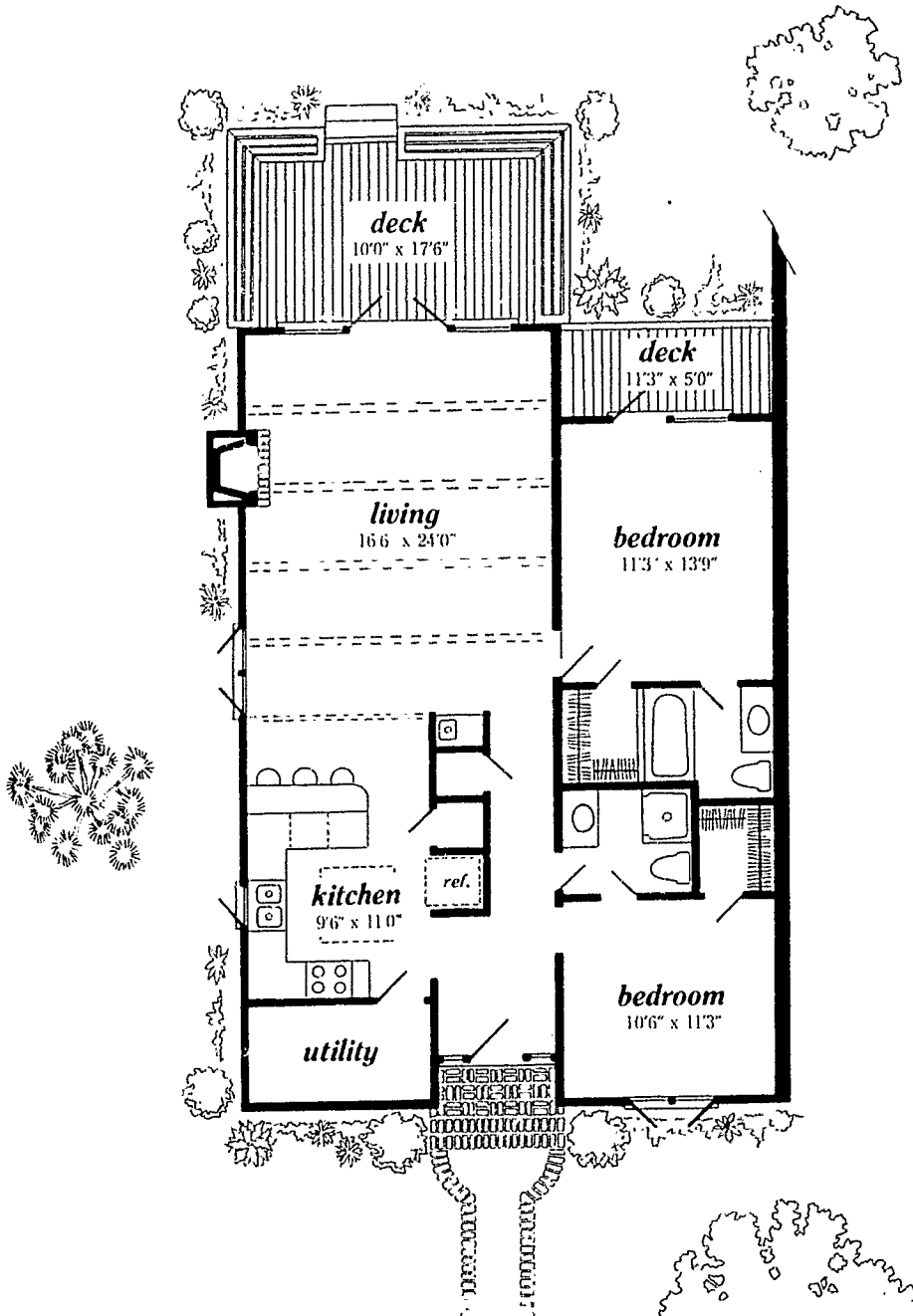


2ND FLOOR

MISC. 54 AGE 082



# FLOOR PLAN C



MISC. 54-515E 083



DECLARATION OF CONDOMINIUM  
OF  
REGENCY CONDOMINIUM

Exhibit   E  

Ownership Interests in the Common Elements  
and Limited Common Elements

The Ownership Interests of each Unit Owner in the Common Elements and Limited Common Elements shall be determined as follows:

Each Unit shall have appurtenant thereto and each Unit Owner shall be entitled to an undivided ownership interest equal to a fraction, the numerator of which shall be the number one (1) and the denominator of which shall be the aggregate number of Units which are submitted to the condominium form of ownership as a part of REGENCY CONDOMINIUM. The undivided interest of each Unit shall change as the Condominium is expanded by incremental amendments to this Declaration to add additional phases.

MISC. 54-10E 084

DECLARATION OF CONDOMINIUM  
OF  
REGENCY CONDOMINIUM

Exhibit   F  

The attached easement shall be a part of the common elements submitted in Phase I and all rights and liabilities of the Grantee therein shall be the rights and liabilities of Regency Condominium Owner's Association, Inc.

