

STATE OF ALABAMA
COUNTY OF BALDWIN

**DECLARATION OF COVENANTS
OF
TERRY COVE MOTORCOACH RESORT**

State of Alabama, Baldwin County
I certify this instrument was filed
and taxes collected on:
2004 March -29 2: PM
Instrument Number 798546 Pages 42
Recording 126.00 Mortgage
Deed Min Tax
Index 5.00
Archive 5.00
Adrian I. Johns, Judge of Probate

KNOW ALL MEN BY THESE PRESENTS, that this Declaration of Covenants is made, adopted,
published and declared this 24 day of March, 2004, by HAMMOCK DUNES, L.L.C. ("Developer");

RECITALS

Developer owns that certain land and improvements comprising TERRY COVE MOTORCOACH RESORT ("the Resort") as shown on the Plat ("the Plat") recorded at Slide 2150-F, in the records of the Office of Judge of Probate of Baldwin County, Alabama. The Resort consists of a total of forty-seven (47) Lots, specifically Lots 1A through 9A, Lots 11A through 15A, Lots 1 through 28, and Lots 31 through 35¹ and certain common areas ("Common Elements"), all as shown on the Plat. Developer desires to place certain restrictions, conditions and reservations upon the Resort in accordance with a general scheme or plan in order (a) to establish and preserve the Resort as a first-class motorcoach vehicle resort, (b) to provide for the potential rental of Lots by Developer on behalf of the Owners, and (c) to provide for the orderly governance of the Resort initially by Developer and eventually by Owners of Lots therein.

NOW THEREFORE, Developer does hereby declare, establish, and impose the following protective restrictions, conditions, covenants, and reservations upon the Resort, which such restrictions, conditions, covenants, and reservations shall be perpetual, shall run with the land, and bind Developer and its successors and assigns, including all persons who shall acquire any interest in any Lot:

¹The area where Lot 10A would be is a Common Element consisting of a land area and a pool. The area where Lots 29 and 30 would be is also Common Element. These areas will remain Common Elements.

03/24/2004

798546

ARTICLE I DEFINITIONS

In addition to the capitalized terms that are defined elsewhere in this Declaration, the capitalized terms listed below shall have the meaning set forth below, unless the context clearly requires otherwise:

1.01. "Articles" means the Articles of Incorporation of Terry Cove Motorcoach Resort Owners Association, Inc. recorded in the Office of the Judge of Probate of Baldwin County, Alabama, identified as Exhibit "A" attached hereto and made a part hereof as if set out fully herein.

1.02. "Assessment" means a proportionate share of the funds required for the payment of the Common Expenses which from time to time may be levied against each Lot Owner.

1.03. "Association" means Terry Cove Motorcoach Owners Association, Inc., an Alabama not for profit corporation, and its successors.

1.04. "Board" means the Board of Directors of the Association.

1.05. "Bylaws" means the duly adopted Bylaws of the Association, identified as Exhibit "B" attached hereto and made a part hereof as if set out fully herein.

1.06. "Common Elements" means all portions of the Resort other than the Lots.

1.07. "Common Expenses" means expenditures made by or financial liabilities of the Association, together with any allocations to reserves.

1.08. "Resort Constituent Documents" means this Declaration, Bylaws, Articles and all Rules and Regulations adopted by the Association and all Exhibits attached thereto as the same may be amended from time to time.

1.09. "Eligible Mortgagee" means any Mortgagee who has submitted to the Association a written request for notice of any proposed action concerning the Resort.

1.10. "Improvement" shall include any building, structure, roadways, fences, plantings, planted trees, and other structures of any kind located in the Resort.

1.11. "Lot Owner" means any Person (including the Developer) who owns a Lot but does not include a Person having an interest in a Lot solely as security for an obligation.

1.12. "Member" means a member of the Association, membership in which is confined to Lot Owners.

1.13. "Mortgagee" means any lender holding a mortgage or vendor's lien on any Lot.

1.14. "Motorcoach Vehicle" means shall mean and refer to those vehicles that have been categorized by the Recreational Vehicle Industry Association ("RVIA"), and the Family Motorcoach Association ("FMCA"), as Class "A" motorcoaches and/or factory customized bus conversions, that: "(a) are mobile, in accordance with the code of standards of the RVIA and FMCA; (b) are self-propelled, and

completely self-contained; (c) are structured so that the driver's seat is accessible from the living area in a walking position, but not necessarily in an upright position; (d) contain a minimum interior height of 6 feet in the living areas; (e) have a minimum length of 34 feet, a maximum length of 50 feet and maximum width of 102 inches; (f) have a fixed roof, as opposed to the "pop-up" variety. Any Class "A" motorcoach that contains "slide-out" room additions is an acceptable Motorcoach Vehicle under this definition. Also, any Class "A" motorcoach that has an entertainment center, bar, barbecue, television, sink, ice maker, or cabinet that is an integral part of the motorcoach, and is built into the storage bays or the sub-basement, and which may or may not slide out on cantilevered rails is permissible under this definition of acceptable Motorcoach Vehicles.

1.15. "Occupant" means a person or persons in possession of a Lot, regardless of whether that person is the Lot Owner.

1.16. "Owner's Private Buildings" shall mean the utility building and gazebo initially constructed by Developer on each Lot.

1.17. "Person" means a natural person, a corporation, a partnership, a limited partnership, the Association, a trustee, or other legal entity.

1.18. "Property" means the land and other property comprising the Resort.

1.19. "Rules and Regulations" means those rules and regulations made by the Developer initially and subsequently subject to amendment by the Board respecting the use and the operation of the Resort.

1.20. "Utility Services" shall include but not be limited to electrical power, water, gas, cable television, telephone, garbage and sewage disposal.

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

ARTICLE II GENERAL SCHEME OF DEVELOPMENT

Generally, the Resort is a restricted Motorcoach Vehicle resort community. The forty-seven (47) Lots will be owned separately in fee simple and will be for the private use of the separate Owners thereof; the remaining land and the improvements located on the remaining land shall be considered Common Elements and will be owned and maintained by Terry Cove Motorcoach Resort Owners Association, Inc. The Common Elements include the driveways within the Resort, a clubhouse with a pool, a separate pool, other land area, the bridge located in the southeastern portion of the Resort, seven (7) parking spaces south of the bridge. The Common Elements also include a fence along the eastern boundary of the Lots on the eastern side of the Resort; the fence along the northern boundary of the Resort is a Common Element as is the landscaping outside the northern fence; the fence and columns near the western boundary of the Resort are not Common Elements and will be owned by the owner of Lot 3 of Terry Cove Marina Planned Unit Development. No other amenities are anticipated to be built by Developer, and the Resort shall have just one phase.

The Resort land is actually comprised of Lots 1 and 2 of Terry Cove Marina Planned Unit Development. The Resort Lots Owners do not have rights to use the other portions of said Planned Unit Development except to the extent that access to the Resort is over a portion of Lot 3 of said Planned Unit Development as described in paragraph 3.01 below. Subject only to obtaining any required approval from the City of Orange Beach, Developer reserves the right, in its absolute discretion, to develop, sell, lease, etc. the remainder of said Planned Unit Development in Developer's and to change the plat for said Planned Unit Development (without limiting the foregoing, Developer reserves the right to alter the number of lots on said Planned Unit Development plat and to change the boundaries thereof and to consolidate on said plat Lots 1 and 2 into Lot 1.)

Each Lot to be conveyed by Developer will include a land area, a concrete slab, a gazebo, and a utility building located on such Lot and will be for the exclusive use and ownership of the Owner of such Lot. Developer is not liable to any Owner for the condition of the Lot, the slab, the gazebo, or the utility building, and each Owner accepts the same in its AS IS condition as to Developer.

ARTICLE III EASEMENTS

3.01. Access from Highway 180. Access to the Resort shall not be directly from Alabama Highway 180 but instead shall be over and across a portion of an approximately forty (40) foot wide strip that is part of Lot 3 of Terry Cove Marina Planned Unit Development, and Developer hereby grants to the Lot Owners a non-exclusive easement for ingress and egress over across such strip as shown on the Plat to the southern limits of the intersection of said strip and Prevost Drive.

3.02. Signage Easement. Developer hereby reserves an easement over the northwestern corner of the Resort land as shown on the Plat for the right to maintain one (1) sign identifying the uses on Lots 1, 2, and/or 3 of said Planned Unit Development and/or on any addition to the Planned Unit Development by Developer or affiliates or successors or assigns of Developer. However, in all events, any such sign must comply, in all respects, with the applicable ordinances of the City of Orange Beach.

3.03. Developer's Blanket Easement. Easements are also reserved to the Developer throughout the Resort for its reasonable purposes.

3.04. Association's Blanket Easement. Easements are also reserved to the Association for access over and to each Lot throughout the Resort for its reasonable purposes, including, without limitation, an easement over Lots to inspect the same, to remove violations therefrom, to discharge its obligations, and to maintain, repair or replace the Common Elements, including without limitation, the fence constructed by Developer along a portion of the Resort.

3.05. Utilities and Drainage Easements. Easements are reserved throughout the Resort as may be required for Utility Services and drainage in order to adequately serve the Resort. Each Lot shall have an easement as may be required to drain the Resort adequately. Each Lot Owner shall have an easement in common with the Lot Owners of all other Lots to use all pipes, wires, ducts, cables, conduits, public utility lines and other Common Elements located in any of the other Lots and serving his Lot. Each Lot shall be subject to an easement in favor of the Lot Owners of all other Lots to use all pipes, ducts, cables, wires, conduits, public utility lines and other Common Elements serving such other Lots and located in such Lot.

3.06. Support. Each Lot shall have an easement of support and of necessity and shall be subject to an easement of support and of necessity in favor of all other Lots and Common Elements.

3.07. Access. Each Lot Owner shall have an easement to and from such Owner's Lot to and from the Common Elements for pedestrian traffic over, through, and across sidewalks, walks, walkways and lanes, and passage ways, as the same may from time to time exist in the Common Elements; and for vehicular ingress and egress over, through and across such portions of the Common Elements as may from time to time be paved and intended for such purposes, but the same shall not give or create in any Person the right to park on any portion of the Common Elements.

ARTICLE IV LOT OWNERSHIP AND COMMON ELEMENTS

4.01. Lots. Each Lot is assigned a number; some of the Lot numbers also are assigned the letter "A" so as to distinguish them from the other Lots that have the same number (e.g., there are both a Lot 1 and a Lot 1A, which are separate Lots). The legal description of each Lot shall consist of the identifying number as shown on the Plat, the name of the Resort, and Slide Number where the Plat is recorded in the Office of the Judge of Probate of Baldwin County, Alabama. All of the Lots have approximately the same area of land.

