

THE DUNES

**DECLARATION OF COVENANTS, CONDITIONS AND
RESTRICTIONS OF THE DUNES**

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STATE OF ALABAMA
BALTIMOR COUNTY
I CERTIFY THIS INSTRUMENT WAS
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**DECLARATION OF COVENANTS, CONDITIONS AND
RESTRICTIONS FOR THE DUNES**

THE DUNES COVENANTS, CONDITIONS AND RESTRICTIONS (these "Covenants") are made as of the 27th day of June, 1996, by SAGE DEVELOPMENT, L.L.C., an Alabama limited liability company ("Declarant").

RECITALS:

A. Declarant is the owner of the Property, as described in Section 1.37 below.

B. Declarant desires to own, develop, improve, lease and sell the Property for single-family or duplex detached residential housing purposes. The Property is being subjected to these Covenants to protect the value and desirability of the Property and to provide a flexible and reasonable method for the administration and maintenance of the Property.

C. Declarant has caused the Association, as defined in Section 1.4 below, to be formed as an Alabama nonprofit corporation for the purpose of making Assessments, as defined in Section 1.3 below, and otherwise taking all action that the Association is authorized to undertake hereunder.

NOW, THEREFORE, subject to the conditions and limitations described below, Declarant does hereby proclaim that all of the Property shall be held, developed, improved, transferred, sold conveyed, leased, occupied and used subject to these covenants, which shall be binding upon and inure to the benefit of all parties acquiring or having any right, title or interest in any portion of the Property and any of the Additional Property, as described in Section 1.1 below (but only to the extent Declarant submits any portion of the Additional Property to the provisions of these Covenants), and their respective heirs, executors, administrators, personal representatives, successors and assigns.

ARTICLE 1

DEFINITIONS

As used throughout these Covenants, the following terms shall have the meanings set forth below, which meanings shall be applicable to both the singular and plural forms and to all tenses of such terms:

Section 1.1 Additional Property. The term "Additional Property" shall mean and refer to any real property and any Improvements situated thereon lying adjacent to or in close proximity with the Property which Declarant may from time to time submit and add to the provisions of these covenants pursuant to the provisions of Section 2.2 below. The Additional Property may also include additional Common Areas and may include a condominium project.

Section 1.2 Articles of Incorporation. The term "Articles of Incorporation" shall mean and refer to the Articles of Incorporation of the Association and all amendments thereto.

Section 1.3 Assessment. The term "Assessment" shall mean the annual and special assessments and any other charges assessed against any Lot, Unit, Dwelling or Owner by the Association or Master Association, pursuant to Sections 8.1, 8.3, 8.4, 8.5 and 8.6 hereof.

Section 1.4 Association. The term "Association" shall mean The Dunes Homeowners' Association, Inc., an Alabama nonprofit corporation.

Section 1.5 Alabama Beach Mouse. The term "Alabama Beach Mouse" shall mean and refer to the Alabama Beach Mouse, *Peromyscus polinotus ammobates*.

Section 1.6 Alabama Beach Mouse Covenants. The term "Alabama Beach Mouse Covenants" shall mean and refer to that certain Declaration of Alabama Beach Mouse Protective Covenants for The Dunes dated as of 27th June 1996, by Declarant which is recorded in Miscellaneous Book MSC 89, Page 113, et seq. in the Probate Office of Baldwin County, Alabama, as amended from time to time. All Lots and Dwellings shall be conveyed subject to the Alabama Beach Mouse Covenants in addition to these Covenants.

Section 1.7 Beach Front Lot or Dwelling. The term "Beach Front Lot or Dwelling" shall refer to any Lot or Dwelling that abuts the Gulf of Mexico. Beach Front Lots or Dwellings are restricted to single family detached residential housing.

Section 1.8 Board. The term "Board" shall mean and refer to the members of the Board of Directors of the Association and their duly elected successors as may be provided in the Articles of Incorporation and Bylaws, as the same may exist from time to time.

Section 1.9 Bylaws. The term "Bylaws" shall mean and refer to the bylaws of the Association, as the same may be amended from time to time.

Section 1.10 Common Areas. The term "Common Areas" shall mean and refer to all real and personal property now or hereafter owned by the Master Association for the nonexclusive, common use and enjoyment of the Owners and Occupants. The Common Areas shall include (a) all private roadways and easements located within the boundaries of the Property that provide ingress to and egress from any portion of the Development (other than any such private roadways or easements that are located solely within the boundary lines of any Lot or Dwelling), (b) all private roadways and easements located adjacent to or in close proximity with (but otherwise outside of) the Development that provide ingress to or egress from any portion of the Development (other than any such private roadways or easements that are located solely within the boundary lines of any Lot or Dwelling), (c) all signage, street lights, lighting, walkways, sidewalks, paths, bicycle and jogging paths and lanes, gates, walls, fences, limited access facilities, Improvements, landscaped or other areas immediately adjacent to any public or private roadways that may be adjacent to or in close proximity with the Development that provide ingress to and egress from any portion of the Development (other than any such areas located solely within the boundary lines of any Lot or Dwelling), (d) all water features, storm drains and sewers, drainage and/or watershed protection or retention ponds, basins or other areas and facilities located within the Development (other than such areas located solely within the boundary lines of any Lot or Dwelling), (e) all maintenance areas and parking areas located on any portion of the Property (other than such areas located solely within the boundary lines of any Lot or Dwelling), (f) all utility lines, pipes, ducts, conduits, equipment, machinery and other apparatus and appurtenances that are located in or serve any portion of the Common Areas, (g) all parks, nature trails, recreational facilities and areas and (h) all easements and easement areas within the Development (other than such areas located solely within the boundary lines of any Lot or Dwelling), and any other areas or Improvements on or within the Development that are designated as Common Areas by Declarant or the Master Association Board from time to time. The designation of any land

and/or Improvements as Common Areas shall not mean or imply that the public at large acquires any easement of use or enjoyment thereof or any other rights, licenses or benefits therein.

Section 1.11 Common Expenses. The term "Common Expenses" shall mean and refer to all expenditures made or incurred by or on behalf of the Association, including, without limitation, those expenses described in Section 8.4(c) below, all funds assessed for the creation or maintenance of reserves pursuant to the provisions of the Covenants, and a proportionate share of all Master Association Expenses.

Section 1.12 Covenants. The term "Covenants" shall mean and refer to the The Dunes Covenants, Conditions and Restrictions as set forth herein, and all amendments thereto.

Section 1.13 Design Code. The term "Design Code" shall mean the standards prepared, issued and amended from time to time by the DRB pursuant to Section 5.4 below for the purpose of reviewing and approving all exterior improvements, landscaping and other Improvements that may be made to any Lot, Dwelling or Common Area.

Section 1.14 Development. The term "Development" shall mean and refer to approximately 11.72 acres of real property know as "The Dunes," being more particularly described in Exhibit B attached hereto and incorporated herein by reference, and all Improvements thereon and any additional property submitted thereto as Declarant, in its sole discretion, shall deem necessary or desirable. The Property comprises a part of the Development.

Section 1.15 DRB. The term or letters "DRB" shall mean the Design Review Board appointed pursuant to Section 5.2 hereof with the rights and obligations conferred upon such Design Review Board pursuant to these Covenants.

Section 1.16 Dwelling. The term "Dwelling" shall mean and refer to any improved Lot intended for use as single-family detached residential housing or duplex residential housing. Wherever any of the phrases "Lot or Dwelling", "Lots or Dwellings", "Lot and Dwelling" or "Lots and Dwellings" appear herein, the term "Dwelling" or "Dwellings" in those instances shall include the Lot or Lots upon which such Dwelling or Dwellings are constructed.

Section 1.17 Declarant. The term "Declarant" shall mean Sage Development, L.L.C., an Alabama limited liability company, its successors and assigns.

Section 1.18 Governmental Authority. The term "Governmental Authority" shall mean any and all city, county, state and federal governmental or quasi-governmental agencies, bureaus, departments, divisions or regulatory authorities having jurisdiction over any portion of the Development.

Section 1.19 Improvement. The term "Improvement" shall mean and refer to all Dwellings, any building, structure, planting or device constructed, erected or place upon any Lot or Common Area that in any way affects the exterior appearance of any Lot, Dwelling or Common Area. Improvements shall include, by way of illustration and not limitation, buildings, sheds, foundations, covered patios, helipads, underground utilities, septic tanks, roads, driveways, walkways, paving, curbing, parking areas, trees, shrubbery, landscaping, fences, screening, walls, signs, satellite dishes, radio or television antennas, and any other artificial or man-made changes or alterations to the natural conditions of any Lot or Dwelling. "Improvements" shall also mean any grading and any excavation or fill, the volume of

which exceeds eight cubic yards, and any soil erosion controls, ponds, or drainage channels constructed or designated pursuant to the Alabama Beach Mouse Covenants or otherwise.

Section 1.20 Institutional Mortgagee. The term "Institutional Mortgagee" shall mean and refer to (a) any federal or state chartered bank, trust company, life insurance company, federal or state savings and loan association, real estate investment trust or other recognized lending institution that normally and customarily engages in the business of making Mortgage loans, (b) any institutional or governmental purchaser of Mortgage loans in the secondary market, such as Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, and (c) any pension or profit-sharing trust that makes Mortgage loans or that purchases Mortgage loans in the secondary market, that holds a first Mortgage on any Lot or Dwelling that has been duly and properly recorded in the Probate Office of Baldwin County, Alabama.

Section 1.21 The Dunes Property. The term "The Dunes Property" shall mean and collectively refer to the Property, any Additional Property, and any other residential area or condominium project developed by Declarant, in Declarant's sole discretion and designated as The Dunes Property.

Section 1.22 Dune Drive. The term "Dune Drive" shall mean and refer to those certain roadways situated within the Property, as generally depicted on the master plan of the Development, and all improvements, additions and alterations that may be made to such roadways from time to time.

Section 1.23 Living Space. The term "Living Space" shall mean and refer to the enclosed and covered areas within a Dwelling that are heated and cooled by heating, ventilating and air conditioning equipment, exclusive of garages, carports, porches, terraces, balconies, decks, patios, courtyards, greenhouses, atriums, bulk storage areas, attics and basements.

Section 1.24 Lot. The term "Lot" shall mean and refer to any unimproved portion of the Property upon which the Owner thereof intends that a Dwelling be constructed. Upon the recordation of any subdivision plat for any portion of the Property, each Lot indicated thereon shall be deemed a Lot for purposes of these Covenants. A parcel of land shall be deemed unimproved and thus considered to be a Lot rather than a Dwelling until the Improvements constructed thereon are sufficiently complete to reasonably permit habitation thereof. Upon such completion, such Lot and the Improvements thereon shall collectively be considered to be a Dwelling for purposes of these Covenants. In the event any Lot is resubdivided by Declarant pursuant to the provisions of Section 2.7 hereof, the resubdivided Lots shall constitute the number of Lots which remain after such division or combination of Lots.

Section 1.25 Master Association. The term "Master Association" shall mean and refer to The Dunes Master Owners' Association, Inc., an Alabama nonprofit corporation, the members of which shall be the Association, other residential property owners' associations, and such condominium owners' associations formed by Declarant or an affiliate of Declarant in connection with portions of the Development other than the Property, all as determined by the Declarant to constitute members of the Master Association.

Section 1.26 Master Association Articles of Incorporation. The term "Master Association Articles of Incorporation" shall mean and refer to the Articles of Incorporation of the Master Association and all amendments thereto.

Section 1.27 Master Association Board. The term "Master Association Board" shall mean and refer to the members of the Board of Directors of the Master Association and their duly elected successors as may be provided in the Master Association Articles of Incorporation and the Master Association Bylaws.

Section 1.28 Master Association Bylaws. The term "Master Association Bylaws" shall mean and refer to the bylaws of the Master Association, as the same may be amended from time to time.

Section 1.29 Master Association Expenses. The term "Master Association Expenses" shall mean and refer to all expenditures made or incurred by or on behalf of the Master Association, including without limitation, those expenses described in Section 8.4(d) below.

Section 1.30 Mortgage. The term "mortgage" shall mean and refer to any mortgage, deed of trust or other security device encumbering a Lot, Unit or Dwelling or any interest therein and which shall have been duly and properly recorded in the Office of the Judge of Probate of Baldwin County, Alabama.

Section 1.31 Mortgagee. The term "Mortgagee" shall mean and refer to the holder of any Mortgage and shall include any Institutional Mortgagee.

Section 1.32 Occupant. The term "Occupant" shall mean and include any Owner, the family members, guests, tenants, agents, servants, employees and invitees of any Owner and their respective family members, guests, tenants, agents, servants, employees, invitees and any other person who occupies or uses any Dwelling or Unit within the Property. All actions or omissions of any Occupant are and shall be deemed the actions or omissions of the Owner of such Dwelling or Unit.

Section 1.34 Owner. The term "Owner" shall mean and refer to the record owner, including Declarant, of fee simple title to any Lot, Unit, or Dwelling, whether a corporate, partnership, proprietorship, association or other entity of any nature, including natural persons, but shall not include (i) any Mortgagee unless and until such Mortgagee has foreclosed on its Mortgage and purchased such Lot, Unit or Dwelling at the foreclosure sale held with respect to the foreclosure of such Mortgage or (ii) any lessee, purchaser, contract purchaser or vendor who has an interest in any Lot, Unit or Dwelling solely by virtue of a lease, contract, installment contract or other agreement.

Section 1.35 Property. The term "Property" shall mean and refer to that certain real property situated in Baldwin County, Alabama, which is more particularly described in Exhibit A attached hereto and incorporated herein by reference. The Property shall also include any Additional Property made subject to these Covenants pursuant to Section 2.2 hereof.

Section 1.36 Unit. The term "Unit" shall mean and refer to the physical portion of a condominium regime which is designated as private elements in the condominium documents which dedicates the land to the condominium form of ownership in accordance with the Alabama Uniform Condominium Act of 1991, Code of Alabama, 1975, Sections 35-8A-101, et seq.

ARTICLE 2

PROPERTY SUBJECT TO COVENANTS

Section 2.1 General. Declarant hereby proclaims that the Property is and shall be subject to the easements, covenants, conditions, restrictions, charges, liens and regulations of these Covenants, and the Property, any part thereof and each Lot or

Dwelling and Common Area thereon shall be held, owned, sold, transferred, conveyed, hypothecated, encumbered, leased, occupied, built upon and otherwise used, improved and maintained, subject to the terms of these Covenants, which easements, covenants, conditions, restrictions, charges, liens and regulations shall run with the title to the Property and shall be binding upon and inure to the benefit of Declarant and all Owners and Occupants of the Property and any Lot or Dwelling and Common Area thereof. THESE COVENANTS SHALL NOT APPLY TO OR AFFECT ANY REAL PROPERTY OWNED BY DECLARANT OTHER THAN THE PROPERTY, UNLESS THE SAME IS SPECIFICALLY TO THESE COVENANTS SUBMITTED BY WRITTEN INSTRUMENT IN ACCORDANCE WITH SECTION 2.2 HEREOF. THESE COVENANTS SHALL NOT NOR INTEND TO CREATE A CONDOMINIUM WITHIN THE MEANING OF THE ALABAMA UNIFORM CONDOMINIUM ACT OF 1991.

Section 2.2 Additional Property. Declarant reserves the right, in its sole and absolute discretion, at any time and from time to time during the pendency of these Covenants, to add and submit any Additional Property to these Covenants and, to the extent any of the Additional Property is specifically submitted to these Covenants by Declarant, then any such Additional Property shall constitute part of the Property. Additional Property may be submitted to these Covenants by an instrument executed by Declarant in the manner required for the execution of deeds and recorded in the Probate Office of Baldwin County, Alabama, which instrument shall be deemed an amendment to these Covenants (which need not be consented to or approved by any Owner, Occupant or Mortgagee of any Lot or Dwelling) and shall (a) refer to these Covenants, stating the book and page number in the Probate Office of Baldwin County, Alabama, where these Covenants are recorded, (b) contain a statement that such Additional Property is conveyed subject to the provisions of these Covenants or only specified portions thereof, (c) contain an exact description of such additional Property and (d) state such other or different covenants, conditions and restrictions as the Declarant, in its sole discretion, shall specify to regulate and control the use, occupancy and improvement of such Additional Property, including but not limited to the Alabama Uniform Condominium Act of 1991. From and after the date on which any amendment to these Covenants is recorded in the Probate Office of Baldwin County, Alabama, submitting any Additional Property to the provision of these Covenants, the number of votes in the Association shall be increased by the number of Lots within the Additional Property which is added and submitted to these Covenants and in accordance with the voting rights set forth in the bylaws. In no event shall Declarant be obligated to submit any Additional Property to the provisions of these Covenants or to impose any of the covenants, conditions or restrictions set forth in these Covenants upon any real property owned by Declarant other than the Property. Notwithstanding anything provided in these Covenants to the contrary, (1) the provisions of this Section 2.2 may not be abrogated, modified, rescinded, supplemented or amended, in whole or in part, without the prior written consent of Declarant, and (2) the rights reserved by Declarant pursuant to this Section 2.2 shall not be deemed to inure to the benefit of any transferee or purchaser of any Additional Property, or any portion thereof, unless Declarant, in its sole discretion, transfers and conveys to such transferee or purchaser the rights reserved herein by express reference to Section 2.2 of these Covenants.

Section 2.3 Right of Declarant to Modify Restrictions with Respect to Lots or Units Owned by Declarant. With respect to any Lot or Unit owned by Declarant, Declarant may, by deed, contract or other instrument filed for record in the manner specified in Section 2.2 above, modify the provisions of these Covenants as the same apply to any such Lot or Unit, including but not limited to, the withdrawal of any such Lot from the operation and effect of these Covenants.

Section 2.4 Mutuality of Benefit and Obligation. The

provisions of these Covenants are made (a) for the mutual and reciprocal benefit of each Lot and Dwelling within the Property and are intended to create mutual, equitable servitudes upon and in favor of each Lot, Unit and Dwelling, (b) to create reciprocal rights and obligations between the respective Owners and all future and subsequent Owners of any Lot, Unit or Dwelling within the Property and (c) to create a privity of contact and estate between the Owners, their respective heirs, successors and assigns.

Section 2.5 Condominium Units. Declarant, in its sole discretion, may from time to time cause condominium units to be constructed on Additional Property that is dedicated to the condominium form of ownership in accordance with the Alabama Uniform Condominium Act of 1991, Code of Alabama (1975), Sections 35-8A-101, et seq. The condominium units shall be developed and constructed at the discretion of the Declarant and "NEED NOT BE BUILT." The condominium regime established shall be controlled and maintained in accordance with the Declaration of Condominium and the Master Association. All Improvements constructed on the property which is subject to a Declaration of Condominium shall be approved by the DRB.

Section 2.6 Development of Property. Subject to the approval of any Governmental Authority with appropriate jurisdiction, Declarant shall have the right, but not the obligation, for so long as Declarant owns any portion of the Development, or until such earlier date as Declarant elects in its sole discretion to relinquish such right, to make improvements and changes to all Common Areas and to all Lots, Dwellings, or Units owned by Declarant, including, without limitation, (a) installation and maintenance of any Improvements in or to the Common Areas, (b) changes in the location of the boundaries of any Lot or Dwelling owned by Declarant or of the Common Areas, (c) installation of any water, sewer and any other utility systems and facilities within the Common Areas, (d) installation of limited access and trash and refuse facilities, and (e) installation and maintenance of any boardwalks, soil erosion controls, snow fences, silt fences, planting of sea oats, or drainage channels pursuant to the Alabama Beach Mouse Covenants.

Section 2.7 Subdivision Plat. Declarant reserves the right to record, modify, amend, revise and otherwise add to, at any time and from time to time, a subdivision plat setting forth such information as Declarant may deem necessary with regard to the Property, including, without limitation, the locations and dimensions of all Lots, Dwellings, Common Areas, Additional Property, public or private roads, utility systems, drainage systems, utility easements, drainage easements, access easements, set-back line restrictions, retention ponds and drainage basins. Any such subdivision plats or any amendments thereto shall be binding on the portions of the Property indicated thereon as if such subdivision plat were specifically incorporated into these Covenants. Notwithstanding anything provided to the contrary in these Covenants, Declarant may at any time or from time to time divide and redivide, combine and resubdivide any Lots owned by Declarant and change any easement description or relocate any roads affected thereby, subject to approval of any Governmental Authority having jurisdiction thereof.

ARTICLE 3

EASEMENTS

Section 3.1 Grant of Nonexclusive Easements to Owners.

(a) **Common Areas.** Subject to the terms and conditions of these Covenants and the rules, regulations, fees and charges from time to time established by the Master Association Board, Declarant does hereby grant to each Owner and Occupant the

nonexclusive right, privilege and easement of access to and the use and enjoyment of the Common Areas in common with Declarant, its successors and assigns, and all other Owners and Occupants. Subject to the provisions of Sections 3.3(a), 3.3(b) and 3.3(c) below, the easement and rights granted pursuant to this Section 3.1(a) are and shall be permanent and perpetual, are nonexclusive, are appurtenant to and shall pass and run with title to each Lot, Dwelling and Unit. The easement and rights granted pursuant to this section 3.1(a) are expressly subject to the rights reserved by Declarant to restrict access to the Development as provided in Sections 3.3(a) and 3.3(b) below and to take any action necessary or desired in order to cause any of the private roadways within the Development to be dedicated and accepted public roadways by any Government Authority as provided in Section 3.3(c) below.