MISC. 54:06 085

STATE OF ALABAMA )

COUNTY OF BALDWIN )

EASEMENT

WHEREAS, GULF SHORES GOLF CLUB, INC., a corporation, hereinafter referred to as "Grantor", is the owner of certain real property located in Baldwin County, Alabama, operating such property as a golf course; and

WHEREAS, SCHAAF REALTY & INVESTMENTS, INC., a corporation, hereinafter referred to as "Grantee", is the owner of certain real property located adjacent to a portion of said golf course; and

WHEREAS, a portion of the Grantee's real property which is adjacent to and shares a common boundary with the Grantor's property is described in Exhibit "A-3" attached hereto and made a part hereof; and

WHEREAS, the Grantee is desirous of developing all or a portion of its real property adjacent to said golf course, including the construction and maintenance of an aesthetic lake to have its approximate boundaries to lie on both sides of the dividing common boundary line between the parcel owned by the Grantor and said property owned by the Grantee as described in Exhibit "A-3"; and

WHEREAS, the Grantor is willing to grant certain easements to the Grantee for the various considerations set forth in this agreement and the Grantee is willing to pay such considerations and to obligate itself and its successors and assigns to carry out the various covenants contained herein.

NOW, THEREFORE, BE IT KNOWN it is hereby agreed that the Grantor, for and in consideration of the payment of the sum of TEN AND NO/100THS DOLLARS (\$10.00), and other good and valuable considerations, the receipt and sufficiency of which is hereby acknowledged, does hereby GRANT, BARGAIN, SELL AND CONVEY unto the Grantee, its successors and assigns, a non-exclusive right-of-way and non-exclusive easement to construct and maintain an aesthetic lake upon that certain parcel of property as more fully described in Exhibit "B-3" attached hereto and made a part hereof.

IT IS EXPRESSLY AGREED AND UNDERSTOOD that the easements, rights and privileges herein conveyed to the Grantee are apurtenant to that certain real property legally described in Exhibit "A-3" and are contingent upon the Grantee's satisfactory compliance with the following covenants:

1. The westernmost thirty (30) feet of said easement is granted as a temporary easement for construction purposes only. For the purposes of this document, the westernmost thirty (30) feet is described as a strip of land being thirty (30) feet in width and being situated adjacent to unencumbered property owned by Grantor immediately adjacent to property encumbered by this easement. No lake conditions shall be constructed on said thirty foot strip and it shall be restored (as other property not developed as permanent lake) in accordance with Paragraph 7 hereof.

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MSC 54-506 086

2. All costs and expenses of construction and maintenance of said lake shall be borne and paid by the Grantee, its successors and assigns.

3. All construction and maintenance of said lake shall be subject to the prior approval of the Board of Directors of Gulf Shores Golf Club, Inc., hereinafter referred to as the "Board". Said construction shall include but not be limited to specifications and workmanship with respect to the spillways, angle of shoreline areas, landscaping, and the placement and use of construction equipment. Said maintenance shall include but not be limited to the application and use of chemicals (herbicides, pesticides, etc.), control of plant growth, and fish and other wildlife habitability. No application of any chemicals shall be made without the express consent of the Board or Directors or its representative. Any malfeasance or misfeasance with regard to the application of any chemicals may be immediately rectified by the Board of Directors without any notice. All costs and expenses for such rectification shall be borne by Grantee or its assigns.

4. Fill dirt removed from said property shall be made available for use by the Grantor, for use within other property owned by the Grantor and used as a golf course.

5. Water level of said lake shall be maintained, as may be reasonably possible, at such a level as may be determined by the Board.

6. Construction of said lake shall be completed within sixty (60) days after the commencement of said construction.

7. After completion of said construction, the banks of said lake and all properties affected by said construction shall be immediately restored to a comparable condition compatible with adjacent golf course.

8. The Grantee shall assume all risks of and shall indemnify and hold Grantor harmless from and against any and all claims, actions, loss, costs (including attorney's fees), damages, expenses, and liability, in connection with life, personal injury, and/or damage to property arising from or out of the construction, operation and/or maintenance of said lake, whether due to Grantees action or inaction.

9. The Grantee shall obtain public liability insurance covering said property naming the Grantor as an additional insured under said policy. The amount and terms and conditions of said policy shall be as determined by the Board, but in no event shall the Grantee, its successors or assigns, be required to provide coverage in excess of One Million Dollars (\$1,000,000.00).

10. All covenants shall apply to all lakes and bodies of water located on any property owned by Grantee, its successors and assigns, which shall have surface access to lakes or bodies of water located upon golf course property.

11. All terms, covenants and conditions herein contained, to be performed by the Grantee, its successors and/or assigns, shall be performed at the Grantee's, its successors' and/or assigns', sole cost and expense, and should the Grantee, its successors and/or assigns fail, neglect or refuse to perform such terms, covenants or conditions, the Grantor may, at its sole option and in addition to any other rights or remedies do one of the following:  
(a) terminate the easements granted herein and require the

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MSC. 54  
MAY 18 1921

Grantee or its successors and assigns to eliminate said lake by filling in lake area with soil and return area to grade with appropriate ground cover comparable with adjacent golf course area; or (b) terminate the easements granted herein and to eliminate said lake by filling in lake area with soil and return area to grade with appropriate ground cover comparable with the adjacent golf course area, and require the Grantee, its successors and assigns to reimburse the Grantor for any and all expenses incurred with said termination and elimination of said lake, which the Grantee shall promptly pay; or (c) provide for the performance of such terms, covenants or conditions and require the Grantee, its successors and assigns to reimburse the Grantor for any and all expenses incurred, which the Grantee shall promptly pay. Except as provided in Paragraph 3 hereof, all actions to be taken by the Board of Directors shall be taken only after written notice and reasonable time to cure.

