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DECLARATION OF CONDOMINIUM

OF BOOK 581 PAGE 25

OF

SANTA ROSA COUNTY, FLA.

BAHAMA BAY CLUB TOWNHOMES, A CONDOMINIUM

Gulf Breeze, Florida

THIS DECLARATION OF CONDOMINIUM is made this 21st day of January, 19 82, by PENSACOLA HOME AND SAVINGS ASSOCIATION, a Florida Corporation, hereinafter called "Developer", for itself, its successors, grantees and assigns.

WHEREIN, the Developer makes the following declarations:

1. PURPOSE: The purpose of this Declaration is to submit the lands described in this instrument and improvements on such lands to the condominium form of ownership and use in the manner provided by Chapter 718, Florida Statutes, as the same may be amended from time to time, herein fter called "The Condominium Act".

1.1 NAME AND ADDRESS: The name by which this Condominium is to be identified is Bahama Bay Club Townhomes, a Condominium, and its address is 201 Pensacola Beach Road, Gulf Breeze, Florida.

1.2 THE LAND: The land owned by the Developer, which by this instrument is submitted to the condominium form of ownership, is that certain land in Santa Rosa County, Florida described in Exhibit "A" attached hereto and by reference incorporated herein as if set forth herein in full, which land is hereafter called the "Land".

2. DEFINITIONS: The terms used in this Declaration and in its exhibits shall have the meanings stated in The Condominium Act and as follows unless the context otherwise requires:

2.1 Condominium means that form of ownership of real property which is created pursuant to The Condominium Act and which is comprised of units that may be owned by one or more persons, and their heirs, and there is appurtenant to each unit, an undivided share of the common elements.

2.2 Condominium Property means the lands and personal property that are subjected to condominium ownership, whether or not contiguous, and all improvements thereon and all easements and rights appurtenant thereto intended for use in connection with the condominium.

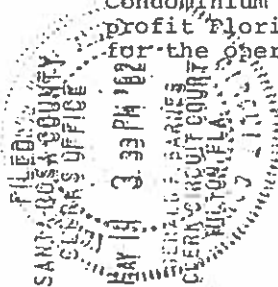
2.3 Condominium Parcel means a unit, together with the undivided share of the common elements which is appurtenant to the unit.

2.4 Unit means a part of the condominium property which is subject to exclusive ownership.

2.5 Unit Owner means the owner of a condominium parcel.

2.6 Association means Bahama Bay Club Townhomes Condominium Association of Gulf Breeze, Inc., a non-profit Florida corporation, which is the entity responsible for the operation of the Condominium.

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THIS INSTRUMENT WAS PREPARED BY:

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2.7 Assessment means a share of the funds required for the payment of common expenses which from time to time is assessed against the unit owner.

2.8 Common Elements means the portions of the condominium property not included in the units and the tangible personal property required for the maintenance and operation of the condominium, even though owned by the Association.

2.9 Common Expenses means all expenses and assessments properly incurred by the Association for the condominium and for which the unit owners are liable and include:

(A) Expenses of administration; expenses of insurance, maintenance, operation, repair or replacement of the common elements and limited common elements and any portion of the units to be maintained by the Association, including reasonable reserve for maintenance and replacement.

(B) Expenses declared to be common expenses by provisions of this Declaration or the By-Laws.

(C) Any valid charge against the Condominium Property as a whole.

(D) Charges for utility services except such services as are metered separately to each Unit.

2.10 Limited Common Elements means and includes those common elements which are reserved for the use of a certain unit to the exclusion of other units.

2.11 Utility Services as used in The Condominium Act and as construed with reference to this Condominium and as used in the Declaration and By-Laws, shall include but not be limited to electric power, gas, hot and cold water, heating, refrigeration, air conditioning, garbage and sewage disposal, telephone and cable television.

2.12 Institutional Mortgagee means a bank, savings and loan association, an insurance company, a real estate investment trust, a pension and profit sharing trust, a mortgage banker or broker, FHA and VA and their approved lenders and bankers, Federal National Mortgage Association (herein "FNMA"), Government National Mortgage Association (herein "GNMA"), Federal Home Loan Mortgage Corporation (herein "FHLMC"), and any agency of the United States of America, or other like business entity holding a mortgage on a unit.

2.13 Singular, Plural, Gender. Whenever the context so permits, the use of the plural shall include the singular, the singular the plural, and the use of any gender shall include all genders.