(b) Dune Drive. Subject to the terms and conditions set forth in these Covenants, and subject also to the traffic rules and regulations described in Section 6.31, Declarant does hereby grant to each Owner and Occupant (i) for ingress and egress to and from any Lot, Dwelling, Unit or Common Area, a nonexclusive easement over and upon, and the right to use for pedestrian and vehicular travel and transportation purposes, Dune Drive, and (ii) for ingress and egress to and from Dune Drive to and from Alabama State Highway 180, a nonexclusive easement over and upon, and the right to use for pedestrian and vehicular travel and transportation purposes, the easement granted to the Declarant by the State of Alabama, Department of Conservation and Natural Resources, State Parks Division, as more particularly described in Exhibit C hereto, subject to and in common with Declarant, its successors and assigns, and all other Owners and Occupants and the rights of all other parties having any interest or rights therein including, but not limited to, any other owner of any portion of the Development. Subject to the terms of Sections 3.3(a) and 3.3(b) below and the rights reserved by Declarant to take any action necessary or desired in order to cause Dune Drive or any portion thereof to be dedicated to and accepted as a public roadway by any Government Authority, as provided in Section 3.3(c) below, the easement and right to use granted pursuant to this Section 3.1(b) are and shall be permanent and perpetual, are nonexclusive, and are appurtenant to and shall pass and run with title to each Lot, Unit and Dwelling. The easement and right to use granted pursuant to this Section 3.1(b) are also subject to all rights of Declarant to upgrade and improve any intersection of Dune Drive and any other street or highway when, in Declarant's judgment, such upgrading or improvement is necessary to maintain acceptable traffic flow within the Development. Such upgrading and improving shall include, but not be limited to, the installation of traffic signals at any such intersection. To the extent Declarant is obligated to maintain or otherwise pay any portion of the costs of maintaining Dunes Drive, or if Declarant deems it necessary or desirable to upgrade or improve any intersection of Dune Drive and any other street or highway as stated above, the Master Association shall assume all of Declarant's obligations relating thereto, and such costs shall be included in the Master Association Expenses pursuant to Section 8.4(d) below.

Section 3.2 Grant of Easement to Governmental Authorities. Subject to the provisions of Sections 3.3(a) and 3.3(b) below, Declarant does hereby grant to each branch, bureau, department and agency of any Governmental Authority and its respective agents, employees and representatives, a permanent, perpetual and nonexclusive easement over, across, through and upon Dunes Drive and all of the private roadways within the Development forming a part of the Common Areas for the purposes of performing such duties and activities related to law enforcement, fire protection, trash and refuse collection, building inspection services, mail and package delivery, medical

and emergency services and any other functions or duties to be performed by the Governmental Authorities as shall be required or appropriate from time to time.

Section 3.3 Reservation of Controlled Access Easement.

(a) Waiver of Unlimited Access. Each Owner, by acceptance of a deed or other instrument conveying any interest in any Lot, Unit or Dwelling, does hereby waive all rights of uncontrolled and unlimited access, ingress to and egress from such Lot or Dwelling and acknowledges and agrees that (i) in order to provide quiet enjoyment, access and ingress to and egress from the Development and/or the Property may be controlled, restricted and limited to exclude the general public therefrom and (ii) access and ingress to and egress from such Owner's Lot or Dwelling shall be limited to the roads, sidewalks, walkways, paths, boardwalks, trails and bicycle and jogging paths and lanes designated as Common Areas by Declarant; provided, however, that, subject to the provisions of these Covenants, vehicular and pedestrian access to and from all Lots, Units, and Dwellings shall be provided at all times.

(b) Right to Install Limited Access Facilities. Declarant does hereby establish and reserve for itself, the Master Association, and their respective successors and assigns, the right and privilege, but not the obligation, to (i) maintain guarded or electronically-monitored gates controlling, limiting and restricting vehicular and pedestrian access to and from any portion of the Development and (ii) require payment of toll charges for use of any private roads within the Development by permitted commercial traffic or by members of the general public, provided that in no event shall any such tolls be applicable to (1) any Owner or Occupant, (2) any Mortgagee or its designated representative, or any guest, family member, invitee, employee or agent of any such member, or any other person or persons from time to time designated by the Declarant, all of whom shall be afforded access to those portions of the Development necessary or required for access and ingress to, or egress from the Property or the Development, (3) any of the Governmental Authorities or their designated agents and representatives or (4) Declarant and those individuals designated from time to time by Declarant to be afforded access to the Development.

(c) Power of Attorney. Notwithstanding anything provided to the contrary in these Covenants, Declarant (i) does hereby establish and reserve the right, in its sole and absolute discretion and at any time and from time to time, to dedicate Dune Drive or any portion thereof and/or any of the private roadways within the Development as public roadways to any Governmental Authority designated by Declarant without requirement that the approval or consent of any Owner, Occupant, Mortgagee or other beneficiary of these Covenants be obtained and (ii) shall be and hereby is authorized and entitled to execute any and all agreements, documents, instruments and subdivision plats pursuant to which Dune Drive or any portion thereof and/or any of the other private roadways within the Development are submitted for dedication as public roadways. Each Owner, by acceptance of any deed to a Lot, Unit or Dwelling, and each Mortgagee, by the acceptance of any Mortgage on any Lot, Unit or Dwelling, shall be deemed to, and each does hereby, irrevocably appoint the Declarant as its respective agent and attorney-in-fact for the purpose of executing, signing, acknowledging, swearing to and recording any and all instruments, certificates, documents, agreements and subdivision plats relating to the dedication of Dunes Drive or any portion thereof and/or any of the other private roadways within the Development for and in the name of any such Owner and Mortgagee in their name, place and stead. The power and authority granted herein is hereby declared to be irrevocable and a power coupled with an interest which shall survive the death or dissolution of any Owner or Mortgagee and be binding on all Owners and Mortgagees

and their respective heirs, executors, administrators, personal representatives, successors and assigns and anyone having any interest in any Lot, Unit, Dwelling or Common Area or in any of the easement rights created or granted in these Covenants. The rights reserved by Declarant pursuant to this Section 3.3(c) may be assigned to the Master Association. Upon such assignment, the Master Association shall have the same rights reserved herein to Declarant.

(d) Recreational Facilities. Subject to the provisions of these Covenants and the rules, regulations, fees and charges from time to time established by Declarant or the Master Association, each Owner and Occupant shall have a nonexclusive right, privilege and easement for access to and the use and enjoyment of the recreational areas, facilities and amenities now or hereafter located in the Common Areas. The easement and rights granted herein are and shall be permanent and perpetual, are nonexclusive, and are appurtenant to, and shall pass and run with title to, each Lot, Unit and Dwelling.

(e) Benefit of Easements. The easements, rights and privileges granted in Sections 3.1 and 3.3 shall pass with each Lot, Unit and Dwelling as an appurtenance thereto and may not be severed, transferred, assigned or otherwise alienated separate or apart from a Lot, Unit or Dwelling.

Section 3.4 Reservation of General Access Easement. Declarant does hereby establish and reserve for itself, the Master Association, the DRB, the Association and their respective agents, employees, representatives, invitees, successors and assigns, a permanent and perpetual nonexclusive easement appurtenant over, across, through and upon each Lot and Dwelling for the purpose of providing access and ingress to and egress from each Lot and Dwelling for (a) the inspection of each Lot and Dwelling and any Improvements thereon to determine compliance with the provisions of these Covenants, and (b) the performance of the respective duties of the Declarant, the Master Association, the DRB and the Association hereunder, including, without limitation, taking any action required or permitted to be taken by Declarant, the Master Association, the DRB and/or the Association pursuant to any of the provisions of these Covenants, the Master Association Bylaws or the Alabama Beach Mouse Covenants; provided, however, that upon completion and occupancy of any Dwelling, then except in the event of emergencies, the foregoing easement shall be utilized only during normal business hours and then, whenever practicable, only upon advance notice to the Owner or Occupant of such Lot or Dwelling directly affected thereby.

Section 3.5 Reservation of Easements With Respect to Common Areas.

(a) Easement Upon Common Areas. Declarant does hereby establish and reserve, for itself, the Master Association, the DRB, the Association, and their respective agents, employees, representatives, invitees, successors and assigns, a permanent and perpetual nonexclusive easement appurtenant over, across, under, through and upon all of the Common Areas for the purpose of (i) constructing, installing, maintaining, repairing and replacing any Improvements on the Property or on the Common Areas and (ii) doing all other things reasonably necessary and proper in connection therewith; provided, however, that nothing in this sentence shall obligate Declarant to undertake any of the foregoing. In addition to the other rights and easements established and reserved herein and regardless of whether Declarant continues to own any portion of the Development, Declarant hereby establishes and reserves for itself and its successors and assigns, a permanent and perpetual, nonexclusive easement to have access and ingress to and egress from and the right and privilege to use and enjoy the Common Areas and all Improvements thereon for such purposes as Declarant deems

appropriate; provided, however, that Declarant should not exercise such rights so as to interfere unreasonably with the rights of the Owners to use the Common Areas.

(b) Changes in Common Areas. Declarant does hereby establish and reserve unto itself and its successors and assigns the permanent right to change, modify and realign the boundaries of any of the Common Areas, Lots, Units, Dwellings, other portions of the Development owned by Declarant. Declarant further reserves the right, but shall not have any obligation, to convey by quitclaim deed to the Master Association, at any time and from time to time any portion of the Development, the Property or any Improvements thereon to be utilized as Common Areas, all as Declarant, in its sole discretion, may determine.

Section 3.6 Reservation of Easement for Utilities. Declarant does hereby establish and reserve for itself and the Master Association, and their respective agents, employees, representatives, invitees, successors and assigns, a permanent and perpetual nonexclusive easement appurtenant over, across, under, through and upon all portions of the Common Areas and all Lots, Units and Dwellings that are reasonably necessary for the purpose of installing, erecting, replacing, relocating, maintaining and operating master television and/or cable systems, limited access facilities and similar systems and all utilities necessary or convenient for the use of any portion of the Development including, without limitation, publicly or privately owned and operated electrical, gas, telephone, water and sewer services, storm drains and sewers, irrigation systems, drainage systems, retention ponds, basins and facilities, lines, pipes, conduits, equipment, machinery and other apparatus and appurtenances necessary or otherwise reasonably required in order to provide any utility service to any portion of the Development. The easements established and reserved herein shall include the right to cut and remove trees, undergrowth and shrubbery, to grade, excavate or fill and to otherwise take all other actions reasonably necessary to provide economical and safe installation, maintenance, repair, operation and replacement of all such utility services and the systems, equipment and machinery used to provide the same. Notwithstanding anything provided in this Section 3.6 to the contrary, (a) the utilization of any of the easements and rights established and reserved pursuant to this Section 3.6 shall not unreasonably interfere with the use or occupancy of any Dwelling situated on any Lot or any Unit, and (b) Declarant shall use good faith efforts to attempt to cause any utility company or other supplier or provider of any utility service that may utilize any of the easements and rights reserved and established pursuant to this Section 3.6 to take reasonable action to repair any damage to any Lot, Unit, or Dwelling caused by such utility company or other supplier or provider of such utility service during the exercise of any rights established and reserved herein.

Section 3.7 Reservation of Easements for Signs, Walks, Boardwalks and Trails. Declarant does hereby establish and reserve for itself, the Master Association, the Association, and their respective agents, employees, representatives, invitees, successors and assigns, a permanent and perpetual easement appurtenant over, across, through and upon a strip of land ten feet in width on any side of any Lot or Dwelling lying parallel and directly adjacent to and abutting any public or private roadway, for the purpose of constructing, installing, maintaining, repairing, operating, replacing and the use of sidewalks, walkways, boardwalks, trails, bicycle and jogging paths and lanes, traffic directional signs, street lights and related improvements; provided, however, that Declarant, the Master Association, and the Association shall not by virtue of this sentence, have any obligation to construct any of the foregoing improvements.

Section 3.8 Reservation of Maintenance Easement. Subject to the provisions of Section 7.2(b) below, Declarant does hereby establish and reserve for the Master Association, the Association and each of their respective agents, employees, representatives, invitees, successors and assigns, a permanent and perpetual right and easement to enter upon any Lot or Dwelling for the purpose of mowing, removing, clearing, cutting or pruning underbrush, weeds, stumps or other unsightly growth and removing trash so as to maintain reasonable standards of health, fire, safety and appearance within the Development; provided, however, that such easement shall not impose any duty or obligation upon Declarant, the Master Association or the Association to perform any of the foregoing actions.

Section 3.9 Reservation of Environmental Easement. Declarant does hereby establish and reserve for itself, the DRB, the Master Association, the Association, and their respective agents, employees, representatives, invitees, successors and assigns, a permanent and perpetual right and easement on, over, across and upon all Lots and all unimproved portions of any Dwellings for the purpose of taking any action necessary to effect compliance with the Design Code or any environmental rules, regulations and procedures from time to time promulgated or instituted by any Governmental Authorities or the Master Association, including, but not limited to, the Alabama Beach Mouse Covenants. Except in the case of an emergency situation or a perceived emergency situation, the exercise by Declarant, the Master Association or the Association of the rights reserved in this Section 3.9 shall not unreasonably interfere with the use or occupancy of any Dwelling situated on any Lot.

Section 3.10 Alabama Beach Mouse Covenants. In addition to these Covenants, all Lots, Units, Dwellings, Improvements and Common Areas are subject to the covenants, conditions, restrictions, easements, limitations, obligations, assessments, remedies, prohibitions and appointments set forth in the Alabama Beach Mouse Covenants for such period and to the extent set forth therein. The Alabama Beach Mouse Covenants are referred to and incorporated in these Covenants by reference as if set out herein in the entirety.

Section 3.11 Landscaping by Owners on Easement Areas. The Declarant, the Master Association, any Governmental Authority, any utility company, and each of their respective agents, employees, representatives, invitees, successors and assigns, shall not be liable to any Owner, Occupant or any other party for and on account of damage to any landscaping or plantings placed on any easement area or road right-of-way within the Development by any Owner, Occupant or any other party.

Section 3.12 Reservation of Beach Easement. In addition to any right under law, the Declarant does hereby establish and reserve for itself, the Master Association, the Association and their respective agents, employees, representatives, invitees, successors and assigns, and for each Owner and Occupant a pedestrian beach access easement over those certain boardwalks as described in the Alabama Beach Mouse Covenants.

ARTICLE 4

ASSOCIATION

Section 4.1 Membership. The Owner of each Lot or Dwelling shall be a member of the Association. Membership in the Association shall be appurtenant to and may not be separated from ownership of any Lot or Dwelling; provided, however, that (a) Declarant shall be deemed a member of the Association for so long as Declarant owns any portion of the The Dunes Property, or until such earlier date as Declarant elects, in Declarant's sole discretion, to terminate Declarant's membership in the Association, (b) if any Lot or Dwelling is owned by more than one

person, then the Owner of such Lot or Dwelling shall, by written notice to the Board, designate only one representative to serve as a member of the Association until such time, if at all, as the Mortgagee thereof becomes as Owner by virtue of foreclosure of its Mortgage and title to such encumbered Lot or Dwelling is vested in the Mortgagee pursuant to a duly recorded deed. The transfer or conveyance of fee title to any Lot or Dwelling (other than by a Mortgage as security for the payment of an obligation), shall automatically include the transfer of all membership rights of such Owner in the Association with respect to the Lot or Dwelling transferred and conveyed, notwithstanding any failure of the transferor to transfer to his transferee any certificates, assignments or other evidence of such membership. Membership or the rights and benefits in the Association may not be transferred, assigned, conveyed or otherwise alienated in any manner separately and apart from the ownership of a Lot or Dwelling. Each member of the Association shall at all times comply with the provisions of these Covenants, the Articles of Incorporation, the Bylaws and all rules and regulations that may from time to time be adopted by the Board or the members of the Association.

Section 4.2 Board. The Board shall have the rights and duties set forth in the Articles of Incorporation and the Bylaws. Declarant hereby retains and shall have the right to appoint or remove, with or without cause, any member or members of the Board and any officer or officers of the Association until such time as Declarant no longer owns any portion of the The Dunes Property, or until such earlier date as Declarant elects, in Declarant's sole discretion, to relinquish such right. Each Owner, by acceptance of a deed to or other conveyance of a Lot or Dwelling, vests in Declarant such authority to appoint and remove members of the Board and officers of the Association as provided by this Section 4.2.

Section 4.3 Voting Rights. Subject to the rights reserved to Declarant in the Articles of Incorporation and Bylaws (which, among other things, provide that only Declarant, for so long as Declarant owns any portion of the The Dunes Property, or until such earlier date as Declarant may elect, in Declarant's sole discretion, shall be exclusively entitled to take various actions and vote on all matters to be voted on by the members of the Association) and the rights of the Master Association or the Association, as the case may be, to suspend any Owner's voting rights or privileges in the Association pursuant to Section 11.1 below, the Owner of each Lot or Dwelling shall be entitled to one vote in any matters submitted to the members of the Association for approval. No Owner, whether one or more persons, shall have more than one membership and one vote per Lot or Dwelling. Such voting rights shall continue to apply to each Lot or Dwelling upon the addition of any of the Additional Property to these Covenants, or upon the development of any other single family residential area adjacent to the Property, the Owners of which may also be members of the Association, all in Declarant's sole discretion. Each Owner, by acceptance of a deed or other conveyance to a Lot or Dwelling, consents and agrees to the dilution of his or her voting interest in the Association by virtue of the resubdivision of any Lot by Declarant pursuant to Section 2.7 above, the submission of any Additional Property to the terms of these Covenants, or the development of any other single-family residential area adjacent to the Property. In no event, whether as a result of there being multiple ownership interests in any Lot or Dwelling or otherwise, shall more than one vote be allowed for any one Lot or Dwelling. Fractional voting shall not be permitted. For purposes of this Section 4.3, Declarant shall be deemed to be the Owner of and shall be entitled to all voting rights attributable to any Lots or Dwellings owned by Declarant.

Section 4.4 Duties and Powers of Association. In addition to the rights, duties, responsibilities and obligations of the Association otherwise set forth in these Covenants, the Association shall have the power to perform or cause to be performed any of the duties and powers set forth in the Articles of Incorporation and the Bylaws. The Association may exercise any other right or privilege granted to it expressly by the Master Association Board, these Covenants or Bylaws, together with every other right or privilege reasonably to be implied from the existence of any right or privilege given to it herein or reasonably necessary to effectuate any such right or privilege. Except as otherwise specifically provided to the contrary herein, in the Articles of Incorporation or in the Bylaws, the powers and authority granted to the Association may be exercised by the Board, acting through the officers of the Association, without further consent or action on the part of the Owners. Nothing herein shall be construed as a restriction of the rights, duties, responsibilities and obligations of the Association set forth in the Articles of Incorporation or the Bylaws.

Section 4.5 Agreements. Subject to the conditions, restrictions and other provisions of these Covenants, all agreements, actions and determinations lawfully authorized by the Board with respect to the Property shall be binding upon all Owners, their heirs, executors, personal representatives, administrators, successors and assigns and all others having any interest in the Property. In performing its responsibilities hereunder, the Association, through the Board, shall have the right and authority to delegate to persons of its choice such duties of the Association hereunder as may be determined by the Board. In furtherance of the foregoing and not in limitation thereof, the Association may obtain and pay for the services of any person or entity to manage its affairs or any part thereof, to the extent it deems advisable, as well as such other personnel as the Association shall deem necessary or desirable for the proper operation of any portion of the Property, whether such personnel are furnished or employed directly by the Association or by independent contract with the Association. During the term of any such management agreement entered into by the Association with a third party, such manager may, if authorized by the Board, exercise all the powers and shall be responsible for the performance of all of the duties of the Association hereunder, excepting any of such powers or duties specifically and exclusively reserved to the Board or the officers of the Association by these Covenants, the Articles of Incorporation or the Bylaws. Such manager may be an individual, corporation or other legal entity and may be bonded in such manner as the Board may require, with the costs of such bond to be a Common Expense. In addition to the foregoing, the Association may pay for and the Board may hire and contract for such legal and accounting services as are necessary or desirable in connection with the operation of the Property, or the enforcement of these Covenants, the Articles of Incorporation, the Bylaws or any rules and regulations of the Association.

Section 4.6 Management by Declarant or its Affiliates. In addition to the rights and authority granted to the Association in Section 4.5, Declarant or any affiliate thereof may, but shall not be obligated to, be employed as the manager of the Association and the Property for so long as Declarant owns any portion of the The Dunes Property, or until such earlier date as Declarant elects, in Declarant's sole discretion, to relinquish such right, at such compensation and on such terms as would be usual, customary and obtainable in an arms-length transaction with any third party providing comparable services for any real estate development in the Southeastern United States of the size, quality and nature of the Property. Each Owner, by acceptance of a deed to or other conveyance of a Lot or Dwelling, shall be deemed to ratify the provisions of this Section 4.6 and

shall specifically be deemed to have approved any management agreement entered into by the Association and Declarant or any affiliate thereof.

Section 4.7 Rules and Regulations. Subject to the prior written approval of the Master Association Board, which may be withheld in the sole discretion of the Master Association Board, the Board may establish and enforce reasonable rules and regulations governing the use of all Lots and Dwellings, including, without limitation, rules and regulations that govern the establishment of Alabama Beach Mouse sanctuaries, bird sanctuaries, wildlife and wild flower areas, the enforcement of all of the provisions of these Covenants, and the limitation, restriction or prohibition of application of rat poison, fertilizers, pesticides, and other chemicals within the Property. Each such rule and regulation shall be binding upon all Owners and Occupants until and unless any such rule or regulation is specifically overruled, canceled or modified by the Board or by the majority vote of the total votes of the Association at any regular or special meeting of the Association; provided, however, that no such rule or regulation may be overruled, canceled or modified unless such action is also approved by Declarant for so long as Declarant owns any portion of the The Dunes Property or until such earlier date as Declarant elects in Declarant's sole discretion, to relinquish such right.