TO HAVE AND HOLD, the interest, rights and privileges hereunder granted, subject to the reservations, terms and conditions hereof, unto the Grantee, its successors and assigns, forever.

The Grantor does hereby covenant with the Grantee that it is lawfully seized and in possession of lands herein described and that it has good and marketable title thereto and a lawful right to convey said land or any interest therein, and that it will FOREVER WARRANT AND DEFEND the title thereto against the lawful claims of any person whomsoever.

IN WITNESS WHEREOF, the Grantor and the Grantee have hereunto caused this instrument to be properly executed on this the 13th day of May, 1985.

GRANTOR:

GULF SHORES GOLF CLUB, INC.,  
A Corporation

By: *Michael Edwards*

Its: *President*

ATTEST:

By: *C. W. Wright Sec.*

Its: *Director*

GRANTEE:

SCHAAF REALTY &  
INVESTMENTS, INC.,  
A Corporation

By: *William James Schaff*

Its: *PRESIDENT*

ATTEST:

By: *[Signature]*

Its: *[Signature]*

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MISC. 54 USE 088

STATE OF ALABAMA )

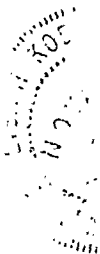
COUNTY OF BALDWIN )

I, Lisa H. Koehle, the undersigned Notary Public in and for said State and County, hereby certify that Michael Ethridge and W. Wright Lee, whose names as President and Director of GULF SHORES GOLF CLUB, INC., a corporation, are signed to the foregoing conveyance, and who are known to me, acknowledged before me on this day that, being informed of the contents of this conveyance, they, as such officers and with full authority, executed the same voluntarily for and as the act of said corporation on the day the same bears date.

Given under my hand and notarial seal on this the 13th day of May, 1985.

Lisa H. Koehle  
NOTARY PUBLIC

My Commission Expires:  
MY COMMISSION EXPIRES MARCH 7, 1988



STATE OF ALABAMA )

COUNTY OF BALDWIN )

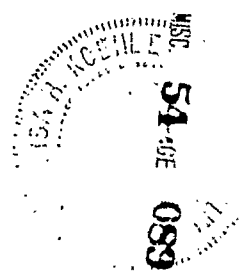
I, Lisa H. Koehle, the undersigned Notary Public in and for said State and County, hereby certify that Michael James Schaaf and Timothy K. Schaaf, whose names as President and Vice President of SCHAAF REALTY & INVESTMENTS, INC., a corporation, are signed to the foregoing conveyance, and who are known to me, acknowledged before me on this day that, being informed of the contents of this conveyance, they, as such officers and with full authority, executed the same voluntarily for and as the act of said corporation on the day the same bears date.

Given under my hand and notarial seal on this the 13th day of May, 1985.

Lisa H. Koehle  
NOTARY PUBLIC

My Commission Expires:  
MY COMMISSION EXPIRES MARCH 7, 1988

FILED 213 MAR 18 1985



This Instrument Prepared by:  
G. DAVID CHAPMAN III, Attorney at Law  
Post Office Box 1558  
Gulf Shores, Alabama 36542

GRANTOR'S ADDRESS:  
GULF SHORES GOLF CLUB, INC.  
Post Office Box 499  
Gulf Shores, Alabama 36542

GRANTEES' ADDRESS:  
SCHAAF REALTY & INVESTMENTS, INC.  
Post Office Box 1858  
Gulf Shores, Alabama 36542



EASEMENT  
EXHIBIT "A-3"

Commence at the Northeast corner of Section 18, Township 9 South, Range 4 East, Baldwin County, Alabama, run West 50.0 feet to a point on the West right of way line of Regency Road; thence run S00°49'22"W along the West line of Regency Road 187.14 feet to the Point of Beginning; thence run N89°37'21"W, 803.63 feet to a point, said point being on the East property line of the Gulf Shores Golf Course; thence run S32°34'39"W, 387.65 feet to a point; thence run S54°31'30"E, 872.05 feet to a point; thence run S89°54'28"E, 290.27 feet to a point on the West right of way line of Regency Road; thence run N00°49'22"E along the West line of Regency Road 828.01 feet to the Point of Beginning.

All being 14.28 acres, more or less, and lying in Section 18, Township 9 South, Range 4 East, Baldwin County, Alabama.

GULF SHORES GOLF CLUB, INC.,  
A Corporation

By: *Stanley A. ...*  
Its: *President*

ATTEST:

By: *W. Wright Lee*  
Its: *Director*

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SCHAAF REALTY &  
INVESTMENTS, INC.,  
A Corporation

By: *William James SchAAF*  
Its: *PRESIDENT*

REC. 54  
PAGE 090

ATTEST:

By: *T. SchAAF*  
Its: \_\_\_\_\_

EASEMENT  
EXHIBIT "B-3"

From the intersection of the north line of Clubhouse Drive and the east property line of Gulf Shores Golf Club, Inc., run thence S32°34'39"W along the east line of said Golf Club Property 1,087.94 feet to the Point of Beginning; thence continue S32°34'39"W along the east line of said Golf Club Property 387.65 feet; thence run N57°25'21"W, 125.52 feet; thence run N49°04'39"E, 258.31 feet; thence run N32°34'39"E, 139.98 feet; thence run S57°25'21"E, 52.16 feet to the Point of Beginning.