3. BAHAMA BAY CLUB TOWNHOMES, A CONDOMINIUM, DEVELOPMENT PLAN: The Condominium is described and established as follows:

3.1 Survey. A survey of the land showing the improvements on it is attached as Exhibit 1.

3.2 Plans-Improvements-General Description.

(A) Unit Buildings. The Condominium consists of 112 units located in 16 buildings. Each building is comprised of two floors with each unit being comprised of two floors. The Units and Buildings are more particularly described hereafter.

(B) Other Improvements. The Condominium includes grounds, landscaping, outside driveways and parking areas, one swimming pool, one tennis court, an office building, and club house building, all of which are located substantially as shown on the survey attached hereto as Exhibit 1 which are all part of the common elements.

3.3 Unit and Building Designation. The Buildings are designated as Buildings "A-I", "A-II", "A-III", "A-IV", "B-I", "B-II", "B-III", "B-IV", "C-I", "C-II", "C-III", "C-IV", "D-I", "D-II", "D-III", "D-IV", as more particularly shown on Exhibit 1. The Units within the Buildings are designated by a letter and a number as more particularly designated on the Building floor plans attached hereto as Exhibit(s) 1.

3.4 Plans. The improvements upon the land are constructed substantially in accordance with the graphic description of the improvements attached hereto as composite Exhibit(s) 1.

3.5 Number of Units in each Building. Each of the Buildings contain the following units:

<u>Buildings</u>	<u>Units</u>
A-I	A1, A2, A3, A4, A5, A6, A7
A-II	A8, A9, A10, A11, A12, A13, A14
A-III	A15, A16, A17, A18, A19, A20, A21, A22, A23
A-IV	A24, A25, A26, A27, A28
B-I	B1, B2, B3, B4, B5, B6, B7, B8, B9
B-II	B10, B11, B12, B13, B14, B15, B16
B-III	B17, B18, B19, B20, B21, B22, B23
B-IV	B24, B25, B26, B27, B28
C-I	C1, C2, C3, C4, C5, C6, C7
C-II	C8, C9, C10, C11, C12, C13, C14
C-III	C15, C16, C17, C18, C19, C20, C21, C22, C23
C-IV	C24, C25, C26, C27, C28
D-I	D1, D2, D3, D4, D5, D6, D7, D8, D9
D-II	D10, D11, D12, D13, D14, D15, D16
D-III	D17, D18, D19, D20, D21, D22, D23
D-IV	D24, D25, D26, D27, D28

3.6 Amendment of Plans.

(A) Alteration of Plans. Developer reserves the right to change the interior design and arrangement of all units, to alter the boundaries between units, and to change the arrangement of units within the buildings, as long as Developer owns the units so altered. No such change shall increase the number of units nor alter the boundaries

of the common elements, except as caused by minor increases in the building sizes caused by the change in the unit or unit arrangement, without amendment of this Declaration by approval of the Association, unit owners, and owners of mortgages in the manner elsewhere provided. If Developer shall make any changes in units so authorized, such changes shall be reflected by an amendment of this Declaration. If more than one unit is concerned, the Developer shall apportion between the units the shares in the common elements appurtenant to the units concerned.

(B) Amendment of Declaration. An amendment of this Declaration reflecting such authorized alteration of unit and building plans by Developer need be signed and acknowledged only by the Developer and need not be approved by the Association, unit owners or lienors or mortgages of units or the condominium, whether or not elsewhere required for an amendment.

3.7 Easements. Easements are hereby reserved and granted through the Condominium property as follows:

(A) Easements are reserved through the Condominium property as may be required for utility services in order to serve the Condominium adequately; provided, however, such easements through a unit shall be only according to the plans and specifications for the unit buildings, or as the buildings are actually constructed, unless approved in writing by the unit owner. The unit owner shall do nothing within or outside his unit that interferes with or impairs the utility services using the easements.

(B) Nonexclusive easements are created for each unit owner (and reserved) for ingress and egress between the units and the public roads and streets serving the Condominium, over the walks, rights of way, driveways, parking areas, and other portions of the common elements of the Condominium. Such easements for ingress and egress shall be encumbered only to the extent and in the manner provided by the Condominium Act.

(C) If any part of the common elements encroaches, or shall hereafter encroach upon a unit, an easement for such encroachment and for the maintenance for the same shall and does exist. If any part of the unit encroaches or shall hereafter encroach upon the common elements, or upon another unit, the owner of that unit shall and does have the easement for such encroachment and for the maintenance for the same. Such encroachment shall not be considered to be an encumbrance, either on the common elements or on any unit. Encroachments referred to herein include, but are not limited to, encroachments caused by errors in the original construction of the buildings, by error in the Condominium map, by settling, rising or shifting of the earth, or by changes in position caused by repair or reconstruction of the project or any part thereof.