Section 4.8 Indemnification. The Association shall and does hereby indemnify, defend and agree to hold each and every officer, agent, representative and member of the Board harmless from and against any and all expenses, including court costs and reasonable attorney's fees, suffered, paid or incurred with any action, suit or other proceedings (including the settlement of any suit or proceedings if approved by the Board) to which such person may be made a party by reason of being or having been an officer, agent, representative or member of the Board. The officers, agents, representatives and members of the Board shall not be liable for any mistake in judgement, negligence or otherwise except for their own willful misconduct or reckless disregard of duty, as finally determined by a court of competent jurisdiction. The officers, agents, representatives and members of the Board shall have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Association and the Association shall and does hereby indemnify, defend and agree to forever hold each such officer, agent, representative and member of the Board harmless from any and all liability to others on account of any such contract or commitment. The indemnification, obligations and rights provided for herein shall not be exclusive of any other rights to which any officer, agent, representative or member of the Board may be entitled, including anything provided to the contrary contained in the Articles of Incorporation or the Bylaws. The Association shall (as long as such insurance is available and economically feasible) maintain adequate general liability and officers' and directors' liability insurance in order to fulfill its obligations under this Section 4.8 and the costs of such insurance shall constitute a Common Expense.

ARTICLE 5

DESIGN REVIEW BOARD DEVELOPMENT AND DESIGN CODE

Section 5.1 Board Composition. The DRB shall consist of not less than three nor more than seven persons, each of whom shall be appointed or elected as provided in Section 5.2 below. The members of the DRB may, but shall not be required to be, members of the Association or Owners of any Lot or Dwelling. The term of office for each member of the DRB shall be three years (coinciding with the fiscal year of the Master Association), except as provided in Section 5.2(d) below. Any member appointed or elected as provided in Section 5.2 below may be removed with

or without cause in the manner provided in Section 5.2 below. Each Owner, by acceptance of a deed to or other conveyance to a Lot or Dwelling, shall be deemed to ratify the provisions of Section 5.2 below.

Section 5.2 Appointment and Removal of DRB Members.

(a) FOR SO LONG AS DECLARANT OWNS ANY PORTION OF THE DEVELOPMENT, OR UNTIL SUCH EARLIER DATE AS FOUNDER MAY ELECT, IN DECLARANT'S SOLE DISCRETION, DECLARANT SHALL HAVE THE SOLE AND EXCLUSIVE RIGHT TO APPOINT AND REMOVE ALL OF THE MEMBERS OF THE DRB.

(b) At such time as Declarant no longer owns any portion of the Development or, upon Declarant's written notice to the Master Association and the Association that it no longer desires to exercise the right to appoint and remove members of the DRB as provided in Section 5.2(a) above, then the members of the DRB shall be appointed by the Master Association.

(c) Any member of the DRB may be removed, with or without cause, by (i) Declarant, in its sole discretion, during the period of time that the provisions of Section 5.2(a) above are in effect or (ii) the Master Association, in the event the provisions of Section 5.2(b) above are in effect. In the event of death or resignation of a member of the DRB, then Declarant, if the provisions of Section 5.2(a) above are applicable, or the Master Association, if the provisions of Section 5.2(b) above are applicable, as the case may be, shall appoint a substitute member of the DRB to fill the vacancy of such deceased or resigning member for the remainder of the term of such former member.

(d) The Declarant shall appoint the initial DRB for terms ranging from one to three years each, in Declarant's sole discretion. At the expiration of the term of office of each respective member of the initial DRB, Declarant, in the event the provisions of Section 5.2(a) above are applicable, or the Master Association, in the event the provisions of Section 5.2(b) above are applicable, shall appoint a successor of such member for a period of three years.

Section 5.3 Procedure and Meetings. The DRB shall elect a chairman and he or she, or in his or her absence, the vice-chairman, shall be the presiding officer at all meetings of the DRB. The DRB shall meet as necessary as well as upon call of the chairman or vice chairman, and all such meetings shall be held at such places as may be designated by the chairman or vice-chairman. A majority of the total number of members of the DRB shall constitute a quorum of the DRB for the transaction of business and the affirmative vote of a majority of those present in person or by proxy at a meeting of the DRB shall constitute the action of the DRB on any matter that comes before it. The DRB is authorized to retain the services of consulting architects, landscape architects, designers, engineers, inspectors and/or attorneys in order to advise and assist the DRB in performing its functions set forth herein. Each member of the DRB may be paid a stipend or honorarium as may from time to time be determined by the Declarant, if the provisions of Section 5.2(a) above are applicable, or the Master Association, if the provisions of Section 5.2(b) above are applicable, and shall otherwise be entitled to a reimbursement of expenses incurred on behalf of the DRB, subject to the approval of such expenses by the Declarant, if the provisions of Section 5.2(a) above are applicable, or the Master Association, if the provisions of Section 5.2(b) above are applicable. The DRB shall have the right from time to time to adopt and establish such rules and regulations as may be determined to be necessary concerning the procedure, notice of meetings and all other matters concerning the conduct of the business of the DRB.

Section 5.4 Design Code. The DRB is hereby authorized to promulgate and amend or modify from time to time a written Design Code governing policies, guidelines and minimum requirements to be satisfied with respect to the site preparation, construction, location, landscaping and design of all Dwellings and other Improvements on any Lot, the content and the construction of any Dwelling or other Improvements on a Lot are to be submitted to and approved by the DRB, and any other matters affecting the construction, repair or maintenance of any Dwelling or other Improvements on any Lot. The Design Code adopted by the DRB shall be in addition to the provisions and requirements set forth in these Covenants and shall be binding upon and enforceable against all Owners.

Section 5.5 Approval of Plans and Specifications.

(a) TO PRESERVE THE ARCHITECTURAL AND AESTHETIC APPEARANCE AND THE NATURAL SETTING AND BEAUTY OF THE DEVELOPMENT, TO MONITOR COMPLIANCE WITH THE ALABAMA BEACH MOUSE COVENANTS, TO ESTABLISH AND PRESERVE A HARMONIOUS DESIGN FOR THE DEVELOPMENT AND TO PROTECT AND PROMOTE THE VALUE OF THE DEVELOPMENT, THE PROPERTY, THE LOTS, THE DWELLINGS AND ALL IMPROVEMENTS THEREON, NO IMPROVEMENTS OF ANY NATURE SHALL BE COMMENCED, ERECTED, INSTALLED, PLACE, MOVED ONTO, ALTERED, REPLACED, RELOCATED, PERMITTED TO REMAIN ON OR MAINTAINED ON ANY LOT OR DWELLING BY ANY OWNER, OTHER THAN DECLARANT, THAT AFFECT THE EXTERIOR APPEARANCE OF ANY LOT OR DWELLING UNLESS PLANS AND SPECIFICATIONS THEREFOR HAVE BEEN SUBMITTED TO AND APPROVED BY THE DRB IN ACCORDANCE WITH THE PROVISIONS OF SECTION 5.5(b) BELOW. WITHOUT LIMITING THE FOREGOING, THE CONSTRUCTION AND INSTALLATION OF ANY DWELLINGS, CONDOMINIUM REGIME, SIDEWALKS, DRIVEWAYS, PARKING LOTS, MAILBOXES, DECKS, PATIOS, COURTYARDS, SWIMMING POOLS, TENNIS COURTS, GREENHOUSES, PLAYHOUSES, AWNINGS, WALLS, FENCES, EXTERIOR LIGHTS, IRRIGATION SYSTEMS, SATELLITE DISHES, RADIO OR TELEVISION ANTENNAS, GAZEBOs, GUEST OR SERVANT QUARTERS, GARAGES OR ANY OTHER OUTBUILDINGS, SHALL NOT BE UNDERTAKEN, NOR SHALL ANY EXTERIOR ADDITION OR CHANGE OR ALTERATION BE MADE (INCLUDING, WITHOUT LIMITATION, PAINTING OR STAINING OF ANY EXTERIOR SURFACE) TO ANY DWELLING OR IMPROVEMENTS, UNLESS THE PLANS AND SPECIFICATIONS FOR THE SAME HAVE BEEN SUBMITTED TO AND APPROVED BY THE DRB IN ACCORDANCE WITH THE PROVISIONS OF SECTION 5.5(b) BELOW.

(b) The DRB is hereby authorized and empowered to approve all plans and specifications and the construction of all Dwellings and other Improvements on any part of the Property. Prior to the commencement of any Dwelling or other Improvements on any Lot or Dwelling, the Owner thereof shall submit an application to the DRB requesting the DRB to review plans and specification and related data for all such Improvements, as more particularly provided in the Design Code.

(c) The DRB shall, in its sole discretion, determine whether the plans and specifications and other data submitted by any Owner for approval are acceptable. One copy of all plans, specifications and related data so submitted to the DRB shall be retained in the records of the DRB and the other copy shall be returned to the Owner submitting the same marked "approved", "approved as noted" or "disapproved". The DRB shall establish a fee to be charged to and paid by each Owner who submits plans and specifications to the DRB for approval, which fee shall be sufficient to cover the expense of reviewing plans and related data and to compensate any consulting architects, landscape architects, designers, engineers, inspectors and/or attorneys retained to approve such plans and specifications and to monitor and otherwise enforce the terms hereof. Notwithstanding anything provided herein to the contrary, an Owner may make interior improvements and alterations within his/her Dwelling that do not affect exterior appearance and without the necessity or requirement that DRB approval or consent be obtained.

(d) The DRB shall have the right to disapprove any plans and specifications upon any ground that is consistent with the objectives and purposes of these Covenants, including purely aesthetic considerations, any failure to comply with any of the provisions of these Covenants or the Design Code, failure to provide requested information, objection to exterior design, appearance or materials, objection on the ground of incompatibility of any such proposed improvement with the scheme of development proposed for the Development or the Property, objection to the location of any proposed Improvements on any such Lot, objection to the color scheme, finish, proportions, style of architecture, height, bulk or appropriateness of any Improvement or any other matter that, in the sole judgement of the DRB, would render the proposed Improvement inharmonious with the general plan of development contemplated for the Development. The DRB shall have the right to approve any submitted plans and specifications with conditions or stipulations with which the Owner of such Lot or Dwelling shall be obligated to comply and which must be incorporated into the plans and specifications by the DRB for Improvements to one particular Lot or Dwelling shall not be deemed an approval or otherwise obligate the DRB to approve similar plans and specifications or any of the features or elements for the Improvements for any other Lot or Dwelling within the Development.

(e) If the DRB fails to approve, or approve as noted, in writing any such proposed plans and specifications within sixty days after such plans and specifications have been submitted, then the plans and specifications so submitted will be deemed to have been disapproved.

(f) Any revisions, modifications or changes in any plans and specifications previously approved by the DRB must be approved by the DRB in the same manner specified above.

(g) If construction of the Dwelling or the Improvements has not substantially commenced (by clearing and grading, placement of pilings in the ground, pouring of footings and otherwise commencing framing and other related construction work) within one year of approval by the DRB of the plans and specifications for such Dwellings or other Improvements, then no construction may be commenced (or continued) on such Lot or Dwelling, and the Owner of such Lot or Dwelling shall be required to resubmit all plans and specifications for any Dwelling or other Improvements to the DRB for approval in the same manner specified above.

Section 5.6 Landscaping Approval. Pursuant to the Alabama Beach Mouse Covenants and to preserve, to the extent practicable, the natural landscaping and plant life currently situated on the Property and to enhance the aesthetic appearance of the Property, no landscaping, grading, excavation or fill work of any nature shall be implemented or installed by any Owner, other than Declarant, on any Lot or Dwelling unless and until landscaping plans therefor have been submitted to and approved by the DRB. All such plans must comply with the requirements of the Alabama Beach Mouse Covenants. The provisions of Section 5.5 above regarding the method of submitting such plans to the DRB, the time for approval or disapproval of the same and the method of approving modifications or changes thereto shall be applicable to such landscaping plans.

Section 5.7 Construction Without Approval. If (a) any Improvements are initiated, installed, maintained, altered, replaced or relocated on any Lot or Dwelling without DRB approval of the plans and specifications for the same or (b) the DRB shall determine that any approved plans and specifications for any Improvements or the approved landscaping plans for any Lot or Dwelling are not being complied with, then, in either event, the

Owner of such Lot or Dwelling shall be deemed to have violated these Covenants and the DRB shall have the right to exercise any of the rights and remedies set forth in Section 5.13 below.

Section 5.8 Inspection. The DRB or any agent, employee or representative thereof may at any reasonable time and from time to time enter upon and inspect any Lot or Dwelling or any Improvements being constructed thereon in order to determine whether the approved plans and specifications thereof are being complied with. Any such entry shall not be deemed to be a trespass or any other wrongful act by the DRB.

Section 5.9 Beach Conditions.

(a) The property is located in a beach area, that presents particular issues covering subsurface conditions and weather conditions. Approval of the submitted plans and specifications by the DRB as herein provided shall not be construed in any respect as a representation or warranty of the DRB, the Declarant or the Master Association to the Owner submitting such plans and specifications as to the suitability of the Improvements proposed to be constructed from such plans for the surface, subsurface or weather conditions of such Lot. It shall be the sole responsibility of the Owner to determine the suitability and adequacy of the surface and subsurface conditions of the Lot for the construction of any and all Dwellings or other Improvements thereon and the suitability of every Improvement or Dwelling located on the Lot for the weather conditions that may occur on or around said Lot.

(b) Neither the DRB and its individual members, nor the Master Associations and its members, nor the Declarant and its agents and employees shall be liable to any Owner or Occupant, or the successors, assigns, licensees, lessees, employees and agents of any Owner or Occupant, for loss or damage on account of injuries to any parcel of the Property or to any Improvements, Dwellings or other structures now or hereafter located upon any parcel of the Property, or on account of any past or future injuries to any Owner, Occupant or other person in or upon any parcel of the Property, that are caused by, or arise as a result of soil or subsurface conditions, known or unknown, under or on the Property.

Section 5.10 Limitation of Liability. Notwithstanding anything provided herein to the contrary, neither Declarant, the Master Association, the DRB, the Association, nor any agent, employee, representative, member, shareholder, partner, joint venturer, officer or director thereof, shall have liability of any nature whatsoever for any damage, loss or prejudice suffered, claimed, paid or incurred by any Owner on account of (a) any defects in any plans and specifications submitted, reviewed or approved in accordance with the provisions of this Article 5, (b) any defects, structural or otherwise, in any work done according to such plans and specifications, (c) the failure to approve or the disapproval of any plans, drawing, specifications or other data submitted by any Owner for approval pursuant to the provisions of this Article 5, (d) the construction or performance of any work related to such plans, drawings and specifications, (e) bodily injuries (including death) to any Owner, Occupants or the respective family members, guests, employees, servants, agents, invitees or licensees of any such Owner or Occupant, or any damage to any Dwellings or Improvements or the personal property of any Owner or Occupant, or the respective family members, guests, employees, servants, agents, invitees or licenses of such Owner or Occupant, that may be caused by, or arise as a result of any defect, structural or otherwise, in any Dwellings or Improvement or the plans and specifications thereof or any past, present, future soil or subsurface conditions, known or unknown (including, without limitation, geological formations or conditions on or under any Lot or Dwelling), and (f) any other loss, claim, damage, liability or expense, including court costs

and attorneys' fees, suffered, paid or incurred by any Owner arising out of or in connection with the use and occupancy of any Lot or Dwelling or any Improvements situated thereon.

Section 5.11 Commencement and Completion of Construction.
Upon commencement of clearing of any Lot, construction of any Dwelling must commence immediately and, construction work thereon shall be prosecuted diligently and continuously and shall be completed within one year of the commencement date of said construction, such completion to be evidenced by a certificate of occupancy issued by the appropriate Governmental authorities.

Section 5.12 Sales, Construction Activities and Purchase of Sales Office.

(a) Notwithstanding any provisions or restrictions contained in these Covenants to the contrary, Declarant, its agents, employees, successors and assigns, shall have the right and option to maintain such facilities and carry on such activities as may be reasonably required, convenient, or incidental to the completion, improvement, and sale of Lots, Units and Dwellings or the development of Lots, Units, Dwellings, Common Area and the Additional Property, including, without limitation, the installation and operation of sales and construction trailers and offices, signs and model Dwelling, all as may be approved by Declarant from time to time; provided, however, that the location of any construction trailers of any assignees of Declarant's rights under this Section 5.12 shall be subject to Declarant's approval. The right to maintain and carry on such facilities and activities shall include, without limitation, the right to use Dwellings as model residences and as offices for the sale of Lots, Units and Dwellings and for any related activities.

(b) Notwithstanding the provisions in Section 5.12(a), the Declarant reserves the right to construct improvements on Lot 1 of the Property for the primary purpose of promoting the sale and leasing of Lots and Units located within the Development. For so long as the Declarant owns any Property or any Unit within the Development, Declarant shall have the right to maintain an office on Lot 1, and after the Declarant has conveyed all the Property or Units in the Development, the Master Association shall be obligated to purchase Lot 1 and the improvements thereon from the Declarant for its appraised value at the time of closing. The Declarant and the Master Association shall mutually agree on a local licensed appraiser to prepare the appraisal on Lot 1 and a closing will occur within 45 days after the appraisal has been completed. In the event the Declarant determines, in its sole discretion, not to construct improvements on Lot 1, then the Master Association will not be obligated to purchase Lot 1 from the Declarant. The Master Association shall levy a Special Assessment for the purpose of paying for Lot 1.

Section 5.13 Enforcement and Remedies. If any of the provisions of this Article 5 are breached or are not otherwise being complied with in all respects by any Owner or Occupant or the respective family members, guests, invitees, agents, employees or contractors of any Owner or Occupant, then the DRB and the Master Association shall each have the right, but not the obligation, at their option to (a) enjoin any further construction on any Lot or Dwelling and require the removal or correction of any work in place that does not comply with the plans and specifications approved by the DRB for such Improvements and/or (b) through their designated agents, employees, representatives and independent contractors, enter upon such Lot or Dwelling and take all action necessary to extinguish such violation or breach and to minimize or remediate erosion caused by such violation or breach, including, but not limited to delays in construction or inadequate erosion control procedures. All costs and expenses incurred by the DRB or the Master Association in enforcing any of the provisions of this

Article 5, including, without limitation, attorneys' fees, court costs, costs and expenses of witnesses, engineers, architects, designers, land planners and any other persons involved in the correction of nonconforming work, the completion of uncompleted work or in any judicial proceeding, together with any other costs or expenses incurred by the DRB or the Master Association in causing any Owner or such Owner's contractors, agents or invitees to comply with the terms and provision of this Article 5, shall be paid by such Owner, shall constitute an individual Assessment to such Owner pursuant to Section 8.6 below and, if the same is not paid when due, shall be subject to the lien provided for in Section 8.10 below and be subject to foreclosure as provided for therein. Notwithstanding anything provided herein to the contrary, the right and remedies of the DRB and the Master Association may exercise at law or in equity or any of the enforcement rights specified in Sections 6.36, 8.10, 11.1, 11.3 and 11.4 below.

Section 5.14 Compliance Certification. The DRB or any authorized representative thereof shall, upon request and at such reasonable charges as may from time to time be adopted by the Board, furnish to an Owner a certificate in writing setting forth whether all necessary DRB approvals have been obtained and whether any Dwelling and Improvement has been constructed in accordance with the provisions of these Covenants. Any such approval shall not be construed in any respect as a representation or warranty of the DRB or Declarant or the Master Association that all applicable rules, regulations and requirements of all Governmental Authorities with respect to any such Lot or Dwelling have been fulfilled.

ARTICLE 6

USE AND DEVELOPMENT RESTRICTIONS

Section 6.1 Use Restrictions. Except as otherwise provided to the contrary in Section 5.12 above, each Lot and Dwelling shall be used for single-family or duplex residential purposes only and no trade or business of any kind may be carried on in or from any Lot or Dwelling, EXCEPT, nothing to the contrary withstanding, Lot 1 of the Property may be used for either residential purposes or as a sales/rental office for the sale/ rental of Units or Dwellings located on the Property. The use of any portion of a Dwelling as an office by an Owner or Occupant shall not be considered a violation of this covenant provided any such use does not create regular customer, client or employee traffic, and further provided any such use is in compliance with all applicable rules, regulations and ordinances of the any Governmental Authority having jurisdiction thereof. The leasing or rental of a Dwelling for residential purposes only shall not be considered a violation of this covenant so long as the lease (a) is for not less than the entire Dwelling, and (b) is otherwise in compliance with the rules and regulations promulgated and published from time to time by the Association; provided, however, that Declarant shall have the perpetual right to designate from time to time any Dwellings owned by Declarant, its successors and/or assigns, that may be leased for such periods of time as Declarant may determine, including daily or weekly rentals. Notwithstanding anything provided in this Section 6.1 to the contrary, the Property may be used and developed for (i) any of the uses included in the definition of Common Areas and (ii) any uses permitted under applicable zoning ordinances affecting the Property; provided, however, that if any portion of the Property is to be developed or used for any purpose other than Common Areas or single-family/ duplex residential purposes, then such use must be approved in writing by the DRB.

Section 6.2 DRB Approval. No Dwellings or other Improvements of any nature whatsoever shall be constructed on any Lot or Dwelling unless such Dwelling or Improvements have been

approved by the DRB in the manner set forth in Article 5 above.

Section 6.3 Underground Utilities. All utility lines, pipes, conduits and wiring for electrical, gas, telephone, water, sewer, cable television, security and any other utility service for any portion of the Property shall be installed and maintained below ground.