GULF SHORES GOLF CLUB, INC.,  
A Corporation

By: *[Signature]*  
Its: *President*

ATTEST:

By: *W. Waight Lee*  
Its: *DIRECTOR*

SCHAAF REALTY &  
INVESTMENTS, INC.,  
A Corporation

By: *[Signature]*  
Its: *PRESIDENT*

ATTEST:

By: *[Signature]*  
Its: *[Signature]*

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MAY 18 1985

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STATE OF ALABAMA,  
BALDWIN COUNTY

I certify that this instrument was filed  
and the following tax collected on

D.P. \$1.00 MAY 15 1985 *7:45 P* M

Min. Tax \$ \_\_\_\_\_ Index # \_\_\_\_\_  
Deed # *515* Mort. S. \_\_\_\_\_ Recorded in *RP*  
Ecc. # *215* \_\_\_\_\_  
Page *1820* \_\_\_\_\_ Judge of Probate *[Signature]*

By: \_\_\_\_\_

DECLARATION OF CONDOMINIUM  
OF  
REGENCY CONDOMINIUM

Exhibit   G  

The attached easements may become a part of the common elements. If and when the real proeprty to which the easements are appurtenant shall be submitted to Regency Condominium as a part of any future phase thereof, all rights and liabilities of the Grantee therein shall be the rights and liabilities of Regency Condominium Owners Association, Inc.

MISC. 54-AGE 092

STATE OF ALABAMA )

COUNTY OF BALDWIN )

EASEMENT

WHEREAS, GULF SHORES GOLF CLUB, INC., a corporation, hereinafter referred to as "Grantor", is the owner of certain real property located in Baldwin County, Alabama, operating such property as a golf course; and

WHEREAS, SCHAAF REALTY & INVESTMENTS, INC., a corporation, hereinafter referred to as "Grantee", is the owner of certain real property located adjacent to a portion of said golf course; and

WHEREAS, a portion of the Grantee's real property which is adjacent to and shares a common boundary with the Grantor's property is described in Exhibit "A-1" attached hereto and made a part hereof; and

WHEREAS, the Grantee is desirous of developing all or a portion of its real property adjacent to said golf course, including the construction and maintenance of an aesthetic lake to have its approximate boundaries to lie on both sides of the dividing common boundary line between the parcel owned by the Grantor and said property owned by the Grantee as described in Exhibit "A-1"; and

WHEREAS, the Grantor is willing to grant certain easements to the Grantee for the various considerations set forth in this agreement and the Grantee is willing to pay such considerations and to obligate itself and its successors and assigns to carry out the various covenants contained herein.

NOW, THEREFORE, BE IT KNOWN it is hereby agreed that the Grantor, for and in consideration of the payment of the sum of TEN AND NO/100THS DOLLARS (\$10.00), and other good and valuable considerations, the receipt and sufficiency of which is hereby acknowledged, does hereby GRANT, BARGAIN, SELL AND CONVEY unto the Grantee, its successors and assigns, a non-exclusive right-of-way and non-exclusive easement to construct and maintain an aesthetic lake upon that certain parcel of property as more fully described in Exhibit "B-1" attached hereto and made a part hereof.

IT IS EXPRESSLY AGREED AND UNDERSTOOD that the easements, rights and privileges herein conveyed to the Grantee are apurtenant to that certain real property legally described in Exhibit "A-1" and are contingent upon the Grantee's satisfactory compliance with the following covenants:

1. The westernmost thirty (30) feet of said easement is granted as a temporary easement for construction purposes only. For the purposes of this document, the westernmost thirty (30) feet is described as a strip of land being thirty (30) feet in width and being situated adjacent to unencumbered property owned by Grantor immediately adjacent to property encumbered by this easement. No lake conditions shall be constructed on said thirty foot strip and it shall be restored (as other property not developed as permanent lake) in accordance with Paragraph 7 hereof.

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2. All costs and expenses of construction and maintenance of said lake shall be borne and paid by the Grantee, its successors and assigns.

3. All construction and maintenance of said lake shall be subject to the prior approval of the Board of Directors of Gulf Shores Golf Club, Inc., hereinafter referred to as the "Board". Said construction shall include but not be limited to specifications and workmanship with respect to the spillways, angle of shoreline areas, landscaping, and the placement and use of construction equipment. Said maintenance shall include but not be limited to the application and use of chemicals (herbicides, pesticides, etc.), control of plant growth, and fish and other wildlife habitability. No application of any chemicals shall be made without the express consent of the Board or Directors or its representative. Any malfeasance or misfeasance with regard to the application of any chemicals may be immediately rectified by the Board of Directors without any notice. All costs and expenses for such rectification shall be borne by Grantee or its assigns.

4. Fill dirt removed from said property shall be made available for use by the Grantor, for use within other property owned by the Grantor and used as a golf course.