4.02. Lot Ownership. Each Lot Owner shall be entitled to the exclusive ownership and possession of his Lot, which shall be owned in fee simple, and to Owner's Private Buildings located thereof. Each Lot Owner shall have the unrestricted right of ingress and egress to his Lot, which right shall be an appurtenance to his Lot. Each Lot Owner is subject to all the rights and duties assigned to Lot Owners under the terms of the Resort Constituent Documents. The Developer shall enjoy the same rights and shall have the same duties (as any other Lot Owner) with respect to Lots owned by the Developer.

4.03. Common Elements. The Common Elements include the driveways within the Resort, a clubhouse with a pool, a separate pool, other land area, the bridge located in the southeastern portion of the Resort, seven (7) parking spaces south of the bridge. The Common Elements also include a fence along the eastern boundary of the Lots on the eastern side of the Resort; the fence along the northern boundary of the Resort is a Common Element as is the landscaping outside the northern fence; the fence and columns near the western boundary of the Resort are not Common Elements and will be owned by the owner of Lot 3 of Terry Cove Marina Planned Unit Development. No other amenities are anticipated to be built by Developer. All tangible personal property required for the maintenance and operation of the Resort and for the common use and enjoyment of the Lot Owners shall also be considered by Common Elements. The Common Elements are owned by the Association. No Lot Owner shall bring any action for partition or division of the Common Elements.

4.04. Use of Common Elements. Each Lot Owner shall have the right to use the Common Elements in conjunction with the Owners of other Lots as may be required for the purposes of access, ingress to, egress from, use, occupancy, and enjoyment of the Resort. The right to use the Common Elements shall be subject to and governed by the provisions of the Resort Constituent Documents, and the Rules and Regulations of the Association. In addition, the Association shall have the authority to lease, grant concessions, or grant easements with respect to parts of the Common Elements subject to the provisions of the Declaration and Bylaws.

ARTICLE V
PERMITTED USED AND RESTRICTIONS

In addition to all of the covenants contained herein, the use of the Resort and each Lot therein is subject to the following:

5.01. Improvements and Use. Except as expressly provided herein, the Lots shall be used exclusively for the parking and use of Motorcoach Vehicles. The construction or maintenance of permanent residential structures on the individual Lots is prohibited. Permanent residential occupancy is hereby prohibited. "Permanent" as used herein shall mean continuous occupancy of a Motorcoach Vehicle on a Lot by a person that extends more than one hundred and eighty (180) consecutive days or such shorter period as may be proscribed by any laws or ordinances restricting permanent occupancy on the Property. Lot Owners, their guests, successors and assigns, are prohibited from erecting, placing, or keeping on any Lot any permanent or semi-permanent structure or any vehicle that is designed as permanent living quarters, which prohibited structures do not include Owner's Private Buildings (i.e., the utility building and gazebo constructed by Developer and included with the Lot as part of the conveyance) but do include, without limitation, the following:

- (A) permanent screened rooms, carports, awnings, fences, pools, jacuzzis, spas, bathing facilities, satellite dishes, sporting equipment, animal shelters, gates, clotheslines, or any type of permanent extended overhang; provided, however, (i) an Owner may from time to time, on "as-needed basis", place a temporary drying rack between the Motorcoach and the rear Lot line if the same does not become an eyesore; and (ii) an Owner may install a canvass awning over the utility building door on such Owner's Lot if the awning is of the uniform style and color approved by Developer;
- (B) mobile homes and park models;
- (C) any structure that cannot be readily transported by the Motorcoach Vehicle of the Owner of the Lot;
- (D) any structure placed on the Lot on blocks, or other supports which are permanent or semi-permanent in nature or any structure with removed hitches;
- (E) any structure or plumbing or electrical facilities (other than plumbing and electrical facilities installed by Developer or the Association) not intended to be temporary or readily movable; and
- (F) any structure designated, intended or used as permanent living quarters or a primary residence.

The provisions of this Section 5.01 do not prevent the erection of tables, benches, and grills; however, no personal property except as provided in the immediately preceding clause shall be permitted to remain where it can be seen by other Owners or visitors to the area, except when the Lot is actually in use or unless kept in Owner's Private Buildings. This requirement shall not apply to any permissible vehicle which may be allowed to remain on a Lot even though not in use for a maximum period of six (6) months from the date last used for occupancy. Notwithstanding anything contained to the contrary in this Section 5.01 or otherwise in this Declaration, Developer may use any Lots owned by Developer, including without limitation, the Developer's Lots, to maintain reasonable construction, sales, leasing operations, and marketing of the Development and related uses, and no Owner or Lessee shall be entitled to use its Lot in

any manner that unreasonably interferes with such rights of Developer.

5.02. Animals. No animals of any kind shall be raised, bred or kept on any Lot, except that a reasonable number of dogs, cats or other household pets may be kept, provided that they are not kept, bred or maintained for any commercial purpose, nor in violation of any applicable local ordinance or any other provision of this Declaration. A "reasonable number" shall mean three (3) or fewer pets per Lot. In no event shall pit bulls, Doberman Pinchers, or other dogs reputed to be a hostile breed shall not be allowed within the Resort. If any animal is not confined within the Motorcoach Vehicle, the animal must be leashed and under direct control of its owner. A pet's owner shall have the absolute duty and responsibility to clean up any solid animal waste after such animals have used any portion of the Resort or any public property in the vicinity of the Resort. No pet shall be permitted to be kept within any portion of the Resort if it makes excessive noise or is otherwise determined by the board to be a nuisance. If any pet is determined to be a nuisance, the Board may give notice to the responsible party to resolve the offending problem within seventy-two (72) hours, and if such party does not resolve the problem during that period of time, order the removal of such pet(s).

5.03. Commercial Activities. The Lots are to be used for recreational purposes only, and no part of the Resort and no Lot shall be used in any way for any business, professional, commercial, manufacturing, mercantile, storing, vending, industrial, or other non-recreational purpose. Notwithstanding the foregoing, Developer may use Developer's Lots and the Common Elements to maintain reasonable construction, sales, resales, commercial, and rental operations. This provision may not be amended or deleted without the approval of all of the Members and of Developer.

5.04. A. Restricted Right of Transfer. The right of a Lot Owner to sell, transfer, or otherwise convey his Lot shall be subject to a right of first refusal as follows: should any Lot Owner desire to sell his Lot, such Owner shall first offer such Lot for sale to Developer or any designee of Developer for the price at which such Owner intends to sell the Lot, and Developer shall have ten (10) days after receiving written notice of such price and desire to sell in which to elect to purchase the Lot at such price; if Developer does not so elect by written notice to such Owner within such ten (10) day period, such Owner may proceed to sell such Lot to others, provided, however, if the bona fide price at which such Owner ultimately agrees to sell such Lot to a third person is less than the price offered to Developer, then the agreement to sell to such third person shall be subject to Developer's superior right to purchase such Lot for the same price as set forth in the agreement with such third person, which such right may be exercised at any time by written notice to such selling Owner within three (3) business days following Developer's receipt of a copy of the purchase agreement with such third party. Anything construed in any of the Resort Constituent Documents to the contrary, there shall be no restrictions on the right of a Lot Owner to mortgage his Lot.

B. Resale of Lots. The seller of any Lot shall furnish to the purchaser before execution of any contract for the sale of the Lot, or otherwise before conveyance:

- (i) A copy of this Declaration and the Articles, Bylaws and Rules and Regulations of the Association, with specific attention drawn to this Section 5.04;
- (ii) A statement setting forth the amount of the annual Assessments for Common Expenses and any unpaid Assessment of any kind currently due from the selling Owner; and

- (iii) A copy of the current operating budget of the Association.

The selling Owner shall also at such time, notify the Association of the sale and provide the Association with the name and address of the new owner, a copy of the deed conveying title, and the date of sale.

5.05. Rental of Lots. Owners may rent their Lots subject to the other provisions of this Declaration; however, no Owner shall engage a rental management company or agent to provide rental management services other than Developer or Developer's designee if at the time of such engagement Developer or Developer's designee is providing rental managing services. The provisions of this paragraph 5.05 may not be amended without Developer's prior written consent.

5.06. Utility Service. Except for temporary hook-ups between Motorcoach Vehicles and permanent utility outlets and except as expressly allowed in this Declaration with respect to Owner's Private Buildings, no lines, wires or other devices for the communication or transmission of electric current or power, including telephone, television, and radio signals, shall be erected, placed or maintained anywhere in or upon any Lot unless the same shall be contained in conduits or cables installed and maintained underground or concealed in, under, or on buildings or other structures approved in writing by the Board. All temporary utility outlets shall be installed and maintained in accordance with applicable provisions of the Rules and Regulations. No provision hereof shall be deemed to forbid the erection of the temporary power or telephone installations incident to the construction of approved buildings or structures.

5.07. Nuisance. No noxious, illegal or offensive activity shall be carried out on or upon any Lot or any part of the Property, nor shall anything be done thereon which is or may become an annoyance or nuisance, public or private, to the neighborhood, or which shall in any way interfere with the quiet enjoyment of each of the Owners of their respective Lots, or which shall in any way increase the rate of insurance for the Association or for the Owners of Lots and Motorcoach Vehicles. Each Owner shall comply with all local, state and federal regulations that may govern the use and occupancy of Motorcoach Vehicles.

5.08. Outside Antennae. There shall be no outside television or radio antennae, satellite dish, poles or flag poles constructed or maintained on any Lot or the Common Area for any purpose without the prior written approval of the Board.

5.09. Signs. No signs, including, without limitation, "for sale" or "for rent" signs, shall be displayed on or from any Lot, Motorcoach Vehicle (whether inside or outside the Motorcoach Vehicle), equipment, or real or personal property of any sort located on any Lot. No signs shall be displayed on or from any Common Element except signs approved by the Board. Nothing in this Section 5.09 shall be deemed to prevent or limit Developer's ability to erect signs for purposes of advertisement or identification as it deems necessary or limit Developer's signage rights set forth in Article III.

5.10. Equipment and Machinery. No hobby shops or Motorcoach Vehicle or car maintenance (other than emergency maintenance) shall be permitted on the Property except with prior written approval of the Board. No equipment, machinery, junk, debris, building materials, or similar matter shall be placed, stored or kept in or on any Lot, parking area or street within or adjoining the Property.

5.11. Laundry. Outside clotheslines or other outside facilities for drying or airing clothes shall not be erected, placed or maintained on any Lot; provided, however, the foregoing shall not prohibit the placement from time to time on "as-needed basis" of temporary drying racks between the Motorcoach and

the rear Lot line but such racks will not allowed to be an eyesore. No washing machine or drying shall be kept on any Lot, except within a Motorcoach Vehicle or except within the Lot's Utility Building.