(D) Some of the common elements are or may be located within a unit or may be conveniently accessible only through a unit. The Association and each owner shall have an easement, which may be exercised for any owner by the Association as his agent, for access through each unit, and to all common elements, from time to time during such reasonable hours as may be necessary for maintenance, repair or replacement of any of the common elements located therein or accessible therefrom or for making emergency repairs necessary to prevent damage to the common elements or to other units.

(E) The Developer by virtue of the execution of this Declaration hereby reserves for the benefit of the Developer, its successors, assigns and designees an easement over, across and upon the common elements of the Condominium for the purpose of completion of construction to the improvements constituting the Condominium, for landscaping of the common elements, for the purpose of doing all things as may be necessary for the completion of construction of improvements, landscaping of the real property described herein and improvements located thereon, and sale of the Condominium units, for the purpose of making repairs required pursuant to the Declaration or contracts of sale made with unit owners, for the purpose of maintaining facilities in the common area which are reasonably necessary to market the units including sales and management offices, model units, parking areas, and advertising signs, and for the purpose of constructing, promoting, advertising, selling and maintaining unsold units in accordance with the plans provided for in this Declaration.

(F) The easements and other rights created herein for a unit owner shall be appurtenant to the unit of that owner and all conveyances of title to the unit shall include a conveyance of the easements and rights as are herein provided, even though no specific reference to such easements and rights appears in any such instrument.

3.8 Unit Boundaries. Each unit shall include that part of the building containing the unit which lies within the boundaries of the unit, which boundaries are as follows:

(A) Upper and Lower Boundaries. The upper and lower boundaries of the units shall be the following boundaries extended to an intersection with the perimetrical boundaries:

(1) Upper Boundary. The horizontal plane of the undecorated finished ceiling.

(2) Lower Boundary. The horizontal plane of the undecorated finished floor.

(B) Perimetrical Boundaries. The perimetrical boundaries of the unit shall be the vertical planes of the undecorated finished interior of the walls bounding the unit extended to intersections with each other and with the upper and lower boundaries (including the finished interior of the walls encompassing any patio or balcony serving such unit) with the following exception: When the vertical planes of the undecorated finished interior of bounding walls do not intersect with each other on the undecorated interior surfaces of the bounding walls or within an intervening partition, the vertical planes of the undecorated finished interior surfaces of bounding walls shall be extended to intersect with the plane of the center line of the intervening partition and that plane shall be one of the perimetrical boundaries of the unit.

3.9 Common Elements. The common elements include the land and all parts of the Condominium not within the units and include but are not limited to the following items as to which the Association shall have the powers indicated:

(A) Outdoor Parking & Driveways. Availability and charges for outdoor parking shall be by regulation of the Association. Parking areas will not be assigned but will be available pursuant to the regulations of the Association. A non-exclusive easement of ingress and egress in accordance with Easement Agreement dated September 3, 1980 and recorded in Official Record Book 521, at page 258, as assigned in Official Record Book 547, at page 678, of the public records of Santa

Rosa County, Florida.

(B) All exterior lighting, except for lights on the patio of each unit and above the front door of each unit, all exterior showers and exterior water faucets; and the central television antenna system, if there be such a system. The Office and Laundry Building, the Club House Building, the swimming pool, the tennis court, and all personal property located thereon or used in connection therewith for the common use of all unit owners. All easements granted or reserved for the common use, benefit and enjoyment of all unit owners in the Condominium.

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3.10 Limited Common Elements. Limited common elements, as the term is used herein, shall mean and comprise the common elements which are reserved herein, or assigned, or granted separately herefrom, for the use of a certain unit to the exclusion of other units, and shall include:

(A) To each unit in the Condominium, the patio, patio area, and fenced-in area contiguous to the exterior of and serving only that unit, including the wood fence around the fenced-in area, and the front sidewalk and paved area contiguous to the exterior of and serving only that unit; and

(B) To each unit in the Condominium, the heat pump unit (HVAC) equipment serving only that unit.

4. THE UNITS. The units of the Condominium are described more particularly and the rights and obligations of their owners established as follows:

4.1 Typical Unit Plan. There is one typical unit floor plan (two bedrooms) which is described by the floor plans attached hereto as Exhibit(s) 1, and as described generally below:

<u>Unit</u>	<u>Containing</u>
Two Bedroom Unit Floor Plan	On the second floor there are two bedrooms and one full bath. On the first floor there is a half bath, a kitchen, laundry closet, living and dining area, foyer, hall and stairs, covered patio and storage area on patio.