5. Water level of said lake shall be maintained, as may be reasonably possible, at such a level as may be determined by the Board.

6. Construction of said lake shall be completed within sixty (60) days after the commencement of said construction.

7. After completion of said construction, the banks of said lake and all properties affected by said construction shall be immediately restored to a comparable condition compatible with adjacent golf course.

8. The Grantee shall assume all risks of and shall indemnify and hold Grantor harmless from and against any and all claims, actions, loss, costs (including attorney's fees), damages, expenses, and liability, in connection with life, personal injury, and/or damage to property arising from or out of the construction, operation and/or maintenance of said lake, whether due to Grantees action or inaction.

9. The Grantee shall obtain public liability insurance covering said property naming the Grantor as an additional insured under said policy. The amount and terms and conditions of said policy shall be as determined by the Board, but in no event shall the Grantee, its successors or assigns, be required to provide coverage in excess of One Million Dollars (\$1,000,000.00).

10. All covenants shall apply to all lakes and bodies of water located on any property owned by Grantee, its successors and assigns, which shall have surface access to lakes or bodies of water located upon golf course property.

11. All terms, covenants and conditions herein contained, to be performed by the Grantee, its successors and/or assigns, shall be performed at the Grantee's, its successors' and/or assigns', sole cost and expense, and should the Grantee, its successors and/or assigns fail, neglect or refuse to perform such terms, covenants or conditions, the Grantor may, at its sole option and in addition to any other rights or remedies do one of the following:  
(a) terminate the easements granted herein and require the

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Grantee or its successors and assigns to eliminate said lake by filling in lake area with soil and return area to grade with appropriate ground cover comparable with adjacent golf course area; or (b) terminate the easements granted herein and to eliminate said lake by filling in lake area with soil and return area to grade with appropriate ground cover comparable with the adjacent golf course area, and require the Grantee, its successors and assigns to reimburse the Grantor for any and all expenses incurred with said termination and elimination of said lake, which the Grantee shall promptly pay; or (c) provide for the performance of such terms, covenants or conditions and require the Grantee, its successors and assigns to reimburse the Grantor for any and all expenses incurred, which the Grantee shall promptly pay. Except as provided in Paragraph 3 hereof, all actions to be taken by the Board of Directors shall be taken only after written notice and reasonable time to cure.

TO HAVE AND HOLD, the interest, rights and privileges hereunder granted, subject to the reservations, terms and conditions hereof, unto the Grantee, its successors and assigns, forever.

The Grantor does hereby covenant with the Grantee that it is lawfully seized and in possession of lands herein described and that it has good and marketable title thereto and a lawful right to convey said land or any interest therein, and that it will FOREVER WARRANT AND DEFEND the title thereto against the lawful claims of any person whomsoever.

IN WITNESS WHEREOF, the Grantor and the Grantee have hereunto caused this instrument to be properly executed on this the 13th day of May, 1985.

GRANTOR:

GULF SHORES GOLF CLUB, INC.,  
A Corporation

By: [Signature]

Its: [Signature]

ATTEST:

By: W. Wright Sec.

Its: DIRECTOR

GRANTEE:

SCHAAF REALTY &  
INVESTMENTS, INC.,  
A Corporation

By: [Signature]

Its: PRESIDENT

ATTEST:

By: [Signature]

Its: V-P

FILE 213 PAGE 1828

MISC. 54-46E 095

STATE OF ALABAMA )

COUNTY OF BALDWIN )

I, Lisa H. Koehle, the undersigned Notary Public in and for said State and County, hereby certify that Michael Ethridge and W. Wright Lee, whose names as President and Director of GULF SHORES GOLF CLUB, INC., a corporation, are signed to the foregoing conveyance, and who are known to me, acknowledged before me on this day that, being informed of the contents of this conveyance, they, as such officers and with full authority, executed the same voluntarily for and as the act of said corporation on the day the same bears date.

Given under my hand and notarial seal on this the 13th day of May, 1985.

Lisa H. Koehle  
NOTARY PUBLIC

My Commission Expires:

~~MY COMMISSION EXPIRES MARCH 7, 1988~~

STATE OF ALABAMA )

COUNTY OF BALDWIN )

I, Lisa H. Koehle, the undersigned Notary Public in and for said State and County, hereby certify that Michael James Schaaf and Timothy K. Schaaf, whose names as President and Vice President of SCHAAF REALTY & INVESTMENTS, INC., a corporation, are signed to the foregoing conveyance, and who are known to me, acknowledged before me on this day that, being informed of the contents of this conveyance, they, as such officers and with full authority, executed the same voluntarily for and as the act of said corporation on the day the same bears date.

Given under my hand and notarial seal on this the 13th day of May, 1985.

Lisa H. Koehle  
NOTARY PUBLIC

My Commission Expires:

~~MY COMMISSION EXPIRES MARCH 7, 1988~~

This Instrument Prepared by:

G. DAVID CHAPMAN III, Attorney at Law  
Post Office Box 1558  
Gulf Shores, Alabama 36542

GRANTOR'S ADDRESS:  
GULF SHORES GOLF CLUB, INC.  
Post Office Box 499  
Gulf Shores, Alabama 36542

GRANTEES' ADDRESS:  
SCHAAF REALTY & INVESTMENTS, INC.  
Post Office Box 1858  
Gulf Shores, Alabama 36542

REC-210  
MAY 18 1985

MISC.