Section 6.4 Irrigation Systems. No private wells shall be allowed on any Lot. All irrigation systems for Lots must be provided water by means other than private wells and must be approved by the DRB in the manner set forth in Article 5 above.

Section 6.5 Building Setbacks.

(a) Subject to the provisions of Section 6.6 below, minimum building setback lines for all Dwellings shall be established either (i) by the DRB, (ii) on the recorded subdivision plat for the subdivision in which such Lot is included (that may vary for each phase of the Development), or (iii) in the deed from Declarant to the Owner of such Lot, all in accordance with applicable rules, regulations and ordinances of any Governmental Authority having jurisdiction thereof.

(b) No Dwellings shall be built within the setback areas established in accordance with any of the procedures specified in Section 6.5(a) above.

(c) Certain portions of the Property that abut the Gulf of Mexico are further restricted as to construction setback lines by Governmental Authorities and the Alabama Beach Mouse Covenants.

Section 6.6 Siting of Dwellings. Prior to commencing any construction related activities on any Lot (including any grading or clearing), the location of any Dwelling to be constructed thereon shall be set forth on the site development plan for such Lot that must be approved by the DRB pursuant to the provisions of Section 5.5 above. Notwithstanding anything provided in Section 6.5 above to the contrary, the DRB may require building setback requirements different from those described in Section 6.5, including building setbacks that are greater than those specified in Section 6.5 above.

Section 6.7 Trees. No owner, other than Declarant, shall cut, remove or mutilate any tree, shrub, bush or other vegetation and located on any Lot prior to any construction or clearing activity on such Lot, without first obtaining the approval of the DRB; provided, however, that the foregoing shall not be deemed to release any Owner from the provisions of Section 6.9 and 7.1 below.

Section 6.8 Height Limitations. The height of all Dwellings shall be compatible with all other Dwellings adjacent to such Lot or Dwelling and as established from time to time by the DRB.

Section 6.9 Landscaping. Subject to the requirements of the Alabama Beach Mouse Covenants, the following restrictions apply:

(a) The landscaping plans for each Lot or Dwelling within the property shall be submitted to the DRB for approval pursuant to the provisions of Section 5.6 above. Each Owner shall, to the extent practicable, attempt to incorporate into the landscaping plans for his or her Dwelling the natural plant life existing on such Lot and shall otherwise take such steps that would, to the extent practicable, preserve the existing trees, plant life, wild flowers and natural environment that exist on such Lot.

(b) All front, rear and side yards of each Lot shall be a natural area, unless the same is landscaped with shrubbery and

other approved plant life as approved by the DRB.

(c) All landscaping for a Lot shall be completed in accordance with the landscaping plan approved by the DRB no later than thirty days following the issuance of a certificate of occupancy for the Dwelling situated thereon.

(d) No hedge or shrubbery planting that obstructs sightlines of streets and roadways shall be placed or permitted to remain on any Lot or Dwelling where such hedge or shrubbery interferes with traffic sight-lines for roadways with the Property. The determination of whether any such obstruction exists shall be made by the DRB, whose determination shall be final, conclusive and binding on all Owners.

(e) No rocks or other substances shall be placed on any Lot as a front, rear or side yard border or for the purpose of preventing vehicles from parking on or pedestrians from walking on any portion of such Lot or to otherwise impede or limit access to the same. No bird baths, fountains, reflectors, flag poles, statues, lawn sculptures, lawn furnishings, artificial plants, rock gardens, rock walls, bird houses or other fixtures and accessories shall be placed or installed within the front, rear or side yards of any Lot or Dwelling without the prior written approval of the DRB.

(f) No vegetable, herb or similar gardens or plans shall be planted or maintained in the front, rear or side yards of any Lot or Dwelling without the prior written approval of the DRB.

(g) The DRB may from time to time promulgate rules and regulations adopting an approved list of plant life that may be utilized on any Lot or Dwelling, which rules and regulations may prescribe that a minimum dollar amount be established and utilized as the landscaping budget for each Lot or Dwelling.

(h) No Owner shall allow the lawn grass on his or her Lot or Dwelling grow to a height in excess of six inches, measured from the surface of the ground. This restriction does not apply to native grasses, which commonly grow in this area.

(i) Seasonal or holiday decorations (e.g., Christmas trees and lights, pumpkins, Easter decorations) shall be promptly removed from each Lot or Dwelling as soon as such holiday passes.

Section 6.10 Roofing.

(a) The DRB shall have the right to establish specific requirements for the pitch of any roof and the type of roofing materials that may be utilized for the Dwelling.

(b) No solar or other energy collection panel, equipment or device shall be installed or maintained on any Lot or Dwelling unless previously approved by the DRB.

(c) No plumbing or heating vents, stacks and other projections of any nature shall be placed on the roof on the front of a Dwelling. All such vents, stacks and any other projections from the roof of any Dwelling shall be located on the rear roof of such Dwelling and shall (i) be painted the same color as the roofing material used for such Dwelling and (ii) to the extent practicable, not be visible from any street.

Section 6.11 Exterior Lighting. All exterior lighting for Dwellings, including, without limitation, free standing lighting and utility (e.g., flood) lights attached to a Dwelling, must be approved by the DRB, and be in accordance with the requirements set forth in the Alabama Beach Mouse Covenants.

Section 6.12 Exterior Materials and Finishes.

(a) Approved exterior building material finishes for any Dwelling shall include stucco, solid wood siding (e.g., cypress or other solid wood), and, to the extent permitted by the DRB, such other materials as may be approved by the DRB. All wood surfaces utilized out on the exterior of any Dwelling shall be painted or stained. Prohibited exterior finish materials may include particle board, plywood, vinyl or any other type of pressed, laminated or fabricated siding, vertical siding, brick or stone, simulated brick or stone and any other materials as the DRB may from time to time determine.

(b) All brick, stonework and mortar, as to type, size, color and application, must be approved by the DRB. All exterior colors, including, without limitation, the color of all roof shingles, stucco, wood, trim, cornices, eaves, railings, doors and shutter shall be subject to DRB approval.

(c) Steps must be of materials approved in writing by the DRB.

(d) No concrete, concrete block or cinder block shall be used as an exposed building surface; any concrete, concrete block or cinder block utilized in the construction of a Dwelling or for retaining walls and foundations shall be finished in the same materials utilized for the remainder of the Dwelling (e.g., wood, stucco, etc.).

(e) Metal flashing, valleys, vents and gutters installed on a Dwelling shall be painted to blend with the color of the exterior materials to which it is adhered or installed.

Section 6.13 Chimneys. The exterior of all chimneys shall be constructed of stucco or such other materials as the DRB may approve from time to time. If a fireplace utilizes a metal spark arrestor or other metal venting apparatus the top of the chimney, then a painted metal cowl or surround shall be painted to blend with the color of the roofing material used for such Dwelling.

Section 6.14 Garages and Enclosed Parking.

(a) No garage doors shall open onto or front a street. Garage doors shall be constructed of such materials as are approved by the DRB. Garage doors shall be kept closed at all times except when in use. No garage shall be converted to any use other than for the parking of vehicles therein without the approval of the DRB.

(b) All automobiles or other passenger vehicles owned or used by the Owner or Occupant of any Dwelling and their respective family members shall be parked in garages to the extent garage space is available or in enclosed parking area underneath the Dwelling. Garages shall not be used for storage or for any other purposes or uses that would result in the garage being unavailable for parking vehicles therein. The parking of vehicles in driveways is permissible.

(c) In the event a Dwelling is constructed on pilings and not on grade, the Dwelling shall be constructed to allow for enclosed parking beneath the Dwelling. The parking area will be screened with material approved by the DRB. Enclosed parking underneath the Dwelling shall not be used for storage or for any other purposes or uses that would result in the enclosed parking being unavailable for parking vehicles therein.

Section 6.15 Fences. No chain link, vinyl coated or wire fences shall be permitted within the property except with regard to maintenance areas within the Common Areas and those fences erected by Declarant. No fences shall be allowed in the rear

(beachside) of the Beach Front Lots or Dwellings (other than erosion control snow or silt fencing). No fences shall be allowed on the rear property line of Lots or Dwellings, unless prior written approval for such a fence is obtained from the DRB. Electric fences shall not be permitted. The type of materials utilized for (including the color thereof) the location and construction design of all fences must be approved by the DRB.

Section 6.16 Windows, Window Treatment and Doors.

(a) Reflective glass shall not be permitted on the exterior of any Dwelling unless approved by the DRB.

(b) Wooden windows and/or wooden windows with vinyl or aluminum exterior cladding may be permitted upon approval from the DRB. Cantilevered bay windows must be approved in writing by the DRB (and the DRB may require additional landscaping in front of such bay windows). Burglar bars or wrought iron doors shall not be permitted.

(c) All window colors must be approved by the DRB.

Section 6.17 Mailboxes. In lieu of mailboxes, the Master Association will provide and require all Owners' use of a community mail center. No individual mailboxes are permitted.

Section 6.18 Utility Meters and HVAC Equipment. The location, landscaping and screening of all electrical, gas, telephone and cable television meters, all exterior heating, ventilating and air conditioning compressor units and equipment shall be as required in the Design Code or as otherwise agreed to by the DRB. No window-mounted or through the wall heating or air conditioning units or window fans shall be permitted.

Section 6.19 Satellite Dishes and Antennae. No satellite dishes, radio or television antenna, radio receiver or other similar device or aerial shall be attached to or installed on any Lot or Dwelling or any other portion of the Property unless the same is contained entirely within the interior of a building or other structure or is otherwise approved by the DRB. No radio or television signals or any other form of electromagnetic radiation or transmission shall be permitted to originate from any Lot or Dwelling that may interfere with the reception of radio or television signals within the Development; provided, however, that Declarant shall not be prohibited from installing and operating any equipment necessary for master antenna, cable television, security, mobile radio or similar systems within the Property.

Section 6.20 Driveways and Sidewalks. All driveways and sidewalks for each Lot or Dwelling shall be constructed of concrete, crushed shell, crushed limestone or brick or concrete pavers. Other materials may be used but only if approved by the DRB. No driveways for a Lot or Dwelling shall connect directly to any roadway other than Dunes Drive.

Section 6.21 Outdoor Furniture, Recreational Facilities and Clotheslines.

(a) No furniture shall be placed, kept, installed, maintained or located in or on the front areas of a Lot or Dwelling without prior approval from the DRB. Any furniture placed, kept, installed, maintained or located at the rear of or behind a Dwelling shall, to the greatest extent practicable, be located so that the same shall not be visible from the street.

(b) No lumber, metals or bulk materials shall be kept or stored or accumulated on a Lot or Dwelling, except building materials during the construction of Improvements on a Lot.

(c) On Dwellings other than Beach Front Dwellings children's toys, swing sets, jungle gyms, trampolines and other outdoor and recreational equipment and appurtenances shall be allowed only at the rear or behind a Dwelling and shall, to the extent practicable, be located so that the same are not visible from any street. Such equipment and appurtenances shall only be allowed on Beach Front Dwellings with the prior approval of the DRB if it determines the same may be located in such a manner as to not be visible from any street or the beach abutting the Gulf of Mexico.

(d) Free-standing playhouses and treehouses shall not be permitted.

(e) Basketball backgrounds shall be located so as not be visible from any street or the beach abutting the Gulf of Mexico and shall otherwise be located on such Lot or Dwelling in a location approved by the DRB.

(f) Outside clotheslines or other outside facilities for drying or airing clothes shall be prohibited on any Lot or Dwelling. No clothing, rugs or other items shall be hung, placed or allowed to remain on any railing, fence or wall.

(g) Barbecue grills or other types of outdoor cooking equipment and apparatus shall be located only at the rear of any Dwelling and, to the extent practicable, shall not be visible from any street or the beach abutting the Gulf of Mexico.

(h) Bird feeders, wood carvings, plaques and other types of homecrafts shall not be permitted in the front or side yards of any Lot or Dwelling nor shall any of the foregoing items be attached to the front side of any Dwelling. All bird feeders, wood carvings, plaques and other types of homecrafts shall be located only at the rear of a Dwelling and shall not be visible from any street or the beach abutting the Gulf of Mexico.

Section 6.22 Pets and Animals. As more particularly proscribed in the Alabama Beach Mouse Covenants, no animals, livestock, birds or poultry of any kind shall be kept, raised or bred by any Owner upon any Lot, Dwelling or other portion of the Property; provided, however, that no more than two domesticated animals (excluding cats), except in the case of any new-born litter of any such animal, may be kept in a Dwelling so long as they are not kept for breeding or commercial purposes. No cats shall be allowed to be kept or brought on the Property. No pet shall be allowed to make an unreasonable amount of noise or become a nuisance. All pets must be housed and maintained within the interior of a Dwelling. No structure or area for the care, housing or confinement of any pet shall be constructed or maintained outside of the interior of a Dwelling. Dogs shall not be allowed out of doors unattended within the Development; all dogs shall be kept and maintained within a Dwelling, as approved by the DRB, or otherwise under leash. Any free roaming cats observed by an Owner shall be reported immediately to the Association. Pets shall not be permitted to leave excrement on the Lot or Dwelling of any other Owner or within any street or any portion of the Common Area and Owner of such pet shall immediately remove the same. Each Owner shall be liable to the Association for the costs of repairing any damage to the Common Areas caused by the pet of such Owner or Occupant. The Board shall have the right from time to time to promulgate rules and regulations governing keeping the pets within the Development, including the right to assess fines for violations of such rules and regulations. To the extent the foregoing conflicts with the Alabama Beach Mouse Covenants, the Alabama Beach Mouse Covenants shall govern.

Section 6.23 Trash, Rubbish and Nuisances.

(a) No trash, garbage, rubbish or debris of any kind shall be dumped, placed or permitted or accumulate upon any portion of the property nor shall any nuisance or odors be permitted to exist or operate upon or arise from any Lot or Dwelling that would render any portion thereof unsanitary, unsightly, offensive or detrimental to persons using, occupying or owning any other Lots or Dwellings. Noxious or offensive activities shall not be carried on in or from any Lot or Dwelling or in any part of the Common Areas, and each Owner and Occupant shall refrain from any act or use of a Lot or Dwelling that could cause disorderly, unsightly or unkept conditions, result in the cancellation of or increase in insurance coverage or premiums for any portion of the Property or be in violation of any law, statute, ordinance, rule, regulation or requirement of any Governmental Authority. Without limiting the generality of the foregoing, no horns, whistles, bells, speakers or other sound devices, other sound devices, other than reasonable security and fire alarm devices used exclusively for such purposes, shall be located, used or placed upon any Lot or Dwelling; provided, however, that the foregoing shall not apply to the reasonable use of any of the foregoing devices within any recreational areas of the Common Areas. Any Owner or Occupant or any of the respective family members, guests, invitees, servants, agents, employees or contractors of such Owner or Occupant who dumps, places or allows trash or debris to accumulate on his or her Lot, Dwelling, or the on the any other portion of the same. The Board shall have the right from time to time to promulgate rules and regulations governing keeping the disposal of trash, garbage, rubbish or debris within the Development, including the right to assess fines for violations of such rules and regulations.

(b) Trash, garbage and any other refuse or waste shall be kept on any Lot or Dwelling except in sanitary containers or garbage compactor units. Trash cans and containers shall at all times be kept at the rear of or inside a Dwelling and shall be screened from view from streets, the beach abutting the Gulf of Mexico, and adjacent Lots and Dwellings by appropriate landscaping or fencing approved by the DRB; provided, however, that trash cans and containers may be moved to the side yard of any Dwelling on trash collection days for such Lot or Dwelling. All such trash cans and containers shall comply with the requirements of the Alabama Beach Mouse Covenants, which require that they be rodent-proof containers.

(c) Except as otherwise provided in Section 6.28(a) below, no outdoor burning of trash, garbage, leaves, wood, shrubbery or other materials shall be permitted on any Lot or Dwelling or other portion of the Property.

(d) Security and fire alarm devices used exclusively for such purposes shall be allowed only if the Owner or Occupant can demonstrate that procedures are in place to shut off such devices within a short amount of time (i.e. 30 minutes or less) whether or not the Owner or Occupant is at the Dwelling.

Section 6.24 Recreational Vehicles and Machinery and Equipment.

(a) Mobile homes, motor homes, trailers of any kind, campers, vans, motorcycles, bicycles, motorized carts and all terrain vehicles, lawnmowers, tractors, tools, construction machinery and equipment of any nature, golf carts, boats and any other type of watercraft, including boat trailers, and any other similar types of vehicles, machinery or equipment shall not be permitted, stored or allowed to remain on any Lot or Dwelling unless the same is placed, stored and maintained within a wholly enclosed structure, with roofing and doors, on such Lot or Dwelling, or in the event the Dwelling is constructed on pilings, then it may be placed underneath the Dwelling. Any such enclosed

structure or underneath area must be approved by the DRB. The Common Areas shall not, unless expressly permitted by the Master Association, be utilized for the parking or storage of any of the foregoing vehicles, recreational vehicles, machinery or equipment. This paragraph is not intended to restrict the temporary parking of a motor home at a Dwelling for period not to exceed three (3) nights out of every seven (7) nights. Any temporary parking of a motor home which exceeds three consecutive nights shall require the approval of the Association.

(b) Each Lot or Dwelling shall provide for adequate off street parking (i.e., parking areas located solely within the property lines of such Lot or Dwelling). Vehicles shall be parked only in driveways constructed in accordance with the provisions of Section 6.20 above, or in garages constructed in accordance with the provisions of Section 6.14 above. Vehicles shall not be parked on any landscaped or natural areas of a Lot or Dwelling.

(c) Any vehicle that is inoperable shall be immediately removed from the Development. No Owner or Occupant shall repair or restore any vehicle, machinery or equipment of any kind upon or within any Lot or Dwelling or within any portion of the Common Areas, except (i) within enclosed garages or workshops or (ii) for emergency repairs and then only to the extent necessary to enable the immediate movement thereof to a proper repair facility located outside of the Property.

(d) Subject to the prior written approval of the Master Association, that may be withheld in the sole discretion of the Master Association, the Board shall have the right at any time and from time to time to adopt rules and regulations with respect to the keeping, storage, parking, operation, use or maintenance of mobile homes, tractors, equipment, machinery, trailers (with or without wheels), motorhomes, trucks (other than pick-up trucks), commercial vehicles of any type, campers, motorized campers or trailers, boats or other watercraft, boat trailers, motorcycles, motorized bicycles, all-terrain vehicles, motorized go-carts and other forms of transportation.

Section 6.25 Signage. No Signs or advertising posters of any kind (including, but not limited to, "For Sale" or "For Rent" signs) shall be maintained or permitted within any windows or on the exterior of any Lot or Dwelling or elsewhere on any portion of the Property without the express written permission of the DRB and except as permitted by applicable rules, regulations and ordinances of any Governmental Authority having jurisdiction thereof and except signs placed on Lots or Dwellings or elsewhere on the Property by the Declarant. The DRB may promulgate rules, regulations and standards for the use and design of any sign to be posted within the Property, including, but not limited to, name and address signs and the signs referred to in Section 6.28(c). Notwithstanding the foregoing, (a) the restrictions set forth in this Section 6.25 shall not be applicable to Declarant or to any signs erected pursuant to Section 6.28(c) below, (b) Declarant and the Master Association shall have the right, but not the obligation, to erect and maintain reasonable and appropriate signs on any portions of the Common Areas and within those easement areas established in Section 3.7 above and (c) Declarant and/or the Master Association shall erect and maintain the signs required by the Alabama Beach Mouse Covenants.

Section 6.26 Tanks and Wells. No exposed above-ground tanks or underground storage tanks for the storage of fuel, water or any other substances shall be located on any lot or Dwelling or within any of the Common Areas, EXCEPT a underground storage tank for propane gas will be allowed provided the Lot or Dwelling Owner has the written permission of the Association or DRB, and the installation of the underground storage tank is in accordance

with all local and/or national regulations concerning the installation and operation of an underground propane gas storage tank. No private water wells may be drilled or maintained on any Lot or Dwelling.

Section 6.27 Temporary Structures. No temporary house, trailer, shack, tent, barn, shed, stable, poultry house or yard, rabbit hut, treehouse or other outbuilding or structure of any kind shall be permitted, constructed, installed or allowed to remain on any Lot or Dwelling; provided, however, that the foregoing shall not be deemed to prohibit (a) temporary structures for social functions as may be permitted by the rules and regulations of the Board of the Association, (b) any detached garages or other structures that are approved in writing by the DRB, (c) construction trailers and sales offices erected or placed on any part of the Property by Declarant pursuant to Section 5.12 above.

Section 6.28 Construction of Improvements.

(a) During the construction of any Improvements or Dwelling, (i) all Lots and Dwellings shall be maintained in a clean condition, free of debris and waste material, (ii) all unused construction materials shall be stored, to the extent practicable, out of view from any street and (iii) all construction trash, debris and rubbish on each Lot shall be placed in a dumpster or other container designed for such purposes and shall be properly disposed of outside the Property at least weekly. In no event, however, shall any used construction materials be buried on or beneath any Lot or Dwelling or any other portion of the Development. No Owner shall allow red clay, dirt, sand, mud, gravel and other substances to be removed from the treads and wheels of all vehicles used in or related to the construction of Improvements on a Lot or Dwelling prior to such vehicles traveling on any streets within the Development.