4.2 Unit Identification. The units within the building are designated by letters and numbers as set forth on the graphic description of the improvements attached hereto as composite Exhibit 1.

4.3 Appurtenances to Units. The owner of each unit shall own a share and certain interests in the condominium property, which share and interest is appurtenant to his unit, including but not limited to the following items that are appurtenant to the several units as indicated:

(A) Common Elements and Common Surplus. The undivided share in the land and other common elements and in the common surplus which are appurtenant to each unit is as set forth in Exhibit D.

(B) Association Membership. The membership of each Unit Owner in the Association and the interest of each Unit Owner in the funds and assets held by the Association.

(C) Automobile Parking Spaces. Automobile parking spaces will be made available so that two automobile parking spaces will be available for use by each Unit Owner according to such reasonable rules and regulations as may from time to time be promulgated by the Association; provided, that at all times, each Unit Owner shall be entitled to the use of one automobile parking spaces without charge.

(D) Voting. Each unit shall be entitled to one vote, said vote to be cast by the Unit Owner in the manner prescribed by the By-Laws of the Association.

4.4 Liability for Common Expenses. Each Unit Owner shall be liable for a proportionate share of the common expenses, such share being the same as the undivided share in the common elements appurtenant to his unit. Common expenses attributable to any unit owned by the Association, if there be any such unit, shall be part of the common expense of the condominium divided among the other unit owners in accordance with their percentage interest as described above.

5. BAHAMA BAY CLUB TOWNHOMES, A CONDOMINIUM, DEVELOPMENT PLAN DOES NOT INCLUDE A PLAN FOR PHASE DEVELOPMENT.

6. MAINTENANCE, ALTERATION AND IMPROVEMENT: Responsibility for the maintenance of the condominium property, and restrictions upon the alterations and improvements thereof shall be as follows:

6.1 Limited Common Elements.

(A) By the Unit Owner: The responsibility of a Unit Owner shall be as follows:

(1) To keep clean and in orderly condition those limited common elements which are assigned or granted to his unit to the exclusion of other units. The cost shall be borne by the owner or owners of the unit to which the same are appurtenant.

(2) To maintain, repair and replace at his expense the heat pump unit (HVAC), and all of its parts, serving only his unit.

(B) By the Association: Except for those items that are the responsibility of the Unit Owner, the Association shall maintain, repair and replace at the Association's expense the common limited elements.

6.2 Units.

(A) By the Association: The Association shall maintain, repair and replace at the Association's expense:

(1) All portions of a unit, except interior surfaces, contributing to the support of the condominium building, which portions shall include the outside walls of each condominium building and all fixtures on the exterior thereof, (including exterior of doors, windows, patios and wood fences, which may be a part of the units), boundary walls of units, floor and ceiling slabs, load-bearing columns and load-bearing walls; and

(2) All conduits, ducts, plumbing, wiring and other facilities for the furnishing of utility services which are contained in the portions of a unit maintained by the Association; and all such facilities contained within a unit which serve part or parts of the condominium other than the unit within which contained.

(3) All portions of a unit which are damaged as a result of a casualty for which the Association has secured insurance coverage.

(4) All incidental damage caused to a unit by such work shall be promptly repaired at the expense of the Association.

(5) Provided, however, the Association shall have authority to require Unit Owners at their expense to maintain, repair and replace screens and glass for windows and doors within their respective units except in case of damage for which insurance proceeds are paid under policies purchased by the Association.

(B) By the Unit Owner: The responsibility of a unit owner shall be as follows:

(1) To maintain, repair and replace at his expense all portions of his unit except, the portions to be maintained, repaired and replaced by the Association, or, in the event of damage resulting from casualty, that portion for which the Association has secured insurance coverage. Such shall be done without disturbing the rights of other unit owners.

(2) Except in the event of damage resulting from casualty for which the Association has secured insurance coverage, the portions of a unit to be maintained, repaired and replaced by a unit owner at his expense shall include but not be limited to the following: compressor and air handling equipment for space cooling and heating; service equipment such as refrigerator, dishwasher, disposal, oven and stove, and hot water heater, if any, whether or not built in; interior fixtures such as electrical and plumbing fixtures; floor coverings except the floor slab; and inside paint, wallpaper and other inside wall finishes, and such other appliances and equipment, such as a compactor, as may be brought into the unit by the owner.

(3) Notwithstanding anything above to the contrary, to reimburse the Association for its repair and replacement of any damage to any portion of the condominium property that the owner would be legally responsible for under State law and caused by the negligence of the owner, his assigns, or lessees and such sums due from any owner to the Association shall be a lien against said owner's unit until paid, with said lien being enforceable under the same provisions relating to the enforcement of assessments.