54-00E

096



EASEMENT  
EXHIBIT "A-1"

Commence at the Southeast corner of Section 7, Township 9 South, Range 4 East, Baldwin County, Alabama, run West 50.0 feet to a point on the West right of way line of Regency Road; thence run  $N00^{\circ}49'22''E$  along the West line of Regency Road 0.33 feet to a point; thence run  $N00^{\circ}22'39''E$  and along the West line of said Regency Road 245.53 feet to the Point of Beginning; thence continue  $N00^{\circ}22'39''E$  along the West line of Regency Road right of way 320.0 feet to a point, said point being the intersection of Regency Road and Club House Road, thence run  $S32^{\circ}34'39''W$  and along the East right of way line of said Club House Road, 58.25 feet to a point, said point being a P.I. of said Club House Road, thence run  $N57^{\circ}25'21''W$  and along the South line of said Club House Road, 280 feet to a point, said point being on the East property line of the Gulf Shores Golf Course, thence run  $S32^{\circ}34'39''W$ , along the said East line of the Gulf Shores Golf Course, 502.0 feet to a point; thence run  $S57^{\circ}25'21''E$  217.0 feet to a point; thence run  $N37^{\circ}59'34''E$ , 152.13 feet to a point; thence run  $S89^{\circ}37'21''E$ , 259.0 feet to the Point of Beginning.

All being 3.76 acres, more or less, and lying in Section 7, Township 9 South, Range 4 East, Baldwin County, Alabama.

GULF SHORES GOLF CLUB, INC.,  
A Corporation

By: 

Its: President

ATTEST:

By: W. W. Wright, Jr.

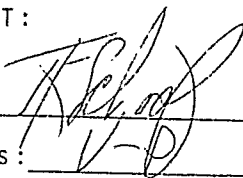
Its: DIRECTOR

SCHAAF REALTY &  
INVESTMENTS, INC.,  
A Corporation

By: 

Its: PRESIDENT

ATTEST:

By: 

Its: W-1

REV. 213 PAGE 1830

MSC. 54-666 097



EASEMENT  
EXHIBIT "B-1"

Beginning at the intersection of the north line of Clubhouse Drive and the east property line of Gulf Shores Golf Club, Inc., run thence S32°34'39"W along the east line of said Golf Club Property 582.0 feet; thence run N57°25'21"W, 106.4 feet; thence run N24°34'39"E, 145.29 feet; thence run N39°34'39"E, 280.0 feet; thence run N62°34'39"E, 185.0 feet to the Point of Beginning.

GULF SHORES GOLF CLUB, INC.,  
A Corporation

By: *[Signature]*  
Its: President

ATTEST:

By: W. Wright Lee  
Its: Director

REV. 213  
PAGE 1831

SCHAAF REALTY &  
INVESTMENTS, INC.,  
A Corporation

By: *[Signature]*  
Its: PRESIDENT

MISC. 54-AGE  
098

ATTEST:

By: *[Signature]*  
Its: *[Signature]*

STATE OF ALABAMA,  
BALDWIN COUNTY

I certify that this instrument was filed  
and the following tax collected on:

D.P. \$1.00 MAY 15 1985 2468 M

Min. Tax \$ \_\_\_\_\_ Index # \_\_\_\_\_  
Deed \$ \_\_\_\_\_ Mort. \$ \_\_\_\_\_ Recorded in \_\_\_\_\_  
Book \_\_\_\_\_ Page \_\_\_\_\_  
1000 \_\_\_\_\_ 31 Judge of Probate

STATE OF ALABAMA )

COUNTY OF BALDWIN )

EASEMENT

WHEREAS, GULF SHORES GOLF CLUB, INC., a corporation, hereinafter referred to as "Grantor", is the owner of certain real property located in Baldwin County, Alabama, operating such property as a golf course; and

WHEREAS, SCHAAF REALTY & INVESTMENTS, INC., a corporation, hereinafter referred to as "Grantee", is the owner of certain real property located adjacent to a portion of said golf course; and

WHEREAS, a portion of the Grantee's real property which is adjacent to and shares a common boundary with the Grantor's property is described in Exhibit "A-2" attached hereto and made a part hereof; and

WHEREAS, the Grantee is desirous of developing all or a portion of its real property adjacent to said golf course, including the construction and maintenance of an aesthetic lake to have its approximate boundaries to lie on both sides of the dividing common boundary line between the parcel owned by the Grantor and said property owned by the Grantee as described in Exhibit "A-2"; and

WHEREAS, the Grantor is willing to grant certain easements to the Grantee for the various considerations set forth in this agreement and the Grantee is willing to pay such considerations and to obligate itself and its successors and assigns to carry out the various covenants contained herein.

NOW, THEREFORE, BE IT KNOWN it is hereby agreed that the Grantor, for and in consideration of the payment of the sum of TEN AND NO/100THS DOLLARS (\$10.00), and other good and valuable considerations, the receipt and sufficiency of which is hereby acknowledged, does hereby GRANT, BARGAIN, SELL AND CONVEY unto the Grantee, its successors and assigns, a non-exclusive right-of-way and non-exclusive easement to construct and maintain an aesthetic lake upon that certain parcel of property as more fully described in Exhibit "B-2" attached hereto and made a part hereof.