(b) During the construction of any Improvements or Dwellings, construction equipment and the vehicles of all contractors, subcontractors, laborers, materialmen and suppliers shall (i) utilize off-street parking only, (ii) enter the Lot or Dwelling on which such Improvements are being constructed from the driveway for such Lot or Dwelling, and (iii) not damage trees or other vegetation on such Lot that, pursuant to the provisions of Section 6.7 above, are to be preserved.

(c) During the construction of a Dwelling, up to two signs, in size and color to be approved by the DRB, may be posted on a Lot at a height not to exceed four feet from the ground level advertising the Lot or the Dwelling thereon for sale and containing information identifying the builder of such Dwelling. No other signage, banners, flags or advertising posters shall be allowed without obtaining DRB approval. The location of such signage shall be established by the DRB but in no event shall any signage authorized by this Section 6.28 or that may be approved by the DRB be attached, nailed or otherwise adhered to any tree or other plant life on a Lot or Dwelling.

(d) No construction trucks, equipment or machinery, including any trailers used for the transportation of construction equipment or machinery, shall be parked overnight on any streets or roads within the Property. Upon completion of construction of any Improvements or any Dwelling, all construction machinery, tools and equipment, all unused construction materials and all trash, debris and rubbish shall be immediately removed from the Lot or Dwelling and such Lot or Dwelling shall be kept and maintained in a clean and uncluttered condition.

(e) Construction activities shall be allowed on any Lot or Dwelling only during the hours of 7:00a.m. through 6:00p.m. (local time) on Monday through Friday and 8:00a.m. through 1:00p.m. (local time) on Saturdays, unless prior approval for deviation from those times is obtained from the DRB. No construction activities on Lots or Dwellings shall be allowed on Sundays.

(f) All Dwellings and any other Improvements shall be constructed in compliance with the Design Code; all applicable federal, state, county and local laws, ordinances, rules, regulations; the Alabama Beach Mouse Covenants; and zoning and building code requirements. Each Owner shall be solely responsible for obtaining from the appropriate Governmental Authorities all necessary permits and licenses and otherwise paying all required fees for the construction of any Improvements on such Owner's Lot. Each Owner shall also be responsible for strict compliance with the Design Code and all applicable watershed protection, soil erosion, endangered species protection and other governmental requirement, including but not limited to, the Alabama Beach Mouse Covenants, both during and after completion of construction of any Improvements on such Owner's Lot.

Section 6.29 Subdivision and Interval Ownership. No Lot may be subdivided or resubdivided without the prior written approval of the DRB; provided, however, that the provisions of this Section 6.29 shall not be applicable to Declarant. No Lot or Dwelling shall be sold or owned under any time-sharing, time-interval or similar right-to-use programs.

Section 6.30 Swimming Pools and Tennis Courts. Swimming pools, outdoor hot tubs and whirlpools may be constructed, installed and maintained on a Lot or Dwelling subject to the prior written approval of the plans for the same by the DRB and the restrictions contained herein and in the Alabama Beach Mouse Covenants. Tennis courts, above-ground pools and pool cages shall not be permitted on Lots. The DRB shall have the right to adopt further rules and regulations governing the construction of swimming pools and other outdoor water features or amenities within the Property.

Section 6.31 Traffic Regulations.

(a) Adoption and Enforcement. All vehicular traffic on the private streets and roads in the Development shall be subject to the applicable provisions of the laws of the State of Alabama and any other city or county having jurisdiction thereof concerning operation of motor vehicles on public streets. The Master Association is hereby authorized to promulgate, administer, and enforce reasonable rules and regulations governing vehicular and pedestrian traffic, including adopting reasonable safety measures and speed limits for any of the private roads within any portion of the Development. The Master Association shall be entitled to enforce such rules and regulations by establishing such enforcement procedures as it deems appropriate, including levying fines for the violation thereof. In the event of any conflict between the provisions of the laws of the State of Alabama and the traffic rules and regulations promulgated by the Master Association, the more restrictive shall govern. All private streets and roads in the Development are also subject to all rights of Declarant to upgrade and improve any intersection of Dune Drive and any other street or highway, as set forth in Section 3.1(b).

(b) Operation of Motor Vehicles. Only drivers licensed to operate motor vehicles by the State of Alabama or by any other state in the United States may operate any type of motor vehicle, including golf carts, within the Development. In order to operate a golf cart in the Development, the Owners or users thereof shall comply with any regulations and requirements for

the operation thereof as may be required by the Master Association. All vehicles of any kind and nature that are operated on the streets in the Development shall be operated in a careful, prudent, safe and quiet manner, and with due consideration for the rights of all residents of the Development and in compliance with any restrictions contained in the Alabama Beach Mouse Covenants.

Section 6.32 Compliance with Governmental Regulations. Each Owner and Occupants shall at all times comply with all applicable laws, ordinances, statutes, rules, regulations, requirements and code provisions of the Governmental Authorities.

Section 6.33 Additional regulations. In addition to the restrictions set forth in these Covenants and the Alabama Beach Mouse, the (i) DRB shall have the right, in its sole discretion, from time to time and at any time to adopt, modify and amend the Design Code to impose other, further or different requirements or restrictions, which requirements or restrictions shall be binding on all Owners, Lots and Dwellings, including the adoption of additional or more specific requirements and restrictions governing the improvement and use of any Lot or Dwelling and (ii) the Master Association shall have the right from time to time and at any time to adopt, modify and amend such rules and regulations as the Master Association, in its sole discretion, determines to be in the best interests of all Owners, which rules and regulations shall be binding on all Owners, Lots and Dwellings.

Section 6.34 Variances. The DRB, in its sole and absolute discretion, shall have the exclusive right to grant variances and exceptions with respect to the provisions of Article 5 above and this Article 6 with respect to any Lot or Dwelling. Any request for the variance or exception submitted to the DRB shall be in writing and, upon approval of the same by the DRB, shall be evidenced by a written document executed by either the chairman or vice chairman of the DRB. The provisions of Section 5.3 above concerning meetings, a quorum of members and the number of votes necessary to approve action taken by the DRB shall be binding upon the DRB in any matters regarding the granting of variances.

Section 6.35 Enforcement and Remedies. If any of the provisions of this Article 6 are breached or are not otherwise being complied with in all aspects by any Owner or Occupant or the respective family members, guests, invitees, agents, employees or contractors of any Owner or Occupant, then the Master Association or the DRB shall each have the right, but not the obligation, at its option, to (a) enjoin such violation or noncompliance or (b) through their designated agents, employees, representatives and independent contractors, enter upon such Lot or Dwelling and take all action necessary to extinguish or correct such violation or breach. All costs and expenses incurred by the DRB or the Master Association in enforcing any of the provisions of this Article 6, including, without limitation, attorney's fees, court costs, costs and expenses of witnesses, engineers, architects, designers, land planners and any other persons involved in the correction of any noncompliance or the removal of such violation or in any judicial proceeding, together with any other costs or expenses incurred by the DRB or the Master Association in connection therewith, shall be paid by such Owner who has violated or breached any of the provisions of this Article 6, shall constitute an individual Assessment to such Owner pursuant to Section 8.6 below and, if the same is not paid when due, shall be subject to the lien provided for in Section 8.9 below and be subject to foreclosure as provided for therein. Notwithstanding anything provided herein to the contrary, the rights and remedies of the DRB and the Master Association set forth herein shall not be deemed exclusive of any other rights and remedies that the DRB or the Master Association may exercise at law or in equity or any of the enforcement rights specified in Sections 5.13, 6.22, 6.23(a), 6.31, 7.2(b), 8.6, 8.10 and 11.1 below.

The Master Association or the DRB, at their option and their discretion, may delegate to the Association any of their respective enforcement rights set forth in these Covenants.

ARTICLE 7

MAINTENANCE RESPONSIBILITIES

Section 7.1 Responsibilities of Owners.

(a) Unless specifically identified herein as being the responsibility of the Master Association or the Association, the maintenance and repair of all Lots, Dwellings, and all other Improvements situated thereon or therein and all lawns, landscaping and grounds on or within a Lot or Dwelling shall be the responsibility of the Owner of such Lot or Dwelling. Each Owner shall be responsible for maintaining his, her or its Lot or Dwelling, as the case may be, in a neat, clean and sanitary condition, both inside and outside of any Dwellings or Improvements thereto. Such responsibilities shall include, without limitation, maintaining at all times appropriate paint and stain finishes on all Dwellings and other Improvement and reroofing or replacing roofing shingles when the same become worn or would be replaced by a prudent Owner. No exterior changes, alterations or Improvements shall be made to any Lot or Dwelling without first obtaining the prior written approval of the same from the DRB.

(b) Subject to the requirements and prohibitions of the Alabama Beach Mouse Covenants, each Lot or Dwelling, as the case may be, shall be landscaped in accordance with plans and specifications submitted to and approved by the construction of a Dwelling thereon shall at all times be maintained by the Owner in a fully and well-kept landscaped condition utilizing ground cover, shrubbery and trees, as appropriate. The maintenance obligations set forth in this Section 7.1(b) shall apply to all portions of a Lot or Dwelling and shall be applicable at all times, whether prior, during or after the construction of any Improvements thereon. Grass, hedges, shrubs, vines and any other vegetation of any type on any Lot shall be cut and trimmed at regular intervals at all times to maintain the same in a neat, safe and attractive condition. Dead and diseased trees, shrubs, vines, plants and other vegetation shall be promptly removed and replaced with healthy, living plants of like kind and quantity. Dead vegetation, stumps, weeds, rubbish, debris, garbage and waste material shall be promptly removed from any Lot or Dwelling and properly disposed of outside of the Development.

(c) No Owner shall ((i) modify, change or otherwise alter the appearance of any portion of the exterior of a Dwelling or the landscaping, grounds or other Improvements within a Lot unless such modification, change or alteration is first approved, in writing, by the DRB as provided in Sections 5.5 and 5.6 above or (ii) do any work that, in the reasonable opinion of the DRB, would jeopardize the soundness and safety of the Development or the Property, reduce the value thereof or impair any easement or hereditament thereto, without in every such case obtaining the prior written approval of the DRB.

Section 7.2 Responsibilities of Master Association and Association.

(a) Except as may be otherwise provided herein to the contrary, the Master Association shall be responsible for maintaining and keeping in good repair and condition all portions of the Common Areas, which responsibility shall include the maintenance, repair, upgrade, improvement and replacement of (i) all private streets and roads within the Development (including any upgrade or improvement of any intersection of Dune Drive and any other street or highway that may undertaken by Declarant pursuant to Section 3.1(b) above), walks, trails, paths,

boardwalks, walkways, bicycle and jogging paths and lanes, parking lots, street lights, landscaped areas, recreational areas and other improvements made by Declarant or the Master Association within any of the Common Areas or within any of the easements encumbering the Lots or Dwellings as provided in Section 3.5 through 3.10 inclusive, above, (ii) such limited access systems and facilities, entrance gates and utility lines, pipes, plumbing, wires, conduits and related systems, sanitary sewage disposal system installed by Declarant, in Declarant's sole discretion, appurtenances, equipment and machinery that are apart of the Common Areas and that are not maintained by a public authority, public service district, public or private utility, or other person (iii) all lawns, trees, shrubs, hedges, grass and other landscaping and all ponds situated within or upon the Common Areas, (iv) all silt fencing, snow fencing, boardwalks and other erosion control or Alabama Beach Mouse protection facilities constructed by the Declarant or the Master Association pursuant to the Alabama Beach Mouse Covenants, wherever located (either within or outside the Development so long as the same are utilized for the benefit of the Development), as may be necessary or otherwise required by the Alabama Beach Mouse Covenants, or any Governmental Authority. Neither the Master Association, or the Association shall not be liable for injuries or damage to any person or property (1) caused by the elements, acts of God or any Owner or other person, (2) resulting from any surface or subsurface conditions that may leak or flow from any portion of the Common Area onto a Lot or Dwelling or (3) resulting from theft, burglary or other illegal entry into the Property, any Lot or Dwelling thereof. No diminution or abatement of Assessments shall be claimed or allowed by reason of any alleged failure of the Master Association or the Association to take some action or perform some function required to be taken by or performed by the Master Association or the Association hereunder or for inconvenience or discomfort arising from the making of Improvements or repairs that are the responsibility of the Master Association or the Association or from any action taken by the Master Association or the Association to comply with any requirements of the Alabama Beach Mouse Covenants or any Governmental Authorities.

(b) If the Master Association or Board of the Association determines that (i) any Owner has failed or refused to discharge properly his, her or its obligations with regard to the maintenance, cleaning, repair or replacement of items that he, she or it is responsible for hereunder or (ii) any maintenance, cleaning, repair or replacement that the Master Association or the Association, as the case may be, is responsible for hereunder is caused by the willful or negligent act of an Owner or Occupant, or their respective family members, guests, servants, employees, invitees or contractors, and the costs of such maintenance, cleaning, repair or replacement are not paid in full from insurance proceeds, if any, received by the Master Association or the Association, as the case may be, with respect thereto, then, in either event, the Association, in addition to the exercise of any of its rights and remedies set forth in these Covenants, may give such Owner written notice of the Association's intent to provide such necessary maintenance, cleaning, repair or replacement, at the sole cost and expense of Owner and setting forth in reasonable detail what action is deemed necessary. Except in the event of emergency situations, such Owner shall have fifteen days within which to complete the same in a good and workmanlike manner or, if the same is not capable of completion within such fifteen day period, to commence such maintenance, cleaning, repair or replacement and to proceed diligently with the completion of the same in a good and workmanlike manner. In the event of emergency situations or the failure by any Owner to comply with the provisions hereof after such notice, the Association may provide (but shall not be obligated to provide) any such maintenance, cleaning, repair or replacement at the sole cost and expense of the Owner and said cost shall be a personal obligation of such Owner, shall

constitute an individual Assessment to such Owner, and shall be subject to the lien and foreclosures rights granted pursuant to Section 8.10 below. In the event the Association fails for any reason to exercise its rights of enforcement set forth in this Section 7.2(b), the Master Association may, at its option, exercise such rights of enforcement, and all provisions, rights and benefits of this Section 7.2(b) shall inure to the Master Association.

ARTICLE 8

COMMON AREA ASSESSMENTS

Section 8.1 Assessments and Creation of Lien. Each Owner of a Lot, Unit or Dwelling, by acceptance of a deed or other instrument conveying any interest therein, regardless of whether such deed or instrument contains a reference to these Covenants, is hereby deemed to covenant and agree to pay to the Association or Master Association, as the case may be : (a) annual Assessments, as established and to be collected as provided in Section 8.4 below, (b) special Assessments, to be established and collected as provided in Section 8.5 below, and (c) individual Assessments against any particular Lot, Units or Dwelling that are established or assessed pursuant to the terms of these Covenants, including, but not limited to, any fines that may be levied or imposed against such Lot or Dwelling in accordance with the provisions of Sections 5.13, 6.22, 6.23(a), 6.31, 6.36, 7.2(b), 8.9 and 11.1 hereof. All Assessments, together with late charges and interest as provided in Section 8.10(a) below, and all court costs and attorneys' fees incurred by the Association to enforce or collect such Assessments, shall be an equitable charge and a continuing lien upon each Lot or Dwelling for which the Owner thereof is responsible for the payment of the same, which lien may be enforced in the manner provided in Section 8.10(c) below. Each Owner shall be personally liable for the payment of all Assessments coming due while he, she or it is the Owner of any Lot, Unit or Dwelling, and such Owner's grantee shall take title to such Lot, Unit or Dwelling subject to the grantee to recover from his, her or its grantor any amounts paid by such grantee to the Association or Master Association that were the legal obligations of such grantor. Assessments owed by Unit Owners shall be paid to the Master Association, as determined by the Master Association. All Assessments, together with late charges and interest at the Applicable Rate, as specified in Section 8.10(a) below, court costs and attorneys' fees incurred with respect thereto by the Association or Master Association, shall also be a personal obligation of the person who was the Owner of the Lot, Unit or Dwelling at the time such Assessments and other costs and charges were assessed or incurred. In the event of co-ownership of any Lot, Unit or Dwelling, all of the co-Owners shall be jointly and severally liable for the entire amount of such Assessments. Assessments shall be paid in such manner and on such dates as may be fixed by the Master Association. All Assessments shall be payable in all events without offset, diminution or abatement by reason of fire or other casualty or any taking as a result of, in lieu of or in anticipation of the exercise of the respect to any Lot, Unit Dwelling or Common Area or any other portion of the Development or any other cause or reason of any nature.

Section 8.2 Purpose of Assessments. The annual and special Assessments provided for herein shall be used for the payment of Common Expenses and for the general purposes of promoting the recreational, health, education, safety, welfare, common benefit and enjoyment of the Owners and Occupants of the The Dunes Property, and otherwise for the general upkeep and maintenance of the Development, including, but not limited to, any sanitary sewage disposal system installed by Declarant in Declarant's sole discretion, the Common Areas and any Improvements thereto, and the Alabama Beach Mouse Covenants, all as may be more specifically authorized from time to time by the Master Association.

boardwalks, walkways, bicycle and jogging paths and lanes, parking lots, street lights, landscaped areas, recreational areas and other improvements made by Declarant or the Master Association within any of the Common Areas or within any of the easements encumbering the Lots or Dwellings as provided in Section 3.5 through 3.10 inclusive, above, (ii) such limited access systems and facilities, entrance gates and utility lines, pipes, plumbing, wires, conduits and related systems, sanitary sewage disposal system installed by Declarant, in Declarant's sole discretion, appurtenances, equipment and machinery that are apart of the Common Areas and that are not maintained by a public authority, public service district, public or private utility, or other person (iii) all lawns, trees, shrubs, hedges, grass and other landscaping and all ponds situated within or upon the Common Areas, (iv) all silt fencing, snow fencing, boardwalks and other erosion control or Alabama Beach Mouse protection facilities constructed by the Declarant or the Master Association pursuant to the Alabama Beach Mouse Covenants, wherever located (either within or outside the Development so long as the same are utilized for the benefit of the Development), as may be necessary or otherwise required by the Alabama Beach Mouse Covenants, or any Governmental Authority. Neither the Master Association, or the Association shall not be liable for injuries or damage to any person or property (1) caused by the elements, acts of God or any Owner or other person, (2) resulting from any surface or subsurface conditions that may leak or flow from any portion of the Common Area onto a Lot or Dwelling or (3) resulting from theft, burglary or other illegal entry into the Property, any Lot or Dwelling thereof. No diminution or abatement of Assessments shall be claimed or allowed by reason of any alleged failure of the Master Association or the Association to take some action or perform some function required to be taken by or performed by the Master Association or the Association hereunder or for inconvenience or discomfort arising from the making of Improvements or repairs that are the responsibility of the Master Association or the Association or from any action taken by the Master Association or the Association to comply with any requirements of the Alabama Beach Mouse Covenants or any Governmental Authorities.

(b) If the Master Association or Board of the Association determines that (i) any Owner has failed or refused to discharge properly his, her or its obligations with regard to the maintenance, cleaning, repair or replacement of items that he, she or it is responsible for hereunder or (ii) any maintenance, cleaning, repair or replacement that the Master Association or the Association, as the case may be, is responsible for hereunder is caused by the willful or negligent act of an Owner or Occupant, or their respective family members, guests, servants, employees, invitees or contractors, and the costs of such maintenance, cleaning, repair or replacement are not paid in full from insurance proceeds, if any, received by the Master Association or the Association, as the case may be, with respect thereto, then, in either event, the Association, in addition to the exercise of any of its rights and remedies set forth in these Covenants, may give such Owner written notice of the Association's intent to provide such necessary maintenance, cleaning, repair or replacement, at the sole cost and expense of Owner and setting forth in reasonable detail what action is deemed necessary. Except in the event of emergency situations, such Owner shall have fifteen days within which to complete the same in a good and workmanlike manner or, if the same is not capable of completion within such fifteen day period, to commence such maintenance, cleaning, repair or replacement and to proceed diligently with the completion of the same in a good and workmanlike manner. In the event of emergency situations or the failure by any Owner to comply with the provisions hereof after such notice, the Association may provide (but shall not be obligated to provide) any such maintenance, cleaning, repair or replacement at the sole cost and expense of the Owner and said cost shall be a personal obligation of such Owner, shall

Section 8.3 Uniform Rate of Assessments.

(a) Both annual and special Assessments, as described in Sections 8.4 and 8.5 below, shall be assessed against each Lot or Dwelling in The Dunes Property at a uniform rate, with the Owner of each Lot or Dwelling being required to pay his, her or its pro rata portion of such annual and/or special Assessments, as determined by a fraction, the numerator of which shall be one and the denominator of which shall be Declarant's projected total number of Lots and Dwellings in the The Dunes Property, in Declarant's sole discretion. Each Lot and Dwelling shall be subject to annual and special Assessments.

(b) Notwithstanding anything provided in Section 8.3(a) above to the contrary, if any Additional Property is added to the Property, then the Lots, and/or Dwellings within the Additional Property shall be subject to the same annual or special Assessments then being paid by the Owners of all Lots, Units and Dwellings in the Property, subject to proration as provided in Section 8.9 below. The Lots and/or Dwellings in any single family residential area developed by Declarant, in Declarant's sole discretion, other than the Property or any Additional Property, shall also be subject to the same annual or special assessments then being paid by the Owners.

(c) Notwithstanding anything provided in Section 8.3(a) above to the contrary, if any Additional Property is added to the Property, which is under a condominium regime, then the Units within the Additional Property shall be subject to a annual or special Assessments for the reasons set forth in Section 8.2, and subject to the conditions set forth in Section 8.1 above. The amount of the Assessments shall be established by the Master Association.

Section 8.4 Computation of Annual Assessments.