5.12. Propane Tanks. Only propane tanks used in connection with barbecue grills and Motorcoach Vehicles, which are standard equipment, shall be permitted on any Lot, provided such tanks are in compliance with all applicable codes and laws.

5.13. Maintenance of Lawns, Plantings and Landscape. All Lots, landscaping, driveways, and exteriors must be kept neat, sanitary, tidy, and attractive at all times. No landscape trimmings shall be placed for removal on or near any road within the Property or in a place upon the Lot where they are visible from any other Lot or the Common Area. All landscape trimmings shall be disposed of in the same manner provided for disposition of other trash. In the event any Owner supplements or enhances the landscaping of any Lot, the Owner shall be required to maintain the Lot in the such enhanced or supplemented state.

5.14. Outside Installations. No outside installations of any type, including, but not limited to, radio antennas, clotheslines, fences, and flagpoles shall be constructed or maintained on any Lot unless with the prior written consent of the Board. Reasonable outside installations which are constructed as part of the authorized Motorcoach Vehicles shall be permitted. It shall be within the board's sole discretion to determine whether any such outside installation is unreasonable.

5.15. Vehicle Parking. Only one (1) Motorcoach Vehicle and two (2) other vehicles (automobile, truck, motorcycle, etc.) shall be parked or maintained on any Lot. No Motorcoach Vehicle, truck, automobile, or any other type of motor vehicle, may be washed, cleaned or polished anywhere on the property except on an Owner's Lot.

5.16. Resubdivision. No Lot shall be resubdivided nor shall less than an entire Lot be sold.

5.17. Improvements. No Improvements shall be installed, situated, placed, erected, or planted on any Lot without the prior written consent of the Association unless otherwise specifically allowed elsewhere in this Declaration. The foregoing shall not require Association consent for (a) plants that are less than three (3) foot in height at time of planting and at their maturity if located within the perimeter of the gazebo as shown on a drawing available from Developer (which perimeter is not farther than three (3) feet from the any exterior wall of the gazebo, (b) brick pavers in an area also shown on said drawing and described generally as being between the concrete slab and the Lot line opposite the Lot line nearest to the gazebo and ten (10) feet behind the slab, provided, however, any such pavers must by Block USA, Florida Division, and be either item BRKSTN 80MM Color Mix 1 (Product ID-7PB80010016) or BRKSTN 80MM SS/SS/DKBROWN (Product ID-7P80010037), or such other paver as Developer may, from time to time, approve; (c) a bird bath if consistent with the guidelines for such as established by Developer; or (d) the painting of a slab in colors approved by Developer.

5.18. Taxes. Each Owner shall pay when due, before delinquency, all taxes, Assessments, levies, fees and all other public charges and utility fees and charges of every kind and nature imposed upon or assessed against its Lot.

5.19. Rules and Regulations. The Board may adopt, publish, and, from time to time, amend Rules and Board the purpose of implementing, enforcing and administering the purposes of this Declaration.

5.20. Hazardous Substances. No activity will be permitted on any Lot or the Common Area that, in the sole opinion of the Board, will create or emit offensive, hazardous or excessive quantities of dust, dirt, ash, smoke, noise, fumes, odors or vibrations, or create risk of fire, explosion or other hazards or is not in harmony and consistent with the Property. Activities prohibited hereunder, include, but are not limited to activities which result in the disposal of Hazardous Substances in any form upon the Property. For the purposes of this Declaration the term "Hazardous Substance" shall mean any product, substance, chemical, material or waste whose presence, nature, quantity or intensity of existence, use, manufacture, disposal transportation spill, release or effect, either by itself or in connection with other materials expected to be found upon any lot, is either: (a) potentially injurious to the public health, safety or welfare, the environment or the Property; (b) regulated or monitored by any governmental authority; or (c) a basis for liability of Developer or any owner to any governmental agency or third party under any applicable state or common law property.

5.21. Electrical Meter and Telephone Service. Electrical and, if desired by an Owner, telephone service to each individual Lot will be metered and billed by the providing company to each Owner, and each Owner shall be responsible for the connection of such services.

5.22. No Drilling or Wells. No derrick, windmill, pump or other structure designed for use in boring, mining, or quarrying for oil, natural gas, or previous minerals shall be erected, maintained, or permitted upon any portion of the Property. No private water well or other independent water supplies or facilities, windmill, pump, or other structure for furnishing water shall be constructed or maintained on any portion of the Property except as originally constructed on the Property.

5.23. No Private Sewers or Septic Systems. No private sewer system, septic tank, leach field, or other system of solid waste disposal, excluding the sewer system installed by or on behalf of Developer for the Development, shall be constructed, built, or used.

5.24. No Permanent Residential Use. No Lot shall be continuously occupied as a full time or permanent residence.

5.25. Limit on Occupants. In no event shall any Lot or Motorcoach Vehicle parked thereon have more than six (6) occupants for more than seven (7) consecutive days or for more than thirty (30) days in any forty-five (45) day period.

5.26. Owner's Private Buildings. Each Owner shall maintain each Owner's Private Buildings (i.e., the gazebo and utility building built by Developer) in good, attractive condition and so as not to detract from the appearance of the Resort. All such Private Buildings shall be consistent with a uniform appearance designated by the Association. Notwithstanding any other provision of this Declaration, Owners may provide plumbing, electrical, cable television, and telephone service to the Private Buildings so long as the wiring, pipes, conduit, etc. is underground or within the Private Buildings and not an eyesore. Owners may also install one (1) rubber or plastic utility sink on the utility building exterior wall facing the gazebo; any such sink must be of the style, make, and color approved by Developer. Window air-conditioner units shall not be allowed in any utility building, but a cooling system not visible from the outside shall be permitted.

5.27. Condition of Motorcoach Vehicle. Each Owner shall be responsible for ensuring that the Motorcoach Vehicle on such Owner's Lot shall be in good working order and in an attractive condition so as not to detract from the Resort, and in no event, shall any Motorcoach Vehicle older than fifteen (15) years, measured from January 1 of the model year, shall be allowed on a Lot.

5.28 Trash Pick-Up. The Association shall arrange for regular trash pick-up and publish guidelines for the disposal of same by the Lot Owners, and the Lot Owners must comply with such guidelines.

5.29 Wetlands Mitigation Plan. The Association and the Lot Owners shall observe and not violate the provisions of any wetlands mitigation plan established by Developer or any of its affiliates as such plan may apply to the Resort land. The Lots in the Resort are conveyed subject to such plan and to any covenants presently or hereafter recorded pursuant to such plan.

ARTICLE VI COMMON EXPENSES

6.01. Share of Common Expenses. Each Lot Owner shall be assessed and is individually liable for a proportionate share of the Common Expenses. Payment of Common Expenses shall be in such amounts and at such times as determined in the Bylaws. Assessments shall be collected by the Association on a monthly basis. All Lots shall be assessed on an equal basis, except that Developer-owned Lots shall not be subject to Assessments as long as Developer is willing to cover any operating deficit with such contributions to the Association as are required to fund such deficits. No Lot Owner (except Developer as provided in the immediately preceding sentence) shall be exempt from payment of his or her proportionate share of the Common Expenses by waiver or non-use or non-enjoyment of the Common Elements or by abandonment of his Lot. Common Expenses shall include but shall not necessarily be limited to expenditures made or liabilities incurred by the Association, together with payments or obligations to reserve accounts.

6.02. Late Payment of Assessments. Assessments for Common Expenses and installments thereon, paid on or before fifteen (15) days after the date when due shall bear no interest, but all sums not paid on or before fifteen (15) days after the date when due shall bear such late charges, penalties, interest and other costs and expenses, at a rate set by the Board, but not to exceed the maximum legal rate, together with all expenses, including attorney's fees incurred by the Association in any undertaking to collect such unpaid Assessments and expenses. All payments upon account shall be first applied to such charges, penalties, interests and other costs and expenses, including attorney's fees, and then to the Assessment payment due. The Association may, in the manner provided for in the Bylaws, after notice and an opportunity to be heard, levy reasonable fines for violations of the Declaration, Bylaws, and Rules and Regulations of the Association.

6.03. Liens for Assessments. The Association is hereby granted a lien upon each Lot and its appurtenant undivided interest in Common Elements and upon the goods, furniture and effects belonging to the Lot Owner and located in such Lot, which lien shall secure and does secure the moneys due for all Assessments now or hereafter levied or subject to being against the Lot Owner; which lien shall also secure such late charges, penalties and interest, if any, which may be due on the amount of any delinquent Assessment owing to the Association; which lien shall also secure all costs and expenses, including reasonable attorney's fee, which may be incurred by the Association in enforcing this lien upon said Lot and its appurtenant undivided interest in the Common Elements.

6.04. Priority of Lien. The Association shall have a lien for nonpayment of Common Expenses. Such lien will be subordinate to any first mortgage of any Lot if the mortgage was recorded before the delinquent Assessment became due. In any suit for the foreclosure of a lien for Assessments, the Association shall be entitled to rental from the Lot Owner from the date on which the payment of any Assessment or

installment thereof becomes delinquent and shall be entitled to the appointment of a receiver for said Lot, without notice to the Lot Owner. The rental required to be paid shall be equal to the rental charged on comparable type of dwelling Lots in the area in which the Resort is located. The lien granted to the Association shall further secure such advances for taxes and other payments which may be required to be advanced or paid by the Association in order to preserve and protect its lien, and the Association shall further be entitled to interest at a rate set by the Board of Directors of the Association but in no case shall said interest exceed the maximum legal rate on any such advances made for such purposes. All Persons who shall acquire, by whatever means, any interest in the ownership of any Lot, or who may be given or acquire a mortgage, lien or other encumbrance thereon, are hereby placed on notice of the lien granted to the Association. A lien for Common Expenses shall not be affected by any sale or transfer of a Lot, except as herein provided. A sale or transfer pursuant to a foreclosure of a mortgage or first vendor's lien shall extinguish a subordinate lien for Assessments which became payable prior to such sale or transfer; provided, however, a sale or transfer pursuant to a foreclosure of a first mortgage or first vendor's lien shall not extinguish the lien of the Association to the extent of the Common Expense Assessments based on the periodic budget adopted by the Association, which would have become due in the absence of acceleration during the six months immediately preceding the institution of an action to enforce the lien. However, any such delinquent Assessments which were extinguished pursuant to the foregoing provision may be reallocated and assessed to all of the Lots as a Common Expense. Any such sale or transfer pursuant to foreclosure does not relieve the purchaser or transferee of a Lot from liability for, nor the Lot from the lien of, any Assessments made thereafter.