IT IS EXPRESSLY AGREED AND UNDERSTOOD that the easements, rights and privileges herein conveyed to the Grantee are apurtenant to that certain real property legally described in Exhibit "A-2" and are contingent upon the Grantee's satisfactory compliance with the following covenants:

1. The westernmost thirty (30) feet of said easement is granted as a temporary easement for construction purposes only. For the purposes of this document, the westernmost thirty (30) feet is described as a strip of land being thirty (30) feet in width and being situated adjacent to unencumbered property owned by Grantor immediately adjacent to property encumbered by this easement. No lake conditions shall be constructed on said thirty foot strip and it shall be restored (as other property not developed as permanent lake) in accordance with Paragraph 7 hereof.

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MISC 54 USE 099

2. All costs and expenses of construction and maintenance of said lake shall be borne and paid by the Grantee, its successors and assigns.

3. All construction and maintenance of said lake shall be subject to the prior approval of the Board of Directors of Gulf Shores Golf Club, Inc., hereinafter referred to as the "Board". Said construction shall include but not be limited to specifications and workmanship with respect to the spillways, angle of shoreline areas, landscaping, and the placement and use of construction equipment. Said maintenance shall include but not be limited to the application and use of chemicals (herbicides, pesticides, etc.), control of plant growth, and fish and other wildlife habitability. No application of any chemicals shall be made without the express consent of the Board or Directors or its representative. Any malfeasance or misfeasance with regard to the application of any chemicals may be immediately rectified by the Board of Directors without any notice. All costs and expenses for such rectification shall be borne by Grantee or its assigns.

4. Fill dirt removed from said property shall be made available for use by the Grantor, for use within other property owned by the Grantor and used as a golf course.

5. Water level of said lake shall be maintained, as may be reasonably possible, at such a level as may be determined by the Board.

6. Construction of said lake shall be completed within sixty (60) days after the commencement of said construction.

7. After completion of said construction, the banks of said lake and all properties affected by said construction shall be immediately restored to a comparable condition compatible with adjacent golf course.

8. The Grantee shall assume all risks of and shall indemnify and hold Grantor harmless from and against any and all claims, actions, loss, costs (including attorney's fees), damages, expenses, and liability, in connection with life, personal injury, and/or damage to property arising from or out of the construction, operation and/or maintenance of said lake, whether due to Grantees action or inaction.

9. The Grantee shall obtain public liability insurance covering said property naming the Grantor as an additional insured under said policy. The amount and terms and conditions of said policy shall be as determined by the Board, but in no event shall the Grantee, its successors or assigns, be required to provide coverage in excess of One Million Dollars (\$1,000,000.00).

10. All covenants shall apply to all lakes and bodies of water located on any property owned by Grantee, its successors and assigns, which shall have surface access to lakes or bodies of water located upon golf course property.

11. All terms, covenants and conditions herein contained, to be performed by the Grantee, its successors and/or assigns, shall be performed at the Grantee's, its successors' and/or assigns', sole cost and expense, and should the Grantee, its successors and/or assigns fail, neglect or refuse to perform such terms, covenants or conditions, the Grantor may, at its sole option and in addition to any other rights or remedies do one of the following:  
(a) terminate the easements granted herein and require the

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Grantee or its successors and assigns to eliminate said lake by filling in lake area with soil and return area to grade with appropriate ground cover comparable with adjacent golf course area; or (b) terminate the easements granted herein and to eliminate said lake by filling in lake area with soil and return area to grade with appropriate ground cover comparable with the adjacent golf course area, and require the Grantee, its successors and assigns to reimburse the Grantor for any and all expenses incurred with said termination and elimination of said lake, which the Grantee shall promptly pay; or (c) provide for the performance of such terms, covenants or conditions and require the Grantee, its successors and assigns to reimburse the Grantor for any and all expenses incurred, which the Grantee shall promptly pay. Except as provided in Paragraph 3 hereof, all actions to be taken by the Board of Directors shall be taken only after written notice and reasonable time to cure.

TO HAVE AND HOLD, the interest, rights and privileges hereunder granted, subject to the reservations, terms and conditions hereof, unto the Grantee, its successors and assigns, forever.

The Grantor does hereby covenant with the Grantee that it is lawfully seized and in possession of lands herein described and that it has good and marketable title thereto and a lawful right to convey said land or any interest therein, and that it will FOREVER WARRANT AND DEFEND the title thereto against the lawful claims of any person whomsoever.

IN WITNESS WHEREOF, the Grantor and the Grantee have hereunto caused this instrument to be properly executed on this the 13th day of May, 1985.