(a) Commencing with the fiscal year of the Master Association that begins on the date of its incorporation through December 31, of that year, and annually thereafter, on January 1 for each subsequent fiscal year of the Master Association (i.e. from January 1 in each year through December 31 in each year) the Master Association, shall determine and adopt annually an annual budget covering the estimated Common Expenses for the The Dunes Property for the upcoming year, such budget to include a capital contribution or reserve account if necessary for the capital needs of the Association. The amount set forth in such budget shall constitute the aggregate amount of annual Assessments for the then applicable year and each Owner shall pay his or her pro rata share of the same as provided in Section 8.3 above. A copy of the budget setting forth the amount of annual Assessments to be levied against the Lots and Dwellings for the further delivery to each Owner.

(b) If any budget or the amount of annual Assessments collected by the Association at an time proves to be inadequate or insufficient for any reason to pay fully all costs and expenses of the Association and all Common Expenses, then the Board, after obtaining the prior written consent of the Master Association, may call a meeting of the Association for the purpose of approving special Assessments as provided in Section 8.5 below. If the actual amount of annual Assessments collected in any one year exceeds the actual costs incurred for Common Expenses for such year, the excess shall be retained by the Association as a reserve for subsequent years' Common Expenses.

(c) The Common Expenses to be funded by the annual and special Assessments may include, but shall not be limited to , the following:

(1) Salaries, fringe benefits and other compensation paid and out-of-pocket expenses reimbursed by the Association for its employees, agents, officers and any third party contractors;

(2) Management fees and expenses of administration, including legal and accounting fees, incurred by the Association;

(3) The costs of any insurance policies purchased for the benefit of the Association as requires or permitted by these Covenants, including, without limitation, public liability coverage and such other insurance coverage as the Board determines to be in the best interest of the Association, including errors and omissions insurance, directors and officers liability insurance and any other liability insurance coverage for the benefit of the Association, the members of the Board, any officers, employees, agents or representatives of the Association or for any of the members of the DRB;

(4) The expenses of maintaining, operating, repairing and replacing any sewer lift station or any sanitary sewer disposal system installed by Declarant, in Declarant's sole discretion, servicing any portion of the The Dunes Property;

(5) The expenses of maintaining, operating and repairing any other amenities and facilities serving the The Dunes Property that the Master Association or the Board determines from time to time would be in the best interest of the Owners and the The Dunes Property to so maintain, operate or repair, including but not limited to, any limited access facilities, such as electrically-monitored gates, entrance ways and any related improvements, and the expenses of a guard or guards for the The Dunes Property;

(6) The expenses of the DRB attributable to the The Dunes Property that are not defrayed by applicable plan review charges;

(7) The costs and expenses for conducting recreational, culture or other related programs for the benefit of the Owners and Occupants of the The Dunes Property;

(8) All other fees, costs and expenses incurred by the Association in accordance with the provisions of these Covenants or the Board, subject to the prior written approval of the Master Association, determines to be appropriate to be paid by the Association, including, without limitation, taxes and governmental charges not separately assessed against Lots or Dwellings;

(9) The establishment and maintenance of a reasonable reserve fund or funds (1) to cover emergencies and repairs required as a result of casualties that are not funded by insurance proceeds, and (2) to cover unforeseen operating contingencies or deficiencies arising from unpaid Assessments as well as from emergency expenditures and other matters, all as may be authorized from time to time by the Board, and approved by the Master Association; and

(10) A proportionate share of the Master Association Expenses described in Section 8.4(d) below, which proportionate share shall be determined by the Master Association, in its sole discretion.

(d) The Master Association Expenses to be funded by the annual and special Assessments may include, but shall not be limited to, the following:

(1) The utility charges for any utilities serving any of the Common Areas and charges for other common services for the Development, including, without limitation, trash collection and limited access service; and,

(2) The costs of any insurance policies purchased for the benefit of the Master Association as required or permitted by these Covenants; and,

(3) The expenses of maintaining, operating, repairing, upgrading, improving and replacing any portions of the Common Areas, including, without limitation, roads, comprising Common Areas within The Dunes Property and Dunes Drive, which maintenance, upgrade, improvement and repair obligation shall include mowing, landscaping, seeding, cleaning, trash pickup and removal, paving, repaving, stripping and patching all such roadways comprising Common Areas and Dunes Drive, and other street or highway undertaken by Declarant pursuant to Section 3.1(b) above; and,

(4) The expenses of maintaining, operating, repairing and replacing any sewer lift station serving any portion of the The Dunes Property together with any other portion of the Development; and,

(5) All ad valorem real and personal property taxes assessed and levied upon any of the Common Area; and,

(6) The funds necessary for the establishment and maintenance of a fund to be used for the expenses of inspection, maintenance, repair and replacement of the Common Areas and Alabama Beach Mouse Covenants; and,

(7) The purchase of additional property to be used as Common Area(s) for the benefit of Owners and Occupants.

Section 8.5 Special Assessments. In addition to the annual Assessments authorized in Section 8.4 above and the special Assessments authorized in Section 9.1(b) and 9.3(a)(1) below, the Board of the Association, subject to prior written approval of the Master Association, may levy in any year special Assessments for Common Expenses or any extraordinary costs incurred by the Association; provided, however, that any such special Assessments [other than special Assessments levied pursuant to Sections 5.12(b), 9.1(b) and 9.3(a)(1)] shall be approved by a majority of the votes of the Owners who are voting in person or by proxy at the meeting called for the purpose of adopting special Assessments pursuant to the provisions of Section 8.8 below. The Board may make such special Assessments payable in one lump sum or in installments over a period of time that may, in the Board's discretion, extend beyond the then fiscal year in which said special Assessments are levied and assessed. Special Assessments shall be levied against and payable by each Owner in accordance with the provisions of Section 8.3 above.

Section 8.6 Individual Assessments. Any expenses of the Master Association or the Association that, in the opinion of the Association, are occasioned by the conduct of less than all of the Owners or by an Owner or Occupant, or the respective family members, agents, guest, servants, employees, invitees or contractors of any Owner or Occupant, shall be specially assessed against such Owners and their respective Lots and Dwellings. The individual Assessments provided for in this Section 8.6 shall be levied by the Board and the amount and due date of such Assessments shall be specified by the Board in a notice to such Owner. The provisions of this Section 8.6 shall apply, without limitation, to any individual Assessments levied pursuant to Section 5.13, 6.22, 6.23(a), 6.36, 7.2(b) and 11.1 hereof.

Section 8.7 Allocation of Assessments. All funds collected by the Association through annual Assessments, special Assessments and individual Assessments shall be retained by the Association except that the Association shall pay to the Master Association a portion of all such collected funds to cover a proportionate share of the Master Association Expenses, which

proportionate share shall be determined by the Master Association, in its sole discretion.

Section 8.8 Notice of Meetings and Quorum. (a) Written notice of each annual meeting of the Association shall be sent to all Owners not less than ten days nor more than fifty days in advance of such meeting. With respect to annual meetings, the presence in person or by proxy of Owners entitled to cast over fifty percent of all votes of the Association shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, except as hereinafter provided, but the required quorum at the subsequent meeting shall be the presence in person or by proxy of Owners entitled to cast at least one-third of the total votes of the Association. Any notice for any such subsequent meeting shall state that the necessary quorum therefor shall be one-third of the total votes of the Association present in person or by proxy. At such time as a quorum is obtained, the vote of a majority of the Owners who are voting in person or by proxy at such meeting shall be required to approve any matter in which all of the members of the Association are entitled to vote.

(b) Written notice of any meeting of the Association other than an annual meeting shall be sent to all Owners not less than five days nor more than twenty days in advance of such meeting. With respect to any such other meeting of the Association, including, specifically, meetings pursuant to which special Assessments are to be levied upon each Lot or Dwelling pursuant to Section 8.5 above, there shall be no specific requirement establishing a quorum and the vote of a majority of the Owners who are voting in person or by proxy at any such special meeting shall be binding on all of the members of the Association.

Section 8.9 Date of Commencement of Assessments. The annual Assessments provided for herein shall commence as to each Lot or Dwelling on the day on which such Lot or Dwelling is conveyed to a person other than Declarant and shall be due and payable in such manner and on such schedule as may be established from time to time by the Board of the Association, subject to the prior written approval of the Master Association. Annual Assessments and any outstanding special Assessments shall be adjusted for each Lot or Dwelling according to the number of months then remaining in the then fiscal year of the Association and the number of days then remaining in the month in which such Lot or Dwelling is conveyed. Annual and special Assessments for Lots and Dwellings within any portion of the Additional Property hereafter submitted to the terms of these Covenants, or any other portion of the The Dunes Property, shall commence with respect to each such Lot or Dwelling on the date on which such Lot, or Dwelling is conveyed to a person other than Declarant, subject to proration and adjustment according to the number of months then remaining in the fiscal year of the Association and number of days then remaining in the month in which such Assessments commence. Notwithstanding anything provided herein to the contrary, Declarant shall not be responsible for the payment of annual or special Assessments on any Lots or Dwellings that it or its affiliates own in the Development. Furthermore, for so long as Declarant is the Owner of any portion of the The Dunes Property, or until such earlier date as Declarant may elect, in Declarant's sole discretion, Declarant shall have the option either to pay annual Assessments on Lots or Dwellings owned by Declarant in the The Dunes Property or advance any deficits that may exist between the total amount of annual Assessments assessed to all other Owners and the actual costs incurred by the Association for Common Expenses for the The Dunes Property. At such time as Declarant no longer has any interest in any portion of the The Dunes Property, Declarant shall have no further obligation of any nature to pay any Assessments or otherwise fund any deficits relating to the Common Expenses.

Section 8.10 Effect of Non-Payment: Remedies of the Association. (a) Each Owner of Lot or Dwelling is and shall be deemed to covenant and agree to pay to the Association all Assessments provided for herein. If any Assessments or any portion thereof are not paid when due, the same shall be subject to a late charge in an amount determined and uniformly applied by the Board from time to time, and the Owner of such Lot or Dwelling shall be deemed in default herewith. If any Assessments or any portion thereof are paid within thirty days after the due date of the same, then the unpaid portion of the Assessment shall accrue simple interest at the lesser of eighteen percent per annum or the highest rate that may be charged to said Owner by law (the "Applicable Rate") from the thirtieth day from the due date until the same is paid in full. If the Association employs an attorney or otherwise takes any legal action in attempting to collect any amounts due from any Owner, such Owner agrees to pay all attorneys' fees, court costs and all other expenses paid or incurred by the Association. The lien and equitable charge upon each Lot or Dwelling for Assessments as provided above shall also include all late charges, interest at the Applicable Rate and all attorneys' fees, court costs and all other expenses paid or incurred by the Association in attempting to collect any unpaid Assessments.

(b) In the event any Assessments or other amounts due to the Association are not paid by any Owner when the same becomes due, then in addition to all other rights and remedies provided at law or in equity, the Association, acting through its Board or through any of its officers or authorized representatives, may undertake any or all of the following remedies:

(1) The Association may commence and maintain a suit at law against an Owner to enforce such charges and obligations for Assessments and any such judgement rendered in any such action shall include the late charge and interest at the Applicable Rate, as specified in Section 8.10(a) above, together with attorneys' fees, court costs and all other expenses paid and incurred by the Association in collecting such unpaid Assessments; and/or

(2) The Association may enforce the lien created pursuant to Section 8.1 and 8.10(a) in the manner hereinafter provided.

(c) There is hereby created a continuing lien on each Lot and Dwelling, with power of sale, that secures the payment to the Association of any and all Assessments levied against or upon such Lot or Dwelling, all late charges and interest at the Applicable Rate assessed pursuant to Section 8.10(a) above and all attorneys' fees, court costs and all other expenses paid or incurred by the Association in collecting any Assessments. If any Assessments remain unpaid for more than sixty days, then the Association, through its Board or any officer or authorized representative thereof, may, but shall not be obligated to, make written demand on such defaulting Owner, which demand shall state the date and amount of delinquency. Each default shall constitute a separate basis for a demand and claim of lien, but any number of defaults may be included in a single demand. If such delinquency is not paid in full within ten days after the giving of such demand or, even without giving demand, the Association may file a claim of lien and perfect its lien against the Lot or Dwelling of such delinquent Owner, which claim shall be executed by any member of the Board of the Association or any officer of the Association, contain the following information and be recorded in the Probate Office of Baldwin County, Alabama:

(1) The name of the delinquent Owner;

(2) The legal description and street address of the Lot or Dwelling upon which the lien claim is made;

(3) The total amount claimed to be due including late charges, interest at the Applicable Rate, collection costs and attorneys' fees incurred to date and a statement, if applicable, that such charges and costs shall continue to accrue and be charges until full payment has been received; and

(4) A statement that the claim of lien is made by the Association pursuant to these Covenants and is claimed against such Lot or Dwelling in an amount equal to that stated therein.

Except as provided in Section 8.10(d) below, the lien provided for herein shall be in favor of the Association, shall be for the benefit of all other Owners (other than those Owners in default) and may be foreclosed in the same manner as now provided by law in the case of past-due mortgages, and the Association shall be authorized, at its option, to sell the Lot or Dwelling under the power of sale that is hereby given to the Association, at public outcry, to the highest bidder for cash, at the front or main door of the Baldwin County courthouse, after first having given notice by publication once a week for three successive weeks of the time, place and terms of such sale, together with a description of the Lot or Dwelling to be sold, by publication in some newspaper published in Baldwin County. The sale shall be held between the hours of 11:00 a.m. and 4:00 P.M. on the day designated for the exercise of the power of sale hereunder. The Association shall have the right and power to bid at any such foreclosure sale and to purchase, acquire, hold, lease, mortgage, convey and sell any such Lot or Dwelling. Each Owner, by acceptance of a deed to any Lot or Dwelling, shall be deemed to (1) grant to and vest in the Association and/or its agents the right and power to exercise the power of sale granted herein and foreclosure the lien created herein, (2) grant to and vest in the Association or its agents the right and power to bring all actions against such Owner personally for the collection of all amounts due from such Owner, (3) expressly waive any objection to the enforcement and foreclosure of the lien created herein and (4) expressly waive the defense of the statute of limitations that may be applicable to the commencement of any such suit or action for foreclosure.

(d) In the event the Association fails for any reason to exercise its rights under this Section 8.10, the Master Association may exercise such rights, and all provisions, rights and benefits under this Section 8.10 shall in that event inure to the benefit of the Master Association.

Section 8.11 Subordination of Lien. Notwithstanding anything provided herein to the contrary, the lien for Assessments and other charges authorized herein with respect to any Lot, Unit or Dwelling in the Development is and shall be subordinate to the lien of any Mortgage held by an Institutional Mortgage, but only to the extent that the Mortgage held by any such Institutional Mortgagee is recorded in the Probate Office of Baldwin County, Alabama prior to the filing of a claim of lien by the Association pursuant to Section 8.10(c) above, or by the Master Association pursuant to Section 8.10(d) above. When an Institutional Mortgagee exercises its foreclosure rights provided in its Mortgage and acquires title to or sells to a third party its interest in any Lot or Dwelling, then such Institutional Mortgagee or its purchaser or transferee at such foreclosure sale shall (a) not be liable for any Assessments or other charges incurred prior to the date of transfer or acquisition of title by foreclosure so long as the Mortgage held by such Institutional Mortgagee was recorded in the Probate Office of Baldwin County, Alabama prior to the filing of a claim of lien by the Association pursuant to Section 8.10(c) above, or by the Master Association pursuant to Section 8.10(d) above, but (b) be liable for all Assessments other charges levied, assessed or incurred with respect to such Lot, Unit or Dwelling has been foreclosed from the personal obligation to pay all Assessments and any other charges levied, assessed or incurred by the Association and the

Association, or the Master Association, as the case may be, shall have the right to pursue all rights and remedies against a defaulting Owner notwithstanding the foreclosure of a Mortgage by an Institutional Mortgagee on such Owner Lot or Dwelling.

Section 8.12 Certificates. The Association or any officer or authorized representative thereof shall, upon request and at such reasonable times as may from time to time be adopted by the Board, furnish to any Owner a certificate in writing setting forth whether the Assessments for which such Owner is responsible have been paid and, if not paid, the outstanding amount due and other costs and expenses due from such Owner. Such certificate shall be conclusive evidence of payment of any Assessments stated therein.

ARTICLE 9

CASUALTY, CONDEMNATION AND INSURANCE

Section 9.1 Damage or Destruction to Common Areas.

(a) In the event of any damage or destruction to any of the Common Areas by fire or other casualty, then, subject to the provisions of this Article 9, the Master Association shall promptly repair, replace and restore the damaged portions of the Common Areas to the condition to which they existed immediately prior to such fire or other casualty.

(b) Notwithstanding anything provided in Section 9.1(a) above, if the amount of insurance proceeds, if any, recovered as a result of such damage or destruction is insufficient fully to repair, replace and restore the damaged portions of the Common Areas, and such deficiency cannot be appropriated from any reserve fund that may have been established for such purpose, then the Board of the Association, subject to the prior written approval of the Master Association, may levy a special Assessment against all Owners, without the necessity of a vote of the Owners approving or disapproving the same pursuant to Section 8.5 or 8.8 above, which such special Assessment shall be in an amount sufficient to provide funds to pay a proportionate share of the remaining costs necessary to repair, replace or restore the Common Areas to the condition as existed immediately prior to such fire or other casualty. Such special Assessment shall be levied against each Lot or Dwelling equally as provided in Section 8.3 above. Further special Assessments may be made by the Board, subject to the prior written approval of the Master Association, on a proportionate share basis, as described above, without the necessity of a vote of the Owners approving or disapproving the same, at any time during or upon completion of any such repair, replacement or restoration of the Common Areas if funds are insufficient to cover the costs of such repair, replacement or restoration. The Association shall pay to the Master Association any such special Assessments paid to the Association under this Section 9.1(b). Any and all insurance proceeds received by the Master Association on account of any damage to or destruction of any of the Common Areas or any sums paid to the Master Association by virtue of such special Assessments shall be held by and for the benefit of the Master Association and shall be disbursed by the Master Association in payment for the costs of such repair, replacement or restoration in such manner as may be determined by the Master Association. In no event shall the Association, the Owner or Mortgagee of any Lot or Dwelling be entitled to any portion of any special Assessments or proceeds of insurance payable as a result of the damage to or destruction of any portion of the Common Areas.

Section 9.2 Damage or Destruction of Lots and Dwellings.

In the event of any fire or other casualty that damages or destroys any portion of any Lot or Dwelling, then the Owner of such damaged Lot or dwelling shall promptly repair and otherwise

restore such Lot or Dwelling to the condition to which the same existed immediately prior to such fire or other casualty; provided, however, that any such restoration or repair shall be subject to compliance with all of the provisions set forth in Article 5 above and all then restoration or repair shall be commenced within one hundred eighty days following the occurrence of such fire or other casualty. The Owner of any such damaged Lot or Dwelling shall proceed diligently and complete all such restoration and repair no later than one year following the occurrence of such fire or other casualty. In the event the restoration or repair of such Lot or Dwelling is impracticable or would otherwise violate any of the provisions of these Covenants, then such Owner shall promptly clear away any remaining Improvements damaged or destroyed by such fire or other casualty and shall leave such Lot or Dwelling and any remaining Improvements thereon in a clean, orderly, safe and sightly manner.

Section 9.3 Condemnation of Common Areas.

(a) In the event of the taking of all or any portion of any of the Common Areas as a result of, in lieu of or in anticipation of the exercise of the right of eminent domain, condemnation or by private purchase in lieu thereof, the award from such taking or sale in lieu thereof shall be paid to the Master Association and shall be disbursed or held as follows:

(1) To the extent the Common Areas subject to such taking can either be restored or replaced, then, to the extent practicable, the Master Association shall take such action, including the utilization of any other Common Areas within the Development, to restore or replace, as the case may be, those portions of the Common Areas subject to such taking. If the award is insufficient to defray fully the cost of such restoration or replacement, and such deficiency cannot be appropriated from any reserve fund that may have been established for such purpose, then the Board of the Association, subject to prior written approval of the Master Association, may levy a special Assessment against all Owners, without the necessity of a vote of the Owners approving or disapproving the same pursuant to Sections 8.5 and 8.8 above, which such special Assessments shall be in an amount sufficient to provide funds to pay a proportionate share of the remaining costs of restoration or replacement. Such proportionate share shall be determined by the Master Association. Such special Assessment shall be levied against each Owner as provided in Section 8.3 above. Further special Assessments may be made by the Board, subject to the prior written approval of the Master Association, on a proportionate share basis, as described above, without the necessity of a vote of the Owners approving or disapproving the same, at any time during or upon the completion of any such restoration or replacement of the Common Areas if the award received as a result of such taking is insufficient to pay the costs of such restoration or replacement. The Association shall pay to the Master Association any such special Assessments paid to the Association under this Section 9.3(a).

(2) To the extent the Common Areas subject to such taking cannot be restored or replaced or if the Master Association shall determine that the portions of the Common Areas so taken should not be restored or replaced, then in any such event, the net award from such taking shall be retained by and for the benefit of the Master Association.

(b) If any portion of the award from any taking remaining after restoration or replacement of any of the Common Areas, the remainder of such award shall be retained by and for the benefit of the Master Association, without any claim thereto by the Association or any Owner. Except as specifically provided in Section 9.3(c) below, no Owner or Mortgagee of any Lot or Dwelling shall be entitled to any portion of the award made to

the Master Association as a result of the taking of any portion of the Common Areas.