ARTICLE VII THE ASSOCIATION

7.01. Powers and Duties. The operation and administration of the Resort shall be by the Association of the Lot Owners. The Association shall be a not for profit Alabama corporation incorporated by Articles of Incorporation recorded in the office of the Judge of Probate of Baldwin County, Alabama. The Association shall be an entity which shall have the capability of bringing suit and being sued with respect to the exercise or nonexercise of its powers. The Association shall have exclusive authority and power to maintain a class action and to settle a cause of action on behalf of Lot Owners with reference to the Common Elements, the roof and structural components of the Buildings or other improvements, and mechanical, electrical and plumbing elements serving improvements or the Buildings as distinguished from mechanical elements serving only a Lot; and with reference to any and all other matters in which all the Lot Owners have a common interest. The Association shall have all the powers and duties granted to or imposed on it under the Bylaws and other Resort Constituent Documents as they may be amended from time to time. The Association is specifically authorized to enter into agreements by which its powers and duties, or some of them, may be exercised or performed by some other Person. The Association shall have a reasonable right of entry upon any Lot for its reasonable purposes and further, shall have the right to grant permits, licenses, and easements over the Common Elements for utilities, roads, and other purposes reasonably necessary or useful for the proper maintenance or operation of the Resort. The Board shall have the authority and duty to levy and enforce the collection of general and specific Assessments for Common Expenses and is further authorized to provide adequate remedies for failure to pay such Assessments.

7.02. Name. The name of the Association shall be Terry Cove Motorcoach Owners Association, Inc.

7.03. Members. Each Lot Owner shall be a Member of the Association so long as he is a Lot

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

7.04. Voting Rights. Each Lot shall be entitled to one (1) vote, which vote is not divisible. The vote for a Lot shall be cast by the Lot Owner thereof in the manner provided for herein and in the Bylaws. However, should the Association be a Lot Owner, it shall not have the voting right for that Lot.

7.05. Designation of Voting Representative. In the event a Lot is owned by one (1) Person, his right to vote shall be established by the record title to his Lot. If a Lot is owned by more than one (1) Person, the Person entitled to cast the vote for the Lot shall be designated by a certificate signed by all of the record Lot Owners of the Lot and filed with the Secretary of the Association. If a Lot is owned by a corporation, partnership or limited partnership, the officer, employee or individual entitled to cast the vote for the Lot shall be designated by a certificate of appointment signed by the president or vice-president and attested by the secretary or assistant secretary of the corporation (in the case of a corporation) or by the general partner or partners if more than one (in the case of a partnership or limited partnership), which certificate shall be filed with the Secretary of the Association. If such a certificate is not on file with the Secretary of the Association for a Lot owned by more than one (1) Person or by a corporation, partnership or limited partnership, the membership or vote of the Lot concerned may be cast as determined by the Board. Such certificate shall be valid until revoked or until superseded by a subsequent certificate or until a change in the ownership of the Lot concerned is effected. A certificate designating the Person entitled to cast the vote of a Lot may be revoked by any Lot Owner thereof.

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

7.07. Board of Directors. The affairs of the Association shall be conducted by a Board of Directors which shall consist of such number not fewer than three (3) nor more than nine (9) as shall, from time to time, be determined and fixed by a vote of a majority of the voting rights present at any annual meeting of the Members.

7.08. Indemnification. Every director and every officer of the Association shall be indemnified by the Association against all expenses and liabilities, or any settlement thereof, including counsel fees, reasonably incurred by or imposed upon him in connection with any proceeding to which he may be a party, or in which he may become involved, by reason of his being or having been a director or officer of the Association, whether or not he is a director or officer at the time such expenses are incurred, except in such cases wherein the director or officer is adjudged guilty of willful misfeasance or malfeasance in the performance of his duties; provided that in the event of a settlement, the indemnification herein shall apply only when the Board of Directors approves such settlement and reimbursement as being in the best interest of the Association. The foregoing rights of indemnification shall be in addition to and not exclusive of all other rights to which such director or officer may be entitled.

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

7.10. Bylaws. The Association and its Members shall be governed by the Bylaws.

7.11. Period of Developer's Control of Association and Other Special Developer Rights. Until the earlier of (i) ninety (90) days after conveyance of thirty-eight (38) of the Lots to Lot Owners other than the Developer; or (ii) two (2) years after the Developer, its successors or assigns has ceased to offer Lots for sale in the ordinary course of business; the Bylaws and rules adopted by the Developer shall govern and the Developer shall have the exclusive right to appoint, remove, and designate the officers and members of the Board of Directors, and neither the Lot Owners nor the Association nor the use of the Resort by Occupants of Lots shall interfere with the completion of the contemplated improvements or the sale of the Lots. The Developer may voluntarily surrender the right to appoint and remove officers and members of the Board; but, in that event, the Developer may require, for the duration of the period of Developer control, that specified actions of the Association or Board, as described in a recorded instrument executed by the Developer, be approved by the Developer before they become effective. Not later than the termination of any period of Developer control, the Lot Owners shall elect a Board of at least three (3) members.

The Developer may make such use of the unsold Lots and of the Common Elements as may facilitate such completion and sale, including but not limited to showing of Lots and the display of signs. The Developer may maintain sales offices and models on any Lot or on or in the Common Elements (including in the clubhouse). The Developer shall be permitted to relocate said sales offices and models from one Lot location to another or from one area of the Common Elements to another area of the Common Elements in the Resort. The Developer may maintain signs on the Common Elements advertising the Resort. The rights of the Developer as provided for in this paragraph shall cease and terminate ten (10) years from the date of the recording of this Declaration in the office of the Judge of Probate of Baldwin County, Alabama.

7.12. Contracts. Developer, on behalf of the Association, may enter into such management contracts, employment contracts, or other contracts or agreements as Developer may deem appropriate; such contracts may be entered into with independent third parties and/or with affiliates of Developer; such contracts shall, if the expressed term thereof so provides, survive the termination of the period of Developer's control and shall continue to bind the Association for the period of the term or terms stated in said contracts.

7.13. Availability of Records. The Association shall keep such financial records as are customary for property owners association along the Alabama Gulf Coast. The Association shall make reasonably available at the Resort for examination by Lot Owners, prospective purchasers, first Mortgagees and insurers and/or guarantors of first mortgages of any Lot, or their authorized agents, current copies of the Declaration, Bylaws, Rules and Regulations and other books, records, financial statements and the most recent annual financial statement of the Association. Reasonably available shall mean available for inspection upon request, during normal business hours or under reasonable circumstances. Any Eligible Mortgagee shall have the right to have prepared at its expense an audited financial statement of the Association.

7.14. Reserve Fund and Working Capital Fund.

A. Reserve Fund. The Association shall establish and maintain an adequate reserve fund for the replacement of improvements to the Common Elements which the Association is obligated to maintain. The fund shall be maintained out of regular Assessments for Common Expenses.

B. Working Capital Fund. The Association shall also have a working capital fund to meet unforeseen expenditures or to purchase any additional equipment or services. The Purchase Agreement

for any Lot (in connection with the original sale of any Lot by the Developer) shall require the Purchaser thereunder to pay to the Association at closing a sum equal to a two month installment of Assessments as a nonrefundable contribution to the initial working capital fund, which payment shall not be considered as advance payments of regular Assessments. The working capital fund shall be transferred to the Association for deposit into a segregated account when control of the Association is transferred to the Lot Owners. The Developer is prohibited from using working capital funds to defray any of the Developer's expenses, reserve contributions, or construction costs or to make up any budget deficits while the Developer is in control of the Association.

ARTICLE VIII MAINTENANCE AND UTILITY SERVICES

8.01. Maintenance Obligation of Owners. It shall be the duty of each Owner at its sole cost and expense to maintain, repair, replace, restore (including any maintenance, repairs, replacement or restoration required as a result of any damage or destruction of the Property by casualty or otherwise unless otherwise provided) all Motorcoach Vehicles, Owner's Private Buildings and all planted bushes, shrubbery, trees, etc. located on such Owner's Lot in a neat, sanitary and attractive condition and in accordance with the Rules and Regulations of the Association and this Declaration. If any Owner shall permit any Motorcoach Vehicle, Owner's Private Buildings, or the aforesaid plantings to fall into disrepair or to become unsafe, unsightly, or unattractive, or otherwise in violation of this Declaration, the Association shall have the right to seek any remedies at law or in equity it may have. In addition, the Board shall have the right, but not the duty, if such unacceptable maintenance is not corrected within ten (10) days of written notice from the Association, or such longer period if reasonably necessary under the circumstances provided the Owner is diligently pursuing such maintenance, or such shorter period as the Association shall reasonably determine under the circumstances to be appropriate, to enter upon such owner's Lot and make such repairs and perform such maintenance and charge the costs thereof to Owner. Such costs shall be enforced, including penalties, fees, and costs, as an Assessment against the Lot pursuant to Article VI.

8.02. Maintenance by the Association and Utility Services. The Association is responsible for maintenance, repair, and replacement of the Common Elements and maintaining the lawn area of each Lot but is not responsible for any trees, bushes, shrubbery, etc. on any such Lot. The Association shall pay all water and sewer bills and may regulate water usage and shall be responsible for cable television service provided to the Resort. The Association shall also provide for regular trash pick up.

8.03. Addition, Alteration and Improvement of the Common Elements. After the completion of the improvements included in the Common Elements which are contemplated by this Declaration, there shall be no addition, alteration, change, or further improvement of Common Elements without prior approval of the Association.

8.04. Lot Owner's Covenants. Each Lot Owner covenants and agrees as follows:

A. To perform all maintenance, repairs, and replacements that are the Lot Owner's obligations under this Declaration.

B. To pay for all the Lot Owner's electrical and telephone services used within the Lot and all taxes levied against the Lot Owner's Lot.

C. Not to make, or cause to be made, any repairs to any plumbing, heating, ventilation or air conditioning systems located outside the Lot Owner's Lot but required to be maintained by the Lot Owner pursuant to the provisions hereof, except by licensed plumbers or electricians authorized to do such work by the Association or its agent.

D. Not to make any addition or alteration to a Lot or to the Common Elements or to do any act that would impair the structural soundness or safety of any part of the Resort. Structural alterations within a Lot may be made only with the written consent of the Association.