GRANTOR:

GULF SHORES GOLF CLUB, INC.,  
A Corporation

By: Michael Edwards  
Its: President

ATTEST:

By: W. Wright Lee  
Its: Director

GRANTEE:

SCHAAF REALTY &  
INVESTMENTS, INC.,  
A Corporation

By: Michael James Schaff  
Its: PRESIDENT

ATTEST:

By: [Signature]  
Its: [Signature]

213 PAGE 1834

MISC. 54-456 101

STATE OF ALABAMA )

COUNTY OF BALDWIN )

I, Lisa H. Koehle, the undersigned Notary Public in and for said State and County, hereby certify that Michael Ethridge and W. Wright Lee, whose names as President and Director of GULF SHORES GOLF CLUB, INC., a corporation, are signed to the foregoing conveyance, and who are known to me, acknowledged before me on this day that, being informed of the contents of this conveyance, they, as such officers and with full authority, executed the same voluntarily for and as the act of said corporation on the day the same bears date.

Given under my hand and notarial seal on this the 13th day of May, 1985.

Lisa H. Koehle  
NOTARY PUBLIC

My Commission Expires:  
MY COMMISSION EXPIRES MARCH 7, 1988

STATE OF ALABAMA )

COUNTY OF BALDWIN )

I, Lisa H. Koehle, the undersigned Notary Public in and for said State and County, hereby certify that Michael James Schaaf and Timothy K. Schaaf, whose names as President and Vice-President of SCHAAF REALTY & INVESTMENTS, INC., a corporation, are signed to the foregoing conveyance, and who are known to me, acknowledged before me on this day that, being informed of the contents of this conveyance, they, as such officers and with full authority, executed the same voluntarily for and as the act of said corporation on the day the same bears date.

Given under my hand and notarial seal on this the 13th day of May, 1985.

Lisa H. Koehle  
NOTARY PUBLIC

My Commission Expires:  
MY COMMISSION EXPIRES MARCH 7, 1988

This Instrument Prepared by:  
G. DAVID CHAPMAN III, Attorney at Law  
Post Office Box 1558  
Gulf Shores, Alabama 36542

GRANTOR'S ADDRESS:  
GULF SHORES GOLF CLUB, INC.  
Post Office Box 499  
Gulf Shores, Alabama 36542

GRANTEES' ADDRESS:  
SCHAAF REALTY & INVESTMENTS, INC.  
Post Office Box 1858  
Gulf Shores, Alabama 36542

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213  
MAY 18 1985

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54  
MAY 10 1985

EASEMENT  
EXHIBIT "A-2"

Commence at the Southeast corner of Section 7, T-9-S, R-4-E, Baldwin County, Alabama, run West 50.0 feet to the Point of Beginning, also being a point on the West right of way line of Regency Road; thence run N00°49'22"E along the West line of Regency Road 0.33 feet to a point; thence run N00°22'39"E and along the West line of said Regency Road 245.53 feet to a point; thence run N89°37'21"W, 259 feet to a point; thence run S37°59'34"W, 152.13 feet to a point; thence run N57°25'21"W, 217 feet to a point, said point being on the East property line of the Gulf Shores Golf Course; thence run S32°34'39"W, along the said East line of the Gulf Shores Golf Course 505.94 feet to a point; thence run S89°37'21"E, 803.63 feet to a point on the West right of way line of Regency Road; thence run N00°49'22"E along the West line of Regency Road 187.14 feet to the Point of Beginning.

All being 6.251 acres, more or less, and lying in Sections 7 and 18, T-9-S, R-4-E, Baldwin County, Alabama.

GULF SHORES GOLF CLUB, INC.,  
A Corporation

By: Michael Edwards  
Its: President

ATTEST:

By: W. Wright, Sec.  
Its: DIABORA

SCHAAF REALTY &  
INVESTMENTS, INC.,  
A Corporation

By: Michael James Schauf  
Its: PRESIDENT

ATTEST:

By: [Signature]  
Its: [Signature]

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EASEMENT  
EXHIBIT "B-2"

From the intersection of the north line of Clubhouse Drive and the east property line of Gulf Shores Golf Club, Inc., run thence S32°34'39"W along the East line of said Golf Club Property 582.0 feet to the Point of Beginning; thence continue S32°34'39"W along the East line of said Golf Club Property 505.94 feet; thence run N57°25'21" W, 52.16 feet; thence run N32°34'39"E, 120.02 feet; thence run N24°34'39"E, 389.71 feet; thence run S57°25'21"E, 106.4 feet to the Point of Beginning.

GULF SHORES GOLF CLUB, INC.,  
A Corporation

By: *Michael ...*  
Its: *President*

ATTEST:

By: *W. Wright Lee*  
Its: *DIRECTOR*

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213  
PAGE 1837

SCHAAF REALTY &  
INVESTMENTS, INC.,  
A Corporation

By: *Cliff ...*  
Its: *PRESIDENT*

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ATTEST:

By: *[Signature]*  
Its: *[Signature]*

STATE OF ALABAMA,  
BALDWIN COUNTY

I certify that this instrument was filed  
and the following tax collected on

D.P. \$1.00 MAY 15 1985 *3:47 P*  
M

Min. Tax \$ 52 Index # 100  
Deed # 113 Mart. \$ 37 Recorded in CP  
Book 1832 Page 37 *Cliff ...*  
Judge of Probate

By: *[Signature]*

DECLARATION OF CONDOMINIUM  
OF  
REGENCY CONDOMINIUM

Exhibit ..H

Plans, Phase I

See Apartment Book 10, page 72 et. seq., as recorded  
in the office of the Judge of Probate of Baldwin  
County, Alabama.

MISC. 54-AGE 105