(c) If any such taking or sale in lieu thereof includes all or any part of a Lot or Dwelling and also includes any part of the Common Areas, then the award from such taking shall be equitably apportioned in accordance with the decision of a court of competent jurisdiction, and such award shall be disbursed separately to the Master Association and to the Owners so affected by such taking; provided, however, that the Owners of any Lot or Dwelling that is subject to any such taking and the Master Association may mutually agree on the amount of such apportionment, which mutual agreement shall be binding on all Owners.

Section 9.4 Condemnation of Lots and Dwellings. If all or any portion of a Lot or Dwelling is taken as a result of, in lieu of or in anticipation of the exercise of the right of eminent domain, condemnation or by private purchase in lieu thereof, then, to the extent practicable, the Owner of such Lot or Dwelling shall promptly repair, reconstruct, rebuild and otherwise restore the remaining portions of the Lot or Dwelling as nearly as practicable to the condition to which the same existed immediately prior to such taking; provided, however, that any such restoration shall be subject to all of the terms and conditions set forth in Article 5 above and all then applicable rules, regulations, statutes and ordinances of the Governmental Authorities. If the restorations of such Lot or Dwelling is impracticable or would otherwise violate any of the provisions of these Covenants, then such Owner shall promptly clear away any remaining Improvements damaged or destroyed by such taking and shall leave such Lot or Dwelling and any remaining Improvements thereon in a clean, orderly, safe and sightly condition.

Section 9.5 Insurance.

(a) The Master Association shall have the right and authority to obtain and maintain at all times adequate property and casualty insurance in such form as the Master Association deems appropriate for the benefit of the Master Association insuring all insurable Improvements in and to the Common Areas against loss or damage by fire or other hazards, including, without limitation, extended coverage, flood, vandalism and malicious mischief, which coverage shall be in an amount, with such insurance carriers, at such costs and with such deductibles as the Master Association, in its sole discretion, any determine.

(b) The Master Association shall have the right and authority to obtain and maintain in effect at all times such public liability insurance coverage covering all of the Common Areas in such amounts, with such insurance carriers, at such costs and with such deductibles as the Master Association, in its sole discretion, may deem necessary or desirable.

(c) The Board of the Master Association and/or the Board of the Association shall have the right and authority to obtain workman's compensation insurance, employer's liability insurance, public liability insurance, and all other types of insurance required by law, including, without limitation, errors and omissions and directors and officers liability insurance coverage, in such amounts, with such insurance carriers, at such costs and with such deductibles as the Board, in its sole discretion, may determine.

(d) All insurance authorized in Section 9.5(c) above shall be written in the name of the Master Association or the Association, as the case may be, and all costs thereof shall be a Common Expense. To the extent the same may be obtained at a normal cost, all such policies shall contain a waiver of subrogation clause pursuant to which the insurer waives any

claims against the Declarant, the Master Association, the Association, the members of the Board and all officers, agents and employees of the Association, including the manager of the Development, the Master Association and the Association, the Owners and the family members, servants, agents, tenants and guests, of the Owners and shall also name Declarant as an additional insured.

(e) All insurance coverages required in Section 9.5(a) and 9.5(b) above shall be written in the name of the Master Association and a proportionate share of all costs thereof shall be a Common Expense. Such proportionate share shall be determined by a fraction, the numerator of which shall be the total area of the Property and the denominator of which shall be the total area of the Development at the time such costs are incurred.

(f) Each Owner shall be solely responsible for obtaining and maintaining public liability, property damage, title and all other types of insurance with respect to his, her or its Lot and Dwelling. The Board may require all Owners to carry specified minimum amounts of public liability insurance with respect to their respective Lots and Dwellings and to furnish copies or certificates thereof to the Association. Each Owner, by acceptance of a deed or other instrument conveying any interest in any Lot or Dwelling, does hereby waive and release Declarant, the Master Association, the Association, the DRB, the manager of the Development, the Master Association and the Association and their respective agents, employees, representatives, partners, shareholders, members, officers and directors, from any and all liabilities or damage covered by (or that should be covered by) fire and casualty (e.g., homeowner's and builder's risk) insurance and general liability insurance that any Owner maintains, even if such loss or damage has been caused by the fault or negligence of any of the foregoing persons or parties.

ARTICLE 10

TERM AND AMENDMENTS

Section 10.1 Term. The terms, covenants, conditions and restrictions set forth in these Covenants shall run with and bind all the Property, shall inure to the benefit of all Owners of Lots or Dwellings, and where appropiate to Unit Owners, and Mortgagees and their respective heirs, executors, personal representatives, administrators, successors and assigns, and shall be and remain in effect for a period of ninety-nine years from and after the date hereof, after which time these Covenants shall be automatically renewed and extended for successive and continuous periods of ten years each, unless, at any time after twenty years from the date hereof, an agreement executed by the Owners of at least two-thirds or more of the Lots, Units, or Dwellings within the Property agreeing to terminate or modify these Covenants has been recorded in the Probate Office of Baldwin County, Alabama; provided, however, that the rights of way and easements established, granted and reserved in Article 3 hereof shall continue and remain in full force and effect for the time periods and duration specified therein.

Section 10.2 Amendment by Declarant. For so long as Declarant owns any Lot, Unit or Dwelling within the Property, or until such earlier date as Declarant elects, in Declarant's sole discretion, Declarant may amend these Covenants by a written instrument filed and recorded in the Probate Office of Baldwin County, Alabama, without obtaining the approval of any Owner or Mortgagee; provided, however, that except as otherwise provided in Section 10.4 below, (a) if any amendment proposed by Declarant materially and adversely alters or changes any Owner's rights to the use and enjoyment of his or her Lot or Dwelling or materially and adversely affects the title to any Lot or Dwelling, then such amendment shall be valid only upon the written consent of the

affected Owner or, alternatively, by fifty percent of all of the Owners (including Declarant who shall have the voting rights attributable to any Lot, Unit or Dwelling owned by Declarant) or (b) if any such proposed amendment by Declarant would materially and adversely affect the title and interest of any Institutional Mortgagee, such amendment shall be valid only upon the written consent of all such Institutional Mortgagees affected thereby. Any amendment made pursuant to this Section 10.2 shall be certified by Declarant and shall be effective when it is recorded in the Probate Office of Baldwin County, Alabama. Each Owner, by acceptance of a deed or other conveyance to a Lot, Unit or Dwelling, and each Mortgagee, by acceptance of a Mortgage on any Lot, Unit or Dwelling, agrees that, if requested to do so by Declarant, such Owner and Mortgagee will consent to the amendment of these Covenants or any other instrument relating to the Property or the Association if such amendment is (i) necessary to bring any provision hereof into compliance or conformity with the provisions of any law, ordinance, statute, rule or regulation of any applicable Governmental Authority or the judicial decision of any state or federal court, (ii) necessary to enable any reputable title insurance company to issue title insurance coverage with respect to any Lot or Dwelling, (iii) required by any Institutional Mortgagee to enable such Institutional Mortgagee to make a Mortgage loan on any Lot, Unit or Dwelling or (iv) necessary to enable any governmental agency or reputable private insurance company to insure Mortgages on any Lot or Dwelling within the Property.

Section 10.3 Amendments by Association. Amendments to these Covenants, other than those authorized by Section 10.2 Above, shall be proposed and adopted by the Association in the following manner, subject to the prior written approval of the Master Association:

(a) At any annual or special meeting of the members of the Association, an amendment to these Covenants may be proposed by either the Board of the Association or by any Lot or Dwelling Owners present in person at such meeting. Any such proposed amendment must be approved by the Owners holding at least two-thirds of the total votes in the Association; provided, however, that (i) for so long as Declarant owns a Lot, Unit or Dwelling within the Property, or such earlier date as Declarant elects, in Declarant's sole discretion, Declarant must approve such proposed amendment and (ii) to the extent the proposed amendment affects any of the matters described in Section 10.4 below, then the provisions of Section 10.4 below shall be applicable to such proposed amendment.

(b) Any and all amendments approved in accordance with the provisions of Section 10.3(a) above shall be executed by all parties whose consent to the same is required, including the Owners holding at least two-thirds of the total votes in the Association; provided, however, that in the alternative, the sworn statement of the President of the Association or by the Chairman of the Board stating unequivocally that the agreement of the requisite number of Owners was lawfully obtained may be attached to and incorporated into such amendment without the written consent of any Owner. Any such amendment shall be effective upon recording of the same in the Probate Office of Baldwin County, Alabama.

Section 10.4 Restrictions on Amendment. Notwithstanding anything provided in these Covenants to the contrary, in no event may any amendment to Sections 1.19, 1.20, 2.2, 2.3, 2.6, 2.7, 3.1, through 3.10, 5.2, 5.5(b), 5.10, 5.12, 5.13, 6.1, 6.14(b), 6.20, 6.25, 6.27, 6.31, 8.3, 8.4, 10.2, 10.3, 10.4 and 12.1 hereof or any other provisions of these Covenants that require Declarant's or the Master Association's consent or approval be effective unless Declarant or the Master Association, as the case may be, consents in writing to any such amendment requiring its consent. The consent of Declarant or the Master Association to

any such proposed amendment may be withheld in the sole discretion of Declarant or the Master Association, respectively, with or without any reason.

ARTICLE 11

ENFORCEMENT

Section 11.1 Authority and Enforcement. In addition to the provisions of Sections 5.13, 6.22, 6.23(a), 6.36, 7.2(b) and 8.10 above, if any Owner or Occupant or their respective agents, contractors or invites, violates any of the provisions of these Covenants, the Articles of Incorporation, the Bylaws or any rules or regulations adopted by the Board of the Association from time to time, the Board shall have the power to (i) impose reasonable monetary fines that shall constitute an equitable charge and continuing lien upon the Lot and Dwelling and shall be a personal obligation of such Owner that is guilty of such violation, (ii) suspend an Owner's right to vote in the Association or (iii) suspend an Owner's or Occupant's right (and the right of such Owner's or Occupant's family members, guests and tenants) to use any of the facilities located in or upon the Common Areas, and the Board shall have the power to impose all or any combination of any of the foregoing sanctions. Any such suspension of rights may be for the duration of the infraction.

Section 11.2 Procedure. In the event any of the terms or provisions of these Covenants, the Articles of Incorporation, the Bylaws or any rules and regulations of the Association are violated by an Owner or Occupant, the Board shall not impose a fine, suspend voting rights or infringe upon or suspend any other rights pursuant to Section 11.1 above unless written demand to cease and desist from an alleged violation shall be served upon the Owner responsible for such violations which demand shall specify:

(a) The alleged violation;

(b) The action required to abate such violation; and

(c) A time period of not less than ten days during which the violation may be abated without further sanction (if such violation is a continuing one), or (if the violation is not a continuing one), a statement that any further violation of the same provision of these Covenants, the Design Code, the Articles of incorporation, the Bylaws or any of the rules and regulations of the Association may result in the imposition of sanctions. the foregoing procedure shall only be applicable to the enforcement rights specified in Section 11.1 above and shall not apply to the exercise of any of the rights and remedies specified in any other provision of these Covenants.

Section 11.3 Nonexclusive Remedies. Notwithstanding anything provided to the contrary in these Covenants, the authority, enforcement and procedural rights set forth in this Article 11 are in addition to and shall not be deemed to limit the other rights and remedies set forth in these Covenants or that the Association, acting through the Board, would have the right to exercise at law or in equity.

Section 11.4 Master Association Enforcement. If the Board fails for any reason to exercise its rights of enforcement set forth in this Article 11, the Master Association may, at its option, exercise such rights of enforcements, in which event all provisions, rights, and benefits under this Article 11 shall inure to the Master Association.

ARTICLE 12

MISCELLANEOUS PROVISIONS

Section 12.1 Control by Declarant. NOTWITHSTANDING ANYTHING PROVIDED TO THE CONTRARY IN THESE COVENANTS, THE ARTICLES OF INCORPORATION, THE BYLAWS OR IN ANY OTHER DOCUMENT OR INSTRUMENT RELATING TO THE PROPERTY, DECLARANT HEREBY RETAINS THE RIGHT TO APPOINT AND REMOVE ANY MEMBER OR MEMBERS OF THE BOARD OF THE ASSOCIATION OR THE MASTER ASSOCIATION AND ANY OFFICER OR OFFICERS OF THE ASSOCIATION OR THE MASTER ASSOCIATION AS PROVIDED BY AND FOR THE PERIOD OF TIME SET FORTH IN SECTION 4.2 ABOVE. Each Owner, by acceptance of a deed or other conveyance of any interest in a Lot or Dwelling, agrees that Declarant shall have the authority to appoint and remove members of the Board and officers of the Association or the Master Association in accordance with the foregoing provisions of this Section 12.1 and the provisions of Section 4.2 above. At such time as Declarant no longer owns any interest in any portion of the The Dunes property, or at such earlier date as Declarant elects, in Declarant's sole discretion, a special meeting of the Association shall be called within a reasonable time thereafter at which time the Owners shall elect a new Board that shall undertake the responsibilities of the Board and Declarant shall deliver all books, accounts and records of the Association, if any, that Declarant has in its possession.

Section 12.2 Legal Expenses. In addition to the rights and remedies set forth in Section 5.13, 6.22, 6.23(a), 6.31, 6.36, 7.2(b), 8.9 and in Article 11 above, if the Master Association, its agents or representatives, undertake any legal or equitable action that any of them deem necessary to abate, enjoin, remove or extinguish any violation or breach of these Covenants, then all costs and expenses incurred by any of them, including, without limitation, attorneys' fees and court costs, in enforcing any of the terms, provisions, covenants or conditions in these Covenants shall be paid for by the Owner against whom such action was initiated. The Master Association, its agents and representatives, the DRB, its agents and representatives, and the Board, its agents and representatives, are each hereby authorized to take any and all legal or equitable action as may be necessary under the circumstances to restrain or enjoin any such violation or breach or to otherwise seek monetary damages as a result of any expenses incurred by either the DRB or the Association to cure such violation or breach.

Section 12.3 Severability. If any provision of these Covenants or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of these covenants or the application of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby and each provision shall be valid and enforceable to the fullest extent permitted by law.

Section 12.4 Captions and Headings. The captions and headings contained in these Covenants are for convenience of reference only and shall not be used in the construction or interpretation of any provisions of these Covenants. The table of contents, cover page and any index to these Covenants are for convenience of reference only and shall not define or limit any of the provisions hereof.

Section 12.5 Pronouns and Plurals. All personal pronouns used in these Covenants, whether used in the masculine, feminine or neuter gender, shall include all other genders. The use of the singular tense shall include the plural and the use of the plural shall include the singular.

Section 12.6 Binding Effect. The provisions of these Covenants shall be binding upon each Owner, Occupant and Mortgagee and the respective heirs, executors, administrators, personal representatives, successors and assigns of each Owner, Occupant and Mortgagee, and shall inure to the benefit of Declarant, the Master Association, the DRB, the Association, all of the Owners and their respective Mortgagees and their respective heirs, executors, administrators, personal representatives, successors and assigns.

Section 12.7 Conflict or Ambiguity. In the event of any conflict or ambiguity in the provisions of these Covenants, the general rules of construction against one party as a result of that party having drafted these Covenants are hereby waived by each Owner and, to the fullest extent allowed by law, no conflicts or ambiguity shall be resolved in favor or to the advantage of one party as opposed to another in interpreting any ambiguity or conflict contained herein.

Section 12.8 No Reverter. No restriction or provisions in these Covenants shall be construed together and given that interpretation or construction that, in the opinion of Declarant, the Master Association or the Board, as the case may be, will best effectuate the intent of the general plan of development for the Property. The provisions hereof shall be liberally interpreted and, if necessary, they shall be so extended or enlarged by implication so as to make them fully effective. The provisions of these Covenants shall be given full force and effect notwithstanding the existence of any zoning ordinance or building codes that are less restrictive. The effective date of these Covenants shall be the date hereof. These Covenants shall be construed under and in accordance with the laws of the State of Alabama.

Section 12.10 Right of Third Parties. These Covenants shall be recorded for the benefit of Declarant, the Master Association, the Association, the Owners and their respective Mortgagees and by such recording, no adjoining property owner or other third party shall have any right, title or interest whatsoever in the Property or the Development, or in the operation and continuation of either, or in the enforcement of any of the provisions of these Covenants nor shall any of them have the right to consent to or approve any amendment or modification to these Covenants.

Section 12.11 No Trespass. Whenever the Master Association, the Association, Declarant, the DRB and their respective agents, employees, representatives, invitees, successors and assigns, are permitted by these Covenants to enter upon or correct, repair, clean, maintain or preserve or do any other action within any portion of a Lot or Dwelling, the entering thereon and the taking of such action shall not be deemed a trespass.

Section 12.12 No Partition. Each Owner hereby waives any right to seek or obtain judicial partition of any portion of the Property or the Development.

Section 12.13 Reservation of Rights. Notwithstanding anything provided herein to the contrary, no sale, transfer, conveyance, lease, pledge, encumbrance or other hypothecation of any Lot or Dwelling by Declarant to a third party shall constitute or be deemed a transfer of any of the rights reserved herein to Declarant unless reference is made in such instrument of conveyance to the specific rights created in these Covenants that Declarant is transferring to any such third party.

Section 12.14 Standards for Review. Whenever in these Covenants Declarant, the Master Association, the Association or the DRB has the right to approve, consent to, or require any action be taken pursuant to the terms hereof, such approval,

consent or required action shall, except as otherwise specifically provided herein to the contrary, be given or withheld in the sole and absolute discretion of Declarant, the Master Association, the Association or the DRB, as the case may be.

Section 12.15 Oral Statements. Oral statements or representations by Declarant, the Master Association, the Association, the DRB, the manager of the Development, or any of their respective employees agents, representatives, successors or assigns, shall not be binding on Declarant, the Master Association, the Association or the DRB or the manager of the Development.

Section 12.16 Notices. Notices required hereunder shall be in writing and shall be delivered by hand, by overnight courier, telecopied, or sent by registered or certified United States Mail, postage prepaid return receipt requested. Any notice so addressed and mailed shall be deemed to be given seven days after deposit in the United States Mail, and if delivered by hand, shall be deemed to be given when delivered, and if telecopied or delivered by overnight courier, shall be deemed to be given on the business day immediately following the day that it was sent or delivered. All notices to Owners shall be delivered or sent to such addresses as have been designated in writing to the Association or, if no such address has been so designated, at the address of such Owner's respective Lot or Dwelling with the Property. All notices to the Master Association, the Association or the DRB shall be delivered or sent in care of Declarant to the following address:

Sage Development, L.L.C.
307 WoodBridge Circle
Daphne, Alabama 36526
ATTENTION: Ken Striplin

or to such other address as the Master Association, the Association or the DRB may from time to time specify in a notice to the Owners. All notices to Declarant shall be sent or delivered to Declarant at the above address or to such other addresses as Declarant may notify the Association.

Section 12.17 Assignment. Subject to the provisions of Section 12.13 above, Declarant, the Master Association and the DRB shall each have the right to assign any and all of the rights, powers, reservations and duties contained herein to any person or entity who shall thereupon have the same rights, power, reservations and duties as Declarant, the Master Association, and the DRB, respectively.

Section 12.18 Further Assurances. Each Owner covenants and agrees to execute, sign and deliver, or cause to be executed, signed and delivered and to otherwise do or make or cause to be done and made, any and all agreements, instruments, papers, deeds, acts or things, supplemental, conformity or otherwise, that may be reasonably requested by Declarant, the Master Association, the Association or the DRB for the purpose of clarifying, amending or other consummating any of the transactions and matters herein.

Section 12.19 No Waiver. All rights, remedies and privileges granted to Declarant, the Master Association, the Association and the DRB pursuant to the provisions of these Covenants shall be deemed to be cumulative, and the exercise of any one or more of such rights, remedies or privileges shall not be deemed to constitute an election of remedies nor shall it preclude the party exercising the same, or any other party, from pursuing such other and additional rights, remedies or privileges as may be available to such party law or in equity. the failure at any time to enforce any covenant or restriction set forth herein shall not be deemed a waiver of the right thereafter to enforce such covenant or restriction.

IN WITNESS WHEREOF, Declarant has caused these Covenants to be duly executed as of the day and year first above written.

SAGE DEVELOPMENT, L.L.C.
an Alabama Limited Liability Company

By: W. Kennedy Striplin (SEAL)
W. Kennedy Striplin, its Managing Member

THIS IS THE SIGNATURE PAGE TO THE DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS OF THE DUNES.

STATE OF ALABAMA
COUNTY OF BALDWIN

I, the undersigned notary public in and for the said state and county, hereby certify that Walter K. Striplin, whose name as Managing Member of SAGE DEVELOPMENT, L.L.C., an Alabama Limited Liability Company, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the instrument, he, as such Managing Member and with full authority, executed the same voluntarily for and as the act of said Limited Liability Company on the day the same bears date.

June GIVEN under my hand and seal this 27 day of June, 1996.

Thomas W. Klyce (SEAL)
NOTARY PUBLIC
My commission expires: 7/26/98



This instrument was prepared by:

Thomas W. Klyce

Thomas W. Klyce, P. C.
Attorney at Law
Post Office Box 2301
Gulf Shores, Alabama 36547

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EXHIBIT "A"

PARCEL I:

Lot 70, 71, and 72 in Resubdivision "A" of Gulf Beach as per plat thereof recorded in Map Book 1, page 142, of the records in the Office of the Judge of Probate of Baldwin County, Alabama.

PARCEL II:

Lot 1 of Gulf Beach Fort Morgan Subdivision per plat of same recorded in Map Book 3, page 26 of the records in the Office of the Judge of Probate of Baldwin County, Alabama.