E. To make no alterations, additions, improvements, repairs, replacements, or changes to the Common Elements or to any outside or exterior portion of Owner's Private Buildings except as specifically allowed by the provisions of this Declaration or without the prior written consent of the Association. If consent is granted, the Lot Owner shall use only a licensed contractor who shall comply with the Rules and Regulations with respect to the work which may be adopted by the Association. The Lot Owner shall be liable for all damages to another Lot and to the Common Elements caused by any contractor employed by such Lot Owner or by the subcontractor or employees of such contractor, whether said damages are caused by negligence, accident, or otherwise.

F. To allow the Association, its delegates, agents, or employees at all reasonable times to enter into any Lot for its reasonable purposes including maintaining, inspecting, repairing, or replacing the lawn area of any Lot or the Common Elements or for repairing, maintaining or replacing any plumbing or other utility lines within such Lot but serving other parts of the Resort; or to determine, in case of emergency, the circumstances threatening Lots or Common Elements and to correct the same; or, to determine compliance with the provisions of the Resort Constituent Documents.

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

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

ARTICLE IX INSURANCE

9.01. Purchase of Insurance. Commencing not later than the time of the first conveyance of a Lot to a Person other than the Developer, the Association shall maintain insurance in accordance with this Declaration. One copy of each insurance policy and of all endorsements thereto shall be furnished by the Association to any first Mortgagee requesting a copy. All policies of insurance must be issued by companies specifically authorized by the laws of the State of Alabama to transact such business. Any company issuing any such policy must have a "A" general policyholder rating or a financial performance index of "6" or better in the Best's Key Rating Guide, or an "A" or better rating from Demotech, Inc.; provided, however, that policies issued by Lloyd's of London will be acceptable and policies issued by a carrier not meeting the above requirements are acceptable if the particular issues are covered by 100% reinsurance with a company that does meet said requirements.

Such insurance shall cover the Common Elements, except land, foundation, excavation, and other items usually excluded from coverage, building service equipment and supplies, and other personal property and supplies belonging to the Association in an amount of not less than one hundred percent (100%) of the insurable replacement thereof, exclusive of land, excavation, foundation, and other items normally excluded from property policies against loss or damage by fire and all other hazards that are normally covered by the standard extended coverage endorsement. The Association may elect not to purchase insurance for the fence, the bridge, or other Common Elements (exclusive of the clubhouse) if the Association determines that the benefit of such insurance or the risk of loss is not worth the cost thereof.

The Association must obtain, maintain, and pay the premiums upon, as a Common Expense, a comprehensive general liability insurance policy, including medical payments insurance, as required by the Act and covering all the Common Elements, commercial space owned or leased by the Association, and public ways of the Resort. Coverage limits shall be in amounts generally required by private institutional mortgage investors for projects similar in construction, location, and use. However, such coverage shall be, if reasonably available, for at least one million dollars (\$1,000,000.00) for bodily injury, including deaths of persons and property damage arising out of a single occurrence, and in no event less than \$1,000,000.00. Coverage under this policy shall include, if reasonably available, without limitation, legal liability of the insureds for property damage, bodily injuries and deaths of persons in connection with the operation, maintenance or use of the Common Elements, and legal liability arising out of lawsuits related to employment contracts of the Association. If such policy does not include "severability of interests" the policy must include a specific endorsement that precludes the insurer's denial of an owner's claim because of negligent acts of the Association or other Lot Owners.

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

9.03. Fidelity Bonds. The Association shall obtain, maintain and pay the premiums upon, as a Common Expense, a fidelity bond to protect against loss of money by dishonest acts on the part of all officers, directors and employees of the Association and all other persons handling, or responsible for, funds of the Association or funds administered by the Association. Where a management agent has the responsibility for handling or administering funds of the Association, the management agent shall be required to maintain fidelity bond coverage for its officers, employees and agents handling or responsible for funds of, or administered on behalf of, the Association. The fidelity bond shall name the Association as the obligee and shall not be less than the estimated maximum of funds, including reserve funds, in the custody of the Association or the management agent, as the case may be, at any given time during the term of each bond. However, in no event may the aggregate amount of such bonds be less than one hundred and fifty percent (150%) of the estimated annual Common Expenses. The bonds shall contain waivers by the issuers of the bonds of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees," or similar terms or expressions. The premiums on all bonds required herein to be maintained by the management agent shall be paid by the management agent. The bond shall provide that the Association and any first Mortgagee shall be given ten (10) days written notice before the policy/bond may be canceled or modified for any reason.

9.04. Other Insurance. The Association shall have authority to obtain such other insurance as it deems desirable, in such amounts, from such sources and in such forms as it deems desirable. The premiums for such insurance shall be a Common Expense.

9.05. Individual Insurance. Nothing contained herein shall be construed to prevent a Lot Owner from obtaining insurance for his own benefit.

9.06. Insurance Premiums. Insurance premiums maintained by the Association, including the insurance on the Owner's Private Buildings, shall be paid by the Association as a Common Expense. Should the Association fail to pay such insurance premiums when due, or should the Association fail to comply with other insurance requirements of a Mortgagee, the Mortgagee shall have the right, at its option, to order insurance policies and to advance such sums as are required to maintain or procure such insurance. To the extent of any money so advanced, the Mortgagee shall be subrogated to the Assessment and the lien rights of the Association as against the individual Lot Owners for the payment of such item of Common Expense.

9.07. Insurance Beneficiary. Except as provided herein with respect to the Owner's Private Buildings, all insurance policies purchased by the Association shall be for the benefit of the Association

9.08 Owner's Private Buildings. The Association shall maintain and pay the premiums for, as a Common Expense, casualty insurance on Owner's Private Buildings (i.e., the gazebo and utility building provided by Developer as part of each Lot). Such insurance shall be similar in coverage, to the extent reasonably available, to the coverage required above for the clubhouse. The deductible for such policy shall be such amount as the Association Board of Directors shall deem reasonable. In the event of a casualty loss to any such Owner's Private Buildings, the Association shall apply for and have authority to settle insurance claims on behalf of each affected Owner. The Association shall be responsible for using the proceeds for the reconstruction or repair of such Buildings; to the extent that the insurance proceeds are insufficient to complete such reconstruction or repair, the Association shall advance the deficit amount and shall bill the affected Owner as a Supplemental Assessment, which shall be due and payable not later than fifteen (15) days following notice of such Supplemental Assessment. To the extent required in order to effectuate the provisions of this paragraph, the Association shall be considered an Insurance Trustee.

9.09. General. To the extent that any insurance program specifications (including limits of liability, endorsements, etc.) required under this Article 9 are not customarily met by prudent owners associations of comparable developments located on the Alabama Gulf Coast, are unduly expensive to meet, or require coverage which is not reasonably available, then less stringent insurance program specifications shall be permitted hereunder. If the insurance described above which is required to be maintained is not reasonably available, the Association promptly shall give notice of that fact to be hand delivered or sent prepaid by United States Mail to all Lot Owners.

ARTICLE X AMENDMENT

10.01. Amendment.

A. Notice of the subject matter of a proposed amendment to this Declaration in reasonably detailed form shall be included in the notice of any meeting of the Association at which a proposed amendment is to be considered. The resolution shall be adopted by the vote, in person or by proxy, or by written consent of Members representing not less than seventy-five percent (75%) of the voting power of the Association, provided that the specified percentage of the voting power of the Association necessary to amend a specified Section or provision of this Declaration shall not be less than the percentage of affirmative votes prescribed for action to be taken under that Section or provision.

B. The Mortgagees of sixty-seven percent (67%) of the first Mortgages on all the Lots in the Project who have requested the Association to notify them of proposed action requiring the consent of a specified percentage of first mortgagees must approve any amendment to this Declaration which is of a material nature, including the following:

- (1) Any amendment which affects or purports to affect the validity or priority of mortgages or the rights or protection granted to Mortgagees, insurers or guarantors of first mortgages as provided herein;
- (2) Any amendment which would necessitate a Mortgagee after it has acquired a Lot through foreclosure, to pay more than its proportionate share of any unpaid assessment or assessments accruing after such foreclosure;
- (3) Any amendment which would or could result in a Mortgage being canceled by forfeiture, or in a Lot not being separately assessed for tax purposes; or
- (4) Any amendment relating to the disposition of any money received in any taking under condemnation proceedings.

C. Each Mortgagee of a first Mortgage on a Lot in the Project which receives proper written notice of a proposed amendment or termination of this Declaration by certified or registered mail with a return receipt requested shall be deemed to have approved the amendment or termination if the mortgagee fails to submit a response to the notice within thirty (30) days after the Mortgagee receives the notice.

D. A copy of each amendment shall be certified by at least two (2) officers of the Association, and the amendment shall be effective when a certificate of amendment is recorded with the Baldwin County, Alabama Judge of Probate office real estate records. The certificate, signed and sworn to by two (2) officers of the Association that the requisite number of Owners and Mortgagees have either voted for or consented in writing to any amendment adopted as provided above, when recorded, shall be conclusive evidence of that fact. The Association shall maintain in its files the record of all such votes or written consents for a period of at least four (4) years. The certificate reflecting any termination or amendment which requires the written consent of any of the Beneficiaries of first Mortgages shall include a certification that the requisite approval of such first Mortgagees has been obtained.

E. Notwithstanding any other provisions of this Article X, as long as Developer owns more than three (3) Lots, Developer may unilaterally amend this Declaration at any time or times by recording a written instrument which effects the amendment and is signed and acknowledged by Developer.

ARTICLE XI PURCHASE OF LOT BY ASSOCIATION

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

11.02. Limitation. If at any time the Association is already the Lot Owner of or has agreed to purchase one or more Lots, it may not purchase any additional Lots without the prior written approval of Members holding seventy-five percent (75%) of the votes of those Members eligible to vote thereon, except

as provided in this Article. A Member whose Lot is the subject matter of the proposed purchase shall be ineligible to vote thereon. Notwithstanding the foregoing, however, the foregoing limitations shall not apply to Lots either to be purchased at public sale resulting from a foreclosure of the Association's lien for delinquent Assessments where the bid of the Association does not exceed the amount found due the Association, or to be acquired by the Association in lieu of foreclosure of such lien if the consideration therefor does not exceed the cancellation of such lien. In any event, the Board or a designee thereof, acting on behalf of the Association, may only purchase a Lot in accordance with this Article, or as the result of a sale pursuant to the foreclosure of:

- (A) A lien on the Lot for unpaid taxes;
- (B) a lien of a mortgage;
- (C) the lien for unpaid Assessments;
- (D) or any other judgment lien or lien attaching to such Lot by operation of law.

ARTICLE XII NOTICE OF LIEN OR SUIT

12.01. Notice of Lien. A Lot Owner shall give notice in writing to the Secretary of the Association of every lien on his Lot, other than liens for first mortgages, current taxes, and special Assessments, within five (5) days after he receives notice of the attaching of the lien.