PARCEL III:

Beginning at the Northeast corner of Lot 3, Gulf Beach Fort Morgan Subdivision, as per plat recorded in Map Book 3, page 26, Office of Probate Court Records, Baldwin County, Alabama; thence run South 87 degrees 28 minutes 54 seconds West along the South right of way line of Dixie Graves Parkway 106.83 feet to a point; thence run South 0 degrees 19 minutes 06 seconds East 1640 feet more or less to a point on the North margin of the Gulf of Mexico; thence run Easterly along said North margin to a point that bears South 0 degrees 19 minutes 06 seconds East 1619 feet more or less from the Point of Beginning; thence run North 0 degrees 19 minutes 06 seconds West, 1619 feet more or less to the Point of Beginning.

PARCEL IV:

Lot 2 of Gulf Beach Fort Morgan Subdivision per plat of same recorded in Map Book 3, page 26 of the records in the Office of the Judge of Probate of Baldwin County, Alabama; which property is also sometimes described as follows: Beginning at a point where the West line of Lot 70 of Resubdivision "A" of Gulf Beach as per plat thereof recorded in Map Book 1, page 142 of the records in the Office of the Judge of Probate of Baldwin County, Alabama, intersects the South right of way of Dixie Graves Parkway, thence run Westwardly along the South right of way of Dixie Grave Parkway 100 feet for a point of beginning; thence West 100 feet along said South line of said Dixie Graves Parkway; thence South to the Gulf of Mexico; thence East 100 feet, more or less, along said Gulf of Mexico to a point; thence North to the Place of Beginning. It being intended to describe a lot as yet not subdivided 100 feet wide, being 100 feet West and paralleling Lot Seventy (70) of said re-subdivision "A".

CONTINUATION OF EXHIBIT "A"

PARCEL V:

Lot 73 in Resubdivision "A" of Gulf Beach as per plat thereof recorded in Map Book 1, page 142, of the records in the Office of the Judge of Probate of Baldwin County, Alabama.

PARCEL VI:

A non-exclusive easement for ingress, egress and utilities over and across the following described property, to-wit:

Commencing at the Northeast corner of Lot 1 of Gulf Beach Fort Morgan Subdivision as recorded in Map Book 3, page 26, Probate Records, Baldwin County, Alabama; run thence North 88 degrees 04 minutes 43 seconds East for 10.99 feet to the Point of Beginning; run thence North 01 degrees 30 minutes 11 seconds West for 144.58 feet; run thence North 56 degrees 28 minutes 18 seconds West for 14.32 feet; run thence North 88 degrees 12 minutes 44 seconds East for 82.87 feet; run thence South 51 degrees 24 minutes 27 seconds West 13.97 feet; run thence South 01 degrees 30 minutes 11 seconds East for 144.36 feet; run thence South 88 degrees 04 minutes 43 seconds West for 60.0 feet to the Point of Beginning.

LESS AND EXCEPT THE FOLLOWING DESCRIBED PARCEL: Commence at the Northeast corner of Lot 73 Re-Subdivision "A" Gulf Beach as recorded on Map Book 1, page 142, Probate records, Baldwin County, Alabama; run thence South 88 degrees 32 minutes 05 seconds West along the South Right-of-Way of Dixie Graves Parkway for 100.14 feet; run thence South 88 Degrees 04 minutes 43 seconds West along the South Right-of-Way of said Dixie Graves Parkway for 279.01 feet to the point of beginning; run thence South 88 degrees 04 minutes 43 seconds West for 219.14 feet; run thence South 88 degrees 09 minutes 57seconds West for 106.88 feet; run thence South 01 degrees 05 minutes 00 seconds West for 383.20 feet; run thence North 63 degrees 01 minutes 18 seconds East for 176.86 feet; run thence in a northeasterly direction along a curve to the right having a radius of 80 feet for an arc distance of 35.09 feet, a chord of North 75 degrees 35 minutes 21 seconds East for 34.81 feet; run thence North 88 degrees 09 minutes 24 seconds East for 35.10 feet; run thence in a northeasterly direction along a curve to the left having a radius of 80 feet for an arc distance of 67.42 feet, a chord of North 64 degrees 00 minutes 46 seconds East for 65.44 feet; run thence North 39 degrees 52 minutes 09 seconds East for 53.09 feet; run thence in a northeasterly direction along a curve to the Left having a radius of 80 feet for an arc distance of 57.77 feet, a chord of North 19 degrees 10 minutes 59 seconds East for 56.52 feet; run thence North 01 degrees 30 minutes 11 seconds West for 181.13 feet to the South Right-of-Way of Dixie Graves Parkway and the Point of Beginning.

EXHIBIT "B"

PARCEL I:

Lot 70, 71, and 72 in Resubdivision "A" of Gulf Beach as per plat thereof recorded in Map Book 1, page 142, of the records in the Office of the Judge of Probate of Baldwin County, Alabama.

PARCEL II:

Lot 1 of Gulf Beach Fort Morgan Subdivision per plat of same recorded in Map Book 3, page 26 of the records in the Office of the Judge of Probate of Baldwin County, Alabama.

PARCEL III:

Beginning at the Northeast corner of Lot 3, Gulf Beach Fort Morgan Subdivision, as per plat recorded in Map Book 3, page 26, Office of Probate Court Records, Baldwin County, Alabama; thence run South 87 degrees 28 minutes 54 seconds West along the South right of way line of Dixie Graves Parkway 106.83 feet to a point; thence run South 0 degrees 19 minutes 06 seconds East 1640 feet more or less to a point on the North margin of the Gulf of Mexico; thence run Easterly along said North margin to a point that bears South 0 degrees 19 minutes 06 seconds East 1619 feet more or less from the Point of Beginning; thence run North 0 degrees 19 minutes 06 seconds West, 1619 feet more or less to the Point of Beginning.

PARCEL IV:

Lot 2 of Gulf Beach Fort Morgan Subdivision per plat of same recorded in Map Book 3, page 26 of the records in the Office of the Judge of Probate of Baldwin County, Alabama; which property is also sometimes described as follows: Beginning at a point where the West line of Lot 70 of Resubdivision "A" of Gulf Beach as per plat thereof recorded in Map Book 1, page 142 of the records in the Office of the Judge of Probate of Baldwin County, Alabama, intersects the South right of way of Dixie Graves Parkway, thence run Westwardly along the South right of way of Dixie Grave Parkway 100 feet for a point of beginning; thence West 100 feet along said South line of said Dixie Graves Parkway; thence South to the Gulf of Mexico; thence East 100 feet, more or less, along said Gulf of Mexico to a point; thence North to the Place of Beginning. It being intended to describe a lot as yet not subdivided 100 feet wide, being 100 feet West and paralleling Lot Seventy (70) of said re-subdivision "A".

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CONTINUATION OF EXHIBIT "B"

PARCEL V:

Lot 73 in Resubdivision "A" of Gulf Beach as per plat thereof recorded in Map Book 1, page 142, of the records in the Office of the Judge of Probate of Baldwin County, Alabama.

PARCEL VI:

A non-exclusive easement for ingress, egress and utilities over and across the following described property, to-wit:

Commencing at the Northeast corner of Lot 1 of Gulf Beach Fort Morgan Subdivision as recorded in Map Book 3, page 26, Probate Records, Baldwin County, Alabama; run thence North 88 degrees 04 minutes 43 seconds East for 10.99 feet to the Point of Beginning; run thence North 01 degrees 30 minutes 11 seconds West for 144.58 feet; run thence North 56 degrees 28 minutes 18 seconds West for 14.32 feet; run thence North 88 degrees 12 minutes 44 seconds East for 82.87 feet; run thence South 51 degrees 24 minutes 27 seconds West 13.97 feet; run thence South 01 degrees 30 minutes 11 seconds East for 144.36 feet; run thence South 88 degrees 04 minutes 43 seconds West for 60.0 feet to the Point of Beginning.

EXHIBIT "C"

ROADWAY DESCRIPTION

COMMENCE AT THE NORTHEAST CORNER OF LOT 73 RE-SUBDIVISION "A" GULF BEACH AS RECORDED ON MAP BOOK 1, PAGE 142, PROBATE RECORDS, BALDWIN COUNTY, ALABAMA; RUN THENCE SOUTH 88 DEGREES 32 MINUTES 05 SECONDS WEST ALONG THE SOUTH RIGHT-OF-WAY OF DIXIE GRAVES PARKWAY FOR 100.14 FEET; RUN THENCE SOUTH 88 DEGREES 04 MINUTES 43 SECONDS WEST ALONG THE SOUTH RIGHT-OF-WAY OF SAID DIXIE GRAVES PARKWAY FOR 239.01 FEET TO THE POINT OF BEGINNING; RUN THENCE SOUTH 01 DEGREES 30 MINUTES 11 SECONDS EAST FOR 90.19 FEET; RUN THENCE IN A SOUTHEASTERLY DIRECTION ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 25 FEET FOR AN ARC DISTANCE OF 39.42 FEET, A CHORD OF SOUTH 46 DEGREES 40 MINUTES 24 SECONDS EAST FOR 35.46 FEET; RUN THENCE NORTH 88 DEGREES 09 MINUTES 24 SECONDS EAST FOR 115.05 FEET; RUN THENCE IN A NORTHEASTERLY DIRECTION ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 25 FEET FOR AN ARC DISTANCE OF 11.79 FEET, A CHORD OF NORTH 74 DEGREES 38 MINUTES 59 SECONDS EAST FOR 11.68 FEET; RUN THENCE IN A SOUTHWESTERLY DIRECTION ALONG A CURVE TO THE RIGHT HAVING A RADIUS OF 50 FEET FOR AN ARC DISTANCE OF 243.48 FEET, A CHORD OF SOUTH 20 DEGREES 38 MINUTES 50 SECONDS WEST FOR 64.94 FEET; RUN THENCE IN A NORTHWESTERLY DIRECTION ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 25 FEET FOR AN ARC DISTANCE OF 31.41 FEET, A CHORD OF NORTH 55 DEGREES 50 MINUTES 45 SECONDS WEST FOR 29.39 FEET; RUN THENCE SOUTH 88 DEGREES 09 MINUTES 24 SECONDS WEST FOR 78.32 FEET; RUN THENCE IN A SOUTHWESTERLY DIRECTION ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 25 FEET FOR AN ARC DISTANCE OF 39.12 FEET, A CHORD OF SOUTH 43 DEGREES 19 MINUTES 36 SECONDS WEST FOR 35.25 FEET; RUN THENCE SOUTH 01 DEGREES 30 MINUTES 11 SECONDS EAST FOR 1.23 FEET; RUN THENCE IN A SOUTHWESTERLY DIRECTION ALONG A CURVE TO THE RIGHT HAVING A RADIUS OF 120 FEET FOR AN ARC DISTANCE OF 86.65 FEET, A CHORD OF SOUTH 19 DEGREES 10 MINUTES 59 SECONDS WEST FOR 84.78 FEET; RUN THENCE SOUTH 39 DEGREES 52 MINUTES 09 SECONDS WEST FOR 53.09 FEET; RUN THENCE IN A SOUTHWESTERLY DIRECTION ALONG A CURVE TO THE RIGHT HAVING A RADIUS OF 120 FEET FOR AN ARC DISTANCE OF 101.13 FEET, A CHORD OF SOUTH 64 DEGREES 00 MINUTES 46 SECONDS WEST FOR 98.17 FEET; RUN THENCE SOUTH 88 DEGREES 09 MINUTES 24 SECONDS WEST FOR 35.10 FEET; RUN THENCE IN A SOUTHWESTERLY DIRECTION ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 40 FEET FOR AN ARC DISTANCE OF 61.33 FEET, A CHORD OF SOUTH 44 DEGREES 13 MINUTES 50 SECONDS WEST FOR 55.50 FEET; RUN THENCE SOUTH 00 DEGREES 18 MINUTES 17 SECONDS WEST FOR 72.11 FEET; RUN THENCE IN A SOUTHEASTERLY DIRECTION ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 25 FEET FOR AN ARC DISTANCE OF 40.21 FEET, A CHORD OF SOUTH 45 DEGREES 46 MINUTES 10 SECONDS EAST FOR 36.01 FEET; RUN THENCE NORTH 88 DEGREES 09 MINUTES 24 SECONDS EAST FOR 307.82 FEET; RUN THENCE IN A NORTHEASTERLY DIRECTION ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 25 FEET FOR AN ARC DISTANCE OF 28.53 FEET, A CHORD OF NORTH 55 DEGREES 27 MINUTES 56 SECONDS EAST FOR 27.01 FEET; RUN THENCE IN A NORTHWESTERLY DIRECTION ALONG A CURVE TO THE RIGHT HAVING A RADIUS OF 50 FEET FOR AN ARC DISTANCE OF 247.67 FEET, A CHORD OF NORTH 15 DEGREES 19 MINUTES 21 SECONDS WEST FOR 61.70 FEET; RUN THENCE IN A NORTHWESTERLY DIRECTION ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 25 FEET FOR AN ARC DISTANCE OF 16.77 FEET, A CHORD OF NORTH 72 DEGREES 37 MINUTES 53 SECONDS WEST FOR

16.45 FEET; RUN THENCE SOUTH 88 DEGREES 09 MINUTES 24 SECONDS WEST FOR 314.01 FEET; RUN THENCE IN A SOUTHWESTERLY DIRECTION ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 25 FEET FOR AN ARC DISTANCE OF 47.19 FEET, A CHORD OF SOUTH 34 DEGREES 05 MINUTES 09 SECONDS WEST FOR 40.49 FEET; RUN THENCE SOUTH 19 DEGREES 59 MINUTES 06 SECONDS EAST FOR 133.52 FEET; RUN THENCE IN A SOUTHEASTERLY DIRECTION ALONG A CURVE TO THE RIGHT HAVING A RADIUS OF 240 FEET FOR AN ARC DISTANCE OF 58.51 FEET, A CHORD OF SOUTH 13 DEGREES 00 MINUTES 03 SECONDS EAST FOR 58.37 FEET; RUN THENCE SOUTH 06 DEGREES 01 MINUTES 00 SECONDS EAST FOR 105.60 FEET; RUN THENCE IN SOUTHEASTERLY DIRECTION ALONG A CURVE TO THE RIGHT HAVING A RADIUS OF 220 FEET FOR AN ARC DISTANCE OF 27.56 FEET, A CHORD OF SOUTH 02 DEGREES 25 MINUTES 40 SECONDS EAST FOR 27.54 FEET; RUN THENCE SOUTH 01 DEGREES 09 MINUTES 41 SECONDS WEST FOR 68.94 FEET; RUN THENCE IN A SOUTHEASTERLY DIRECTION ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 30 FEET FOR AN ARC DISTANCE OF 51.32 FEET, A CHORD OF SOUTH 47 DEGREES 50 MINUTES 37 SECONDS EAST FOR 45.29 FEET; RUN THENCE NORTH 83 DEGREES 09 MINUTES 05 SECONDS EAST FOR 212.75 FEET; RUN THENCE IN A NORTHEASTERLY DIRECTION ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 25 FEET FOR AN ARC DISTANCE OF 37.64 FEET, A CHORD OF NORTH 40 DEGREES 00 MINUTES 50 SECONDS EAST FOR 34.19 FEET; RUN THENCE IN A NORTHWESTERLY DIRECTION ALONG A CURVE TO THE RIGHT HAVING A RADIUS OF 50 FEET FOR AN ARC DISTANCE OF 224.23 FEET, A CHORD OF NORTH 54 DEGREES 39 MINUTES 03 SECONDS WEST FOR 78.29 FEET; RUN THENCE SOUTH 73 DEGREES 49 MINUTES 19 SECONDS WEST FOR 66.55 FEET; RUN THENCE SOUTH 83 DEGREES 09 MINUTES 05 SECONDS WEST FOR 225.52 FEET; RUN THENCE IN A SOUTHWESTERLY DIRECTION ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 25 FEET FOR AN ARC DISTANCE OF 15.51 FEET, A CHORD OF SOUTH 65 DEGREES 22 MINUTES 22 SECONDS WEST FOR 15.27 FEET; RUN THENCE IN A SOUTHWESTERLY DIRECTION ALONG A CURVE TO THE RIGHT HAVING A RADIUS OF 50 FEET FOR AN ARC DISTANCE OF 54.85 FEET, A CHORD OF SOUTH 79 DEGREES 01 MINUTES 16 SECONDS WEST FOR 52.14 FEET; RUN THENCE IN SOUTHWESTERLY DIRECTION ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 25 FEET FOR AN ARC DISTANCE OF 21.03 FEET, A CHORD OF SOUTH 86 DEGREES 21 MINUTES 11 SECONDS WEST FOR 20.41 FEET; RUN THENCE SOUTH 62 DEGREES 15 MINUTES 29 SECONDS WEST FOR 49.02 FEET; RUN THENCE IN A SOUTHWESTERLY DIRECTION ALONG A CURVE TO THE RIGHT HAVING A RADIUS OF 125 FEET FOR AN ARC DISTANCE OF 25.98 FEET, A CHORD OF SOUTH 68 DEGREES 12 MINUTES 49 SECONDS WEST FOR 25.94 FEET; RUN THENCE SOUTH 74 DEGREES 10 MINUTES 08 SECONDS WEST FOR 31.48 FEET; RUN THENCE SOUTH 84 DEGREES 55 MINUTES 10 SECONDS WEST FOR 67.07 FEET; RUN THENCE NORTH 01 DEGREES 09 MINUTES 41 SECONDS EAST FOR 13.06 FEET; RUN THENCE NORTH 74 DEGREES 10 MINUTES 08 SECONDS EAST 93.55 FEET; RUN THENCE IN A NORTHEASTERLY DIRECTION ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 100 FEET FOR AN ARC DISTANCE OF 20.79 FEET, A CHORD OF NORTH 68 DEGREES 12 MINUTES 49 SECONDS EAST FOR 20.75 FEET; RUN THENCE NORTH 62 DEGREES 15 MINUTES 29 SECONDS EAST FOR 34.21 FEET; RUN THENCE IN A NORTHEASTERLY DIRECTION ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 25 FEET FOR AN ARC DISTANCE OF 30.77 FEET, A CHORD OF NORTH 26 DEGREES 59 MINUTES 38 SECONDS EAST FOR 28.87 FEET; RUN THENCE IN A NORTHEASTERLY DIRECTION ALONG A CURVE TO THE RIGHT HAVING A RADIUS OF 50 FEET FOR AN ARC DISTANCE OF 39.26 FEET, A CHORD OF NORTH 14 DEGREES 13 MINUTES 26 SECONDS EAST FOR 38.26

FEET; RUN THENCE IN A NORTHEASTERLY DIRECTION ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 25 FEET FOR AN ARC DISTANCE OF 15.51 FEET, A CHORD OF NORTH 18 DEGREES 56 MINUTES 23 SECONDS EAST FOR 15.27 FEET; RUN THENCE NORTH 01 DEGREES 09 MINUTES 41 SECONDS EAST FOR 64.43 FEET; RUN THENCE IN A NORTHWESTERLY DIRECTION ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 180 FEET FOR AN ARC DISTANCE OF 22.55 FEET, A CHORD OF NORTH 02 DEGREES 25 MINUTES 40 SECONDS WEST FOR 22.54 FEET; RUN THENCE NORTH 06 DEGREES 01 MINUTES 00 SECONDS WEST FOR 105.60 FEET; RUN THENCE IN A NORTHWESTERLY DIRECTION ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 200 FEET FOR AN ARC DISTANCE OF 48.76 FEET, A CHORD OF NORTH 13 DEGREES 00 MINUTES 03 SECONDS WEST FOR 48.64 FEET; RUN THENCE NORTH 19 DEGREES 59 MINUTES 06 SECONDS WEST FOR 156.26 FEET; RUN THENCE IN A NORTHWESTERLY DIRECTION ALONG A CURVE TO THE RIGHT HAVING A RADIUS OF 240 FEET FOR AN ARC DISTANCE OF 84.99 FEET, A CHORD OF NORTH 09 DEGREES 50 MINUTES 25 SECONDS WEST FOR 84.55 FEET; RUN THENCE NORTH 00 DEGREES 18 MINUTES 17 SECONDS EAST FOR 79.46 FEET; RUN THENCE IN A NORTHEASTERLY DIRECTION ALONG A CURVE TO THE RIGHT HAVING A RADIUS OF 80 FEET FOR AN ARC DISTANCE OF 122.66 FEET, A CHORD OF NORTH 44 DEGREES 13 MINUTES 50 SECONDS EAST FOR 111.0 FEET; RUN THENCE NORTH 88 DEGREES 09 MINUTES 24 SECONDS EAST FOR 35.10 FEET; RUN THENCE IN A NORTHEASTERLY DIRECTION ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 80 FEET FOR AN ARC DISTANCE OF 67.42 FEET, A CHORD OF NORTH 64 DEGREES 00 MINUTES 46 SECONDS EAST FOR 65.44 FEET; RUN THENCE NORTH 39 DEGREES 52 MINUTES 09 SECONDS EAST FOR 53.09 FEET; RUN THENCE IN A NORTHEASTERLY DIRECTION ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 80 FEET FOR AN ARC DISTANCE OF 57.77 FEET, A CHORD OF NORTH 19 DEGREES 10 MINUTES 59 SECONDS EAST FOR 56.52 FEET; RUN THENCE NORTH 01 DEGREES 30 MINUTES 11 SECONDS WEST FOR 181.13 FEET TO THE SOUTH RIGHT-OF-WAY OF DIXIE GRAVES PARKWAY; RUN THENCE NORTH 88 DEGREES 04 MINUTES 43 SECONDS EAST ALONG THE SOUTH RIGHT-OF-WAY OF SAID DIXIE GRAVES PARKWAY FOR 40 FEET TO THE POINT OF BEGINNING.