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

12.03. Failure to Comply. Failure to comply with this section will have no effect on the validity of any judicial proceeding.

ARTICLE XIII RULES AND REGULATIONS

13.01. Compliance. Each Lot Owner and the Association shall be governed by and shall comply with the terms of the Resort Constituent Documents and the Rules and Regulations applicable to the Property. Ownership of a Lot subjects the Lot Owner to compliance with provisions of this Declaration, the Articles, the Bylaws, the Rules and Regulations of the Association, and any contracts to which the Association is a party, as well as to any amendments to any of the foregoing. Failure of the Lot Owner to comply therewith shall entitle the Association or other Lot Owners to an action for damages or injunctive relief, or both, in addition to other remedies provided in the Resort Constituent Documents.

13.02. Enforcement. The Association, through the Board, is hereby empowered to enforce the Resort Constituent Documents and all Rules and Regulations of the Association by such means as are allowed under applicable law, including the imposition of reasonable fines (after reasonable notice and opportunity to be heard) from time to time as set forth in the Bylaws. In the event a Lot Owner fails to

maintain his Lot in the manner required in the Resort Constituent Documents and any Rules and Regulations of the Association, the Association, through the Board, shall have the right to assess the Lot Owner and the Lot for the sums necessary to do the work required to effect compliance and to collect, and enforce the collection of, a special Assessment therefor as provided in this Declaration. In addition, the Association shall have the right, for itself and its employees and agents, to enter such Lot Owner's Lot and perform the necessary work to effect compliance. Lot Owners shall have the right to enforce the provisions of the Resort Constituent Documents and decisions of the Association against the Association, and, if aggrieved, against other Lot Owners.

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

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

ARTICLE XIV GENERAL PROVISIONS PERTAINING TO MORTGAGES

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

A. Any condemnation or casualty loss that affects either a material portion of the Development or the Lot securing its mortgage.

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

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

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

ARTICLE XV MISCELLANEOUS

15.01. Covenants, Conditions and Restrictions. All provisions of the Resort Constituent Documents shall, to the extent applicable and unless otherwise expressly therein provided to the contrary, be perpetual and be construed to be covenants running with the land and with every part thereof and interest therein; and all of the provisions of the Resort Constituent Documents shall be binding on and inure to the benefit of any

Lot Owner of all or any part thereof, or interest therein, and his heirs, executors, administrators, legal representative, successors, and assigns, but said provisions are not intended to create nor shall they be construed as creating any rights in or for the benefit of the general public. All Lot Owners and Occupants shall be subject to and shall comply with the provisions of the Resort Constituent Documents and any Rules and Regulations promulgated thereunder.

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

15.03. Notice. The following provisions shall govern the construction of the Resort Constituent Documents, except as may be specifically provided to the contrary herein: All notices required or desired under the Resort Constituent Documents to be sent to the Association shall be sent certified mail, return receipt requested, to the Secretary of the Association, at such address as the Association may designate from time to time by notice in writing to all Lot Owners. All notices to any Lot Owner shall be delivered in person or sent by first-class mail to the address of such Lot Owner, or to such other address as he may have designated from time to time, in a writing to the Association. Proof of such mailing or personal delivery to a Lot Owner by the Association may be provided by the affidavit of the Person or post office certificate of mailing. All notices to the Association or a Lot Owner shall be deemed to have been given when delivered to the addressee in person or by a post office certificate of mailing.

15.04. Governing Law. Should any dispute or litigation arising between any of the parties whose rights or duties are affected or determined by the Resort Constituent Documents or any Rules and Regulations adopted pursuant to such documents, such dispute or litigation shall be governed by the laws of the State of Alabama.

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

15.06. Ratification. Each Lot Owner, by reason of having acquired ownership of his Lot, whether by purchase, gift, operation of law, or otherwise, shall be deemed to have acknowledged and agreed that all the provisions of the Resort Constituent Documents and any Rules and Regulations promulgated thereunder are fair and reasonable in all material respects.

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

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

IN WITNESS WHEREOF, HAMMOCK DUNES, L.L.C., an Alabama limited liability company,
has caused this instrument to be executed on this the 24th day of March, 2004.

HAMMOCK DUNES, L.L.C.,
an Alabama limited liability company

By: [Signature]
As Its: Manager

ATTEST:

By: [Signature]
As Its: Attorney

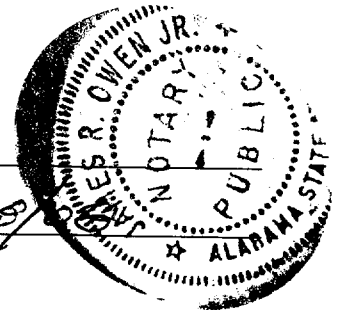
STATE OF Alabama
COUNTY OF Baldwin

I, the undersigned authority, a Notary Public in and for said County in said State, hereby certify that
Jim Brown, whose name as MANAGER of HAMMOCK
DUNES, 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 officer and with full authority, executed the same voluntarily for and as the act of said company.

GIVEN under my hand this the 24th day of March, 2004.

[Signature]
NOTARY PUBLIC

My Commission Expires: 2/18/06



THIS INSTRUMENT PREPARED BY:

Richard E. Davis, Esquire
DAVIS & FIELDS, P. C.
Post Office Box 2925
Daphne, Alabama 32526
(251) 621-1555

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**ARTICLES OF INCORPORATION
OF
TERRY COVE MOTORCOACH OWNERS ASSOCIATION, INC.**

The undersigned, acting as incorporator of a not for profit corporation under the Alabama Nonprofit Corporation Act, Code of Alabama 1975, Section 10-3A-1, et seq. ("the Act"), adopts the following ARTICLES OF INCORPORATION.

**ARTICLE I
NAME**

The name of the corporation shall be TERRY COVE MOTORCOACH OWNERS ASSOCIATION, INC. The corporation is herein referred to as the "Association".

**ARTICLE II
DEFINITIONS**

The terms used herein shall have the meaning for each stated in the Acts and in the DECLARATION of COVENANTS of TERRY COVE MOTORCOACH RESORT ("the Declaration"), unless the context otherwise requires.

**ARTICLE III
PERIOD OF DURATION**

The period of duration of the Association is perpetual unless and until hereafter legally dissolved.

**ARTICLE IV
PURPOSES**

The Association is organized for the purpose of administering, maintaining, operating and managing TERRY COVE MOTORCOACH RESORT (the "Resort"), located in Baldwin County, Alabama, according to the Declaration and to do all things incident, necessary, convenient, expedient, ancillary, or in aid of the accomplishment of the foregoing.

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ARTICLE V POWERS

The Association shall have the power to exercise all powers, duties, and authority vested in the Association by the Act, the Declaration, or these Articles, including, but not limited to, the following:

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

- (11) To reconstruct improvements after casualty and to further improve the Property.
- (12) To make and amend reasonable Rules and Regulations respecting the use of the Property and the operation of the Resort.
- (13) To enforce by legal means the provisions of the Acts, the Declaration, these Articles, the Bylaws, and the Rules and Regulations for the use of the Property.
- (14) To contract for the management of the Property and to delegate to such managing agent all powers and duties of the Association except such as are specifically required by the Declaration to have approval of the Board of Directors or the membership of the Association.
- (15) To contract for the management or operation of portions of the Common Elements of the Resort susceptible to separate management or operation, and to lease such portions.
- (16) To retain attorneys and accountants.
- (17) To employ personnel to perform the services required for proper operation of the Resort.
- (18) To purchase a Lot in the Resort for the purposes authorized in the Declaration.
- (19) To maintain a class action and to settle a cause of action on behalf of Lot Owners with reference to the Common Elements; and to bring an action and to settle the same on behalf of two (2) or more of the Lot Owners, as their respective interests may appear, with respect to any cause of action relating to the Common Elements or more than one (1) Lot; all as the Board deems advisable.
- (20) To procure such fidelity bonds, as the Board deems advisable, covering officers and employees of the Association handling and responsible for the Association's funds and personal property, and to procure directors' and officers' liability insurance, if the Board deems it advisable, and the premiums of such bonds and insurance shall be paid by the Association as Common Expense.
- (21) To adopt and establish Bylaws for the operation of the Association.

ARTICLE VI NOT FOR PROFIT

The Association is not organized for pecuniary profit and it shall pay no dividend, and shall distribute no part of its income to its Members, directors, or officers. Nevertheless, the Association may pay compensation in a reasonable amount to its Members, directors, and officers for services rendered, and it may confer benefits on its Members in conformity with the Declaration of Resort and the purposes of the Association. On termination, the Association may make distributions to its Members as permitted by law, and no such payment, benefit, or distribution shall be deemed to be a dividend or distribution of income. All funds and Property acquired by the Association and all proceeds therefrom shall be held and used for the benefit of the Members of the Association in accordance with the provisions of the Declaration, these Articles and the Bylaws.

ARTICLE VII MEMBERSHIP

This Association shall issue no shares of stock of any kind or nature whatsoever. Every Person who is a record Lot Owner of a fee or undivided fee interest in any Lot shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from the ownership of any Lot which is subject to Assessment by the Association. The Members shall enjoy such qualifications, rights and voting rights as may be fixed in the Declaration and in the Bylaws of the Association.

ARTICLE VIII BOARD OF DIRECTORS

The Property, business and affairs of the Association shall be managed by a Board of Directors which shall consist of such number not fewer than three (3) nor more than nine (9), which, from time to time, shall be determined and fixed by a vote of a majority of the voting rights present at any annual meeting of the Members. Except as may otherwise be provided in the Declaration and the Bylaws, each director may be either a person designated by the Developer or a person entitled to cast a vote in the Association. Directors may be designated or elected and removed, and vacancies on the Board of Directors shall be filled as provided in the Declaration and the Bylaws. All the duties and powers of the Association existing under the Acts, the Declaration, these Articles, and the Bylaws shall be exercised exclusively by the Board of Directors, its agents, contractors or employees, subject only to approval by Lot Owners when such approval is specifically required by the Acts, the Declaration, these Articles, or the Bylaws. The initial Board of Directors shall be composed of three (3) Members. The names and addresses of the three (3) Members of the initial Board of Directors, who shall hold office until election or appointment of their successors, are as follows:

NAME

ADDRESS

Jim Brown

Post Office Box 892
Orange Beach, Alabama 36561

Ken Wall

Post Office Box 2020
Orange Beach, Alabama 36561

**ARTICLE IX
OFFICERS**

The affairs of the Association shall be administered by the officers designated in accordance with the Bylaws. The names and the addresses of the officers who shall serve until the election or appointment of their successors in accordance with the Bylaws are as follows:

NAME

OFFICE

ADDRESS

Jim Brown

President

Post Office Box 892
Orange Beach, Alabama 36561

Ken Wall

Vice President

Post Office Box 2020
Orange Beach, Alabama 36561

Angie Burns

Secretary-Treasurer

Post Office Box 892
Orange Beach, Alabama 36561

**ARTICLE X
INDEMNIFICATION**

Every director and every officer of the Association shall be indemnified by the Association against all expenses and liabilities, or any settlement thereof, including counsel fees, reasonably incurred by or imposed upon him in connection with any proceeding to which he may be a party, or in which he may become involved, by reason of his being or having been a director or officer of the Association, whether or not he is a director or officer at the time such expenses are incurred, except in such cases wherein the director or officer is adjudged guilty of willful misfeasance or malfeasance in the performance of his duties; provided that in the event of a settlement, the indemnification herein shall apply only when the Board of Directors approves such settlement and reimbursement as being in the best interest of the Association. The foregoing rights of indemnification shall be in addition to and not exclusive of all other rights to which such director or officer may be entitled.

**ARTICLE XI
INCORPORATOR**

The name and address of the incorporator of the Association are:

NAME

ADDRESS

Hammock Dunes, L.L.C., an

Post Office Box 892
Orange Beach, Alabama 36561

**ARTICLE XII
REGISTERED OFFICE AND AGENT**

The location and mailing address of the initial registered office of the Association is 27555 Perdido Beach Blvd., Orange Beach, Alabama 36561, and the name of its initial agent at such address is Hammock Dunes, L.L.C.

**ARTICLE XIII
DECLARANT CONTROL**

The Developer shall retain control of the Association in accordance with the terms and conditions of the Declaration.

**ARTICLE XIV
DEFINITIONS AND CONFLICT**

All terms used herein shall have the meaning given to them in the Declaration and are hereby incorporated by reference and made a part hereof. In the event of a conflict between the provisions of the Declaration, these Articles, or Bylaws, the Declaration prevails, except to the extent the Declaration is inconsistent with the Alabama Uniform Resort Act of 1991, Code of Alabama (1975).

**ARTICLE XV
DISSOLUTION**

The Association may be dissolved only in the manner provided in the Act. Upon dissolution of the Association, the assets of the Association, if any, and all money received by the Association from operations, after the payment in full of all debts and obligations of the Association of whatsoever kind and nature, shall be used and distributed solely and exclusively in the manner provided for in the Act.

IN WITNESS WHEREOF, the undersigned has caused this instrument to be executed this
the 24 day of March, 2004.

INCORPORATOR:
Hammock Dunes, L.L.C.,
an Alabama limited liability company

By: , A Manager

THIS INSTRUMENT PREPARED BY:

Richard E. Davis, Esquire
DAVIS & FIELDS, P.C.
Post Office Box 2925
Daphne, Alabama 36526
(251) 621-1555

H:\Davis-Fields\Davis & Fields Client\11246\M\Article of Incorporation.wpd

BYLAWS
OF
TERRY COVE MOTORCOACH RESORT OWNERS ASSOCIATION, INC.

GENERAL

1.01. Purpose. These are the Bylaws of the TERRY COVE MOTORCOACH RESORT OWNERS ASSOCIATION, INC., a non-profit Alabama Corporation (hereinafter referred to as the "Association") organized pursuant to the Alabama Nonprofit Corporation Act, Code of Alabama 1975, Section 10-3A-1 et seq., for the purpose of administering TERRY COVE MOTORCOACH RESORT, hereinafter referred to as the "Resort" which is located in Baldwin County, Alabama.

1.02. Applicability of Bylaws. The provisions of these Bylaws are applicable to the Resort Property and to the use and occupancy thereof. All present and future owners, mortgagees, lessees and Occupants of Units, and any other persons who may use the facilities of the Property in any manner are subject to these Bylaws, the Declaration and the Rules and Regulations made in accordance therewith. The acceptance of a deed or conveyance or the entering into of a lease or the act of occupancy of a Lot shall constitute an agreement that these Bylaws, the Rules and Regulations made in accordance therewith and the provisions of the Declaration, as they may be amended from time to time, are accepted, ratified, and will be complied with.

1.03. Principal Office. The principal office of the Association shall be at 821 Orange Beach Parkway, Orange Beach, Alabama 36542, or at such other place as may be designated subsequently by the Board of Directors or as the business of the Association may require. All books and records of the Association shall be kept at its principal office.

1.04. Terms Defined. "Declaration" shall mean that certain Declaration of Resort of TERRY COVE MOTORCOACH RESORT, filed in the Office of the Judge of Probate of Baldwin County, Alabama, as the same may be amended from time to time in accordance with the terms thereof. All other terms used herein shall have the meaning given to them in the Declaration and are hereby incorporated by reference and made a part hereof.

MEMBERSHIP

2.01. Qualification. The qualification for membership shall be ownership of a Lot in the Resort. No membership may be separated from the Lot to which it is appurtenant.

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

2.03. Succession. The membership of each Lot Owner shall automatically terminate on the conveyance, transfer or other disposition of a Lot Owner's interest in the Lot. The Lot Owner's membership shall automatically be transferred to the new Lot Owner succeeding to such ownership interest. On the conveyance, transfer or other disposition of a portion of a Lot Owner's interest in a Lot, the transferring Lot

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Owner and the transferee shall each be Members of the Association in accordance with the ownership interest of each following such conveyance or transfer.

2.04. Not for Profit Corporation. The Association is a not for profit corporation organized under the laws of the State of Alabama and pursuant to the Act and the "Alabama Nonprofit Corporation Act", Code of Alabama 1975, Section 10-3A-1, et seq. The Association shall issue no shares of stock of any kind or nature whatsoever.

MEETINGS OF MEMBERS

3.01. Annual Meeting. A meeting of the Association must be held at least once each year. The annual meeting of Members shall be held at the office of the Association at 9:00 a.m., local time, on the third Saturday of October of each year for the purpose of electing Directors and transacting any other business authorized to be transacted by the Members; provided, however, if that day is a legal holiday, the meeting shall be held at the same hour on the next day following that is not a legal holiday.

3.02. Change of Annual Meeting. The time of holding the annual meeting of Members may be changed at any time prior to not less than ten (10) days nor more than sixty (60) days in advance of the regular day for holding such meeting by a resolution duly adopted by the Board of Directors or by the Members, provided that notice of such change be mailed to each Member of record, at such address as appears upon the records of the Association, not less than ten (10) days before the holding of such meeting nor more than sixty (60) days in advance of the regular meeting; and further provided that each annual meeting of Members shall be held within one (1) month of the date on which it should regularly have been held but for such change.

3.03. Special Meeting. Special meetings of the Members of the Association may be called in accordance with the Act.

3.04. Notice of Meeting. Notice of all meetings of Members must be given in accordance with the provisions of the Act.

3.05. Waiver of Notice. Any Member or first Mortgagee may waive the right to receive notice of any meeting by sending a written waiver to the Board of Directors. Notice of any meeting may be waived before or after the meeting, orally or in writing. Attendance by a Member at any meeting, either in person or by proxy, shall constitute waiver of notice of such meeting.

3.06. Quorum. A quorum of Members for any meeting shall be deemed present throughout such meeting if Members, represented in person or by proxy, holding more than fifty-one percent (51%) of the votes entitled to be cast at such meeting are present throughout such meeting, except as otherwise provided by the Articles, by the Declaration, or by these Bylaws.

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

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

3.09. **Minutes of Meeting.** The minutes of all meetings Members shall be kept in a book available for inspection by Lot Owners or authorized representatives.

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

VOTING RIGHTS

4.01. **Votes.** Voting shall be on a percentage basis and the percentage of the vote to which a Member is entitled is the percentage assigned to the Lot of which the Member is the Lot Owner, as stated in the Declaration. The vote of a Lot shall not be divisible. The designation of the voting Member shall be determined as set out in the Declaration.

4.02. **Votes Required to Transact Business.** When a quorum is present at any meeting, the holders of a majority of the voting rights present in person or represented by written proxy shall decide any questions brought before the meeting, unless the question is one upon which, by express provision of the Act, the Resort Documents, or the Bylaws, a different number or manner of voting is required, in which case the express provision shall govern and control the decision in question.

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

4.04. **Voting by Mortgagee.** The execution and delivery of mortgage on a Lot by its Lot Owner shall be construed as conferring upon the Mortgagee a conditional proxy to cast the vote or votes attributable to such Lot at any regular or special meeting of the Association. The condition of such proxy shall be notice by such Mortgagee to the Association, in writing, of its intent to exercise the conditional proxy rights granted to it, as Mortgagee, by the terms of this subparagraph. In the absence of such written notice, the Association shall be entitled to recognize the Lot Owner of the mortgaged Lots as fully entitled to cast the vote or votes attributable. However, once such written notice is received by the Association, the Mortgagee's right to cast the vote or votes attributable to that Lot shall be recognized by the Association until the Mortgagee withdraws its intent to cast such votes in writing, or until the mortgage is paid in full and satisfied of record, whichever first occurs.

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

- Call to order
- Calling of the roll and certifying of proxies
- Proof of notice of meeting or waiver of notice
- Reading and disposal of any unapproved minutes

Reports of officers
Reports of committees
Election of directors
Unfinished business
New business
Adjournment

BOARD OF DIRECTORS

5.01. Number. The affairs of the Association shall be conducted by a Board of Directors which shall consist of not fewer than three (3) persons nor more than nine (9) persons. The number of Directors shall be fixed from time to time by the Association Members.

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

5.03. Appointment by Developer. The initial Board of Directors, as well as successive directors shall be appointed by the Developer, and may be removed by the Developer at any time in accordance with the Declaration. The directors appointed by the Developer need not be Lot Owners.

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

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

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

5.07. Vacancies. Any vacancy in the position of a director elected by the Members of the Association shall be filled by a majority vote of the remaining directors, and any director so elected shall hold office for a term equal to the unexpired term of the director whom he succeeds. Any vacancy in the position of a director appointed by the Developer shall be filled by the Developer, except as provided in the Act.

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

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

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

MEETINGS OF DIRECTORS

6.01. **Regular Meetings.** Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the directors. Notice of regular meetings shall be given to each director, personally or by mail, telephone or telegraph, not less than ten (10) nor more than sixty (60) days in advance of any meeting.

6.02. **Special Meetings.** Special meetings of the directors may be called by the President and must be called by the Secretary at the written request of one-third (1/3) of the votes of the Board. Not less than three (3) days notice of the meeting shall be given personally or by mail, telephone or telegraph, which notice shall state the time, place and purpose of the meeting.

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

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

6.05. **Quorum.** A quorum shall consist of the number of directors entitled to cast a majority of the votes of the entire Board of Directors. The acts of the directors approved by a majority of the votes present at a meeting at which a quorum is present shall constitute the acts of the Board of Directors. The joinder of a director in the action of a meeting by signing and concurring in the minutes thereof shall constitute the presence of such a director for the purpose of determining a quorum.

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

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

6.08. **Presiding Officer.** The presiding officer of directors' meetings shall be the President. In the absence of the President, the directors present shall designate one of their number to preside.

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

7.01. **Powers Defined.** The Board of Directors shall have the power to exercise all powers, duties, and authority vested in the Association by the Act, the Declaration, or these Bylaws, except for such powers and duties reserved thereby to the Members or the Developer.

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

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

7.04. **Order of Business.** The order of business at directors' meetings shall be:

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

OFFICERS

8.01. **Executive Officers.** The executive officers of the Association shall be a President, who shall be a director; a Vice President, who shall be a director; and a Secretary-Treasurer, who shall be a director, all of whom shall be elected annually by the Board of Directors and who may be peremptorily removed by vote of the directors at any meeting in accordance with the Act. Any Person may hold two (2) or more offices, except that the President shall not also be the Secretary. The Board of Directors shall from time to time elect such other officers and designate their powers and duties as the Board shall find to be required to manage the affairs of the Association.

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

8.03. Resignation and Removal. Any officer may be removed from office either with or without cause in accordance with the Act. Any officer may resign at any time by giving written notice to the Board. Such resignation shall take effect on the date of receipt or at any later time specified therein, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

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

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

8.06. President. The President, who shall be a director, is the chief executive officer of the Association, and shall have all the powers and duties that are usually vested in the office of President of a Resort association, including, but not limited to the following powers:

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

8.07. Vice President. The Vice President, who shall be a director, shall have all the powers and duties that are usually vested in the office of the Vice-President of a Resort association. The Vice President shall, in the absence of or disability of the President, exercise the powers and perform the duties of the President. He shall also generally assist the President and exercise such other powers and perform such other duties as shall be prescribed by the Board.

8.08. Secretary. The Secretary, who shall be a director, shall have all the powers and duties that are usually vested in the Secretary of a Resort association. The Secretary shall keep the minutes of all proceedings of the Board and the Members. He shall attend to the giving and serving of all notices to the Members and directors and other notices required by law. He shall have custody of the seal of the Association and affix the same to the instruments requiring a seal when duly signed. To sign as Secretary all deeds, contracts, all other instruments which have been duly approved by the Board, if said instrument requires the signature or attestation of the Secretary. He shall keep the records of the Association, except those of the Treasurer, and shall perform all other duties incident to the office of the Secretary of an Association as may be required by the directors or the President.

8.09. Treasurer. The Treasurer, who shall be a director, shall be the financial officer of the Association, and shall have all the powers and duties that are usually vested in the Treasurer of a Association. The Treasurer shall have custody of all property of the Association, including funds, securities, and evidences of indebtedness. He shall keep the financial records and books of account of the Association in

accordance with good accounting practices; shall keep detailed, accurate records in chronological order of the receipts and expenditures affecting the Common Elements and facilities, specifying and itemizing the maintenance and repair expenses of the Common Elements and facilities and any other expenses incurred; and he shall perform all other, duties incident to the office of the Treasurer. The records, books of account, and the vouchers authorizing payments, shall be available for examination by a Member of the Association at convenient hours of weekdays.

FISCAL MANAGEMENT

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

9.02. Budget. The Board shall adopt a budget for each calendar year in accordance with the Act, which shall include estimated Common Expenses, including a reasonable allowance for contingencies and reserves less the unneeded fund balances on hand. The budget shall also include reserve accounts for working capital expenditures, deferred maintenance, reserves and contingencies. The amount reserved shall be computed by means of a formula that is based on the estimated life and estimated replacement cost of each reserve item. The budget shall also set forth each Lot Owners proposed Assessments for Common Expenses. Copies of the budget and proposed Assessments shall be transmitted to each Member in accordance with the Act.

9.03. Adoption of the Annual Budget. The Board shall prepare or cause to be prepared a proposed annual budget for each fiscal year of the Association in accordance with the Act.

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

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

9.06. Lien for Expenses. If any Lot Owner shall fail or refuse to make any payment of the Common Expenses or other Assessments when due, the amount due, together with costs, reasonable attorney's fees, and interest thereon at a rate to be set by the Board but in no event greater than the eighteen percentage (18%) rate from and after the date said Common Expenses or other Assessments became due and

payable in accordance with the Declaration and the Act, shall constitute a lien on the interest of the Lot Owner in the property.

9.07. Acceleration of Assessment Installments Upon Default. If a Lot Owner shall be in default in the payment of an installment upon any Assessment for a period of more than thirty (30) days, the Board may accelerate the remaining installments of such Assessments upon notice thereof to the Lot Owner, and thereupon the unpaid balance of the Assessment shall come due upon the date stated in the notice, but not less than ten (10) days after delivery thereof to the Lot Owner, or not less than twenty (20) days' after the mailing of such notice to him by registered or certified mail, whichever shall first occur. Upon default in the payment of an installment upon any Assessment, the Board shall be entitled to charge interest and service charges at the highest available rate allowable under the Act.

9.08. Default. In the event an Lot Owner does not pay any sums, charges or Assessments required to be paid to the Association within thirty (30) days from the due date, the Association may foreclose the lien encumbering the Lot created by non-payment of the required moneys in accordance with the Act; provided that thirty (30) days prior notice of the intention to foreclose shall be mailed, postage prepaid, to the Lot Owner and to all Persons having a mortgage lien or other interest of record in such Lot as shown in the Association record of ownership. The Association shall be entitled to the appointment of a receiver, if it so requests. The Association shall have the right to bid on the Lot at a foreclosure sale and to acquire, hold, mortgage and convey the same. In any such foreclosure action, the lien of the Association shall be as stated in the Declaration. In lieu of foreclosing its lien, the Association may bring suit to recover a money judgment for any sums, charges or Assessments required to be paid to the Association without waiving its lien securing same. In any action either to foreclose its lien or to recover a money judgment, brought by or on behalf of the Association against a Lot Owner, the losing defendants shall pay the cost thereof together with a reasonable attorney's fee.

If the Association becomes the Lot Owner by reason of foreclosure, it shall offer said Lot and properties for sale and at such time as a sale is consummated it shall deduct from such proceeds all sums of money due it for monthly Assessments and charges, all costs incurred in the bringing of the foreclosure suit, including reasonable attorney's fees, and any and all expenses incurred in the resale of the Lot, which shall include but not be limited to advertising expenses, real estate brokerage fees and expenses necessary for the repairing and refurbishing of the Lot in question. All moneys remaining after deducting the foregoing items of expense shall be returned to the former Lot Owner in question.

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

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

9.11. Accounting Records. The Board shall cause to be kept, in accordance with generally accepted accounting principles, a record of all receipts and expenditures; and a separate account for each Lot

showing the Assessments or other charges due, the due dates thereof, the present balance due, and any interest in Common Surplus. Such records shall be open to inspection by Lot Owners at reasonable times.

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

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

OBLIGATIONS OF THE OWNERS

10.01. Assessments. Every Lot Owner in the Resort shall contribute pro rata toward the expense of administration of the Resort, as provided in the Declaration and in these Bylaws. Each Assessment against a Lot shall also be the personal obligation of the Lot Owner at the time the Assessment fell due. Such personal obligation shall not pass to successors in title unless assumed by such successors, or required by applicable law.

10.02. Maintenance and Repair. Every Lot Owner shall promptly perform all maintenance and repair work, as provided in the Articles, the Declaration or these Bylaws. A Lot Owner shall reimburse the Association for any expenditures incurred in repairing or replacing any Common Elements or facilities damaged through the Lot Owner's fault.

10.03. Use of Lots. All Lots shall be utilized in accordance with the provisions of the Declaration, these Bylaws and the Rules and Regulations of the Association.

RULES AND REGULATIONS

11.01. House Rules. The Board may from time to time, and subject to the provisions hereof providing for Developer control, adopt, modify, amend, or add to Rules and Regulation concerning the use of the Property. Copies of such Rules and Regulations, or any amendments, additions, or modifications, shall be delivered to each Lot Owner not less than fourteen (14) days prior to the effective date thereof. No rule or regulation that is in conflict with the Resort Documents shall be adopted.

AMENDMENTS TO THE BYLAWS

12.01. Adoption. These Bylaws may be amended only by the affirmative vote or agreement of the Lot Owners of at least sixty-seven percent (67%) of the Lots. Additionally, material changes to these Bylaws shall require the approval of Eligible Mortgagees who represent at least fifty-one percent (51%) of the Lots subject to mortgages held by Eligible Mortgagees.

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

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

MISCELLANEOUS

13.01. Construction. Wherever the context so permits, the singular shall include the plural, the plural shall include the singular, and the use of gender shall be deemed to include all genders.

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

13.03. Conflicts. In the event of any conflict between the provisions of the Declaration and the Bylaws, the Declaration prevails, except to the extent the Declaration is inconsistent with the Act.

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

13.05. Right of Entry. The manager and any person authorized by the Board shall have the right to enter each Lot in case of any emergency originating in or threatening such Lot whether or not the Lot Owner or Occupant is present at the time. Every Lot Owner and Occupant, when so required, shall permit other Lot Owners or their representatives to enter his Lot at reasonable times for the purpose of performing authorized installations, alterations, repairs to the Common Elements therein for central services provided that requests for entry are made in advance.

13.06. Parliamentary Rules. Roberts Rules of Order (latest edition) shall govern the conduct of Association meetings when not in conflict with the Act, Declaration or these Bylaws.

REGISTERED OFFICE AND AGENT

14.01. Name and Address. The location and mailing address of the initial registered office of TERRY COVE MOTORCOACH RESORT OWNERS ASSOCIATION, INC., is 821 Orange Beach Parkway, Orange Beach, Alabama 36542. The name of the corporation's initial registered agent at such address is Hammock Dunes, L.L.C.

The foregoing were adopted as the Bylaws of TERRY COVE MOTORCOACH RESORT OWNERS ASSOCIATION, INC., at the first meeting of the Board of Directors on the ____ day of ____
_____, 2004.

Secretary

Approved:

President

THIS INSTRUMENT PREPARED BY:

Richard E. Davis, Esquire
DAVIS & FIELDS, P.C.
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Daphne, Alabama 36526
(251) 621-1555

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