(4) Not to paint or otherwise decorate or change the appearance of any portion of the exterior of the condominium building, including doors, windows, patios, and fences in any manner whatsoever.

(5) To promptly report to the Association any defect or need for repairs for which the Association is responsible.

(C) Alteration and Improvement: Except as elsewhere reserved to Developer, neither a unit owner nor the Association shall make any alteration in the portions of a unit or condominium building that is to be maintained by the Association, or remove any portion of such, or make any addition to them, or do anything that would jeopardize the safety or soundness of a condominium building, or impair any easement, without first obtaining approval in writing of owners of all units in which such work is to be done and the approval of the board of directors of the Association. A

copy of plans of all such work prepared by an architect licensed to practice in this state shall be filed with the Association prior to the start of the work.

6.3 Common Elements.

(A) By the Association. The maintenance and operation of the common elements shall be the responsibility of the Association and a common expense.

(B) Alteration and Improvement. After the completion of the improvements included in the common elements contemplated by this Declaration, there shall be no additions and no alteration nor further improvement of the real property constituting the common elements without prior approval in writing of the owners of not less than 70% of the common elements except as provided by the By-Laws. Any such alterations or improvements shall not interfere with the rights of any unit owners without their consent. There shall be no change in the shares and rights of a unit owner in the common elements altered or further improved, whether or not the unit owner contributes to the cost of such alteration or improvements. The cost of such work shall not be assessed against an institutional mortgagee that acquires its title as the result of owning a mortgage upon the unit owned, unless such institutional mortgagee shall approve the alteration or improvement, and this shall be so whether the title is acquired by deed from the mortgagor or through foreclosure proceedings. The share of any cost not so assessed shall be assessed to the other unit owners in the shares that their shares in the common elements bear to each other.

7. ASSESSMENT. The making and collection of assessments against unit owners for common expenses shall be pursuant to the By-Laws and subject to the following provisions:

7.1 Share of Common Expense. Each unit owner shall be liable for a proportionate share of the common expenses, and shall share in the common surplus, such share being the same as the undivided share in the common elements appurtenant to the unit owned by him.

7.2 Interest; Application of Payments. Assessments and installments on such assessments paid on or before 10 days after the date when due shall not bear interest, but all sums not paid on or before 10 days after the date when due shall bear interest at the maximum legal rate per annum from the date when due until paid. All payments upon account shall be first applied to interest and then to assessment payments first due.

7.3 Lien for Assessments. Each unit shall be subject to a lien in favor of the Association for unpaid assessments, which lien shall also secure reasonable attorney's fees, including but not limited to, fees for appellate court representation, incurred by the Association incident to the collection of such assessments or enforcement of such lien. All such liens shall be effective from and after recording a claim of lien in the public records of Santa Rosa County, Florida stating the description of the condominium unit, the name of the record owner, the amount due, and the due dates. All such assessments, together with interest, costs, and attorney's fees, shall also be the personal obligation of the person who was the owner of such unit at the time the assessment fell due. The personal obligation for delinquent assessments shall not pass to successors in title or interest unless assumed by them, but the unit shall continue to be subject to the lien.

7.4 Rental Pending Foreclosure. In any foreclosure of a lien for assessments, the owner of the unit subject to the lien shall be required to pay a reasonable rental for the unit, and the Association shall be entitled to appointment of a receiver to collect the same.

7.5 First Mortgage of Record. Any lien of the Association for assessments becoming payable after the date of recordation of the first mortgage shall be subordinate to the first mortgage on the unit. When the institutional mortgagee of a first mortgage of record, or other purchaser, of a condominium unit obtains title to the condominium parcel as a result of foreclosure of the first mortgage, or, as a result of a deed given in lieu of foreclosure, such acquirer of title and his successors and assigns shall not be liable for the share of common expenses or assessments by the Association pertaining to such condominium parcel or chargeable to the former unit owner of such parcel which became due prior to acquisition of title as a result of the foreclosure, or deed in lieu of foreclosure, unless such share is secured by a claim of lien for assessments that is recorded prior to the recording of the foreclosed mortgage, and such subordinate lien shall be extinguished. Any such sale or transfer pursuant to a foreclosure shall not relieve the purchaser or transferee of a unit from liability for, nor the unit so sold or transferred from the lien of, any assessments thereafter becoming due.

7.6 Developer's Obligation for Assessment. The Developer, or other person owning condominium units, shall be excused from the payment of its share of the common expense with respect to those units during such period of time that it shall have guaranteed that the assessment for common expenses of the condominium imposed on the unit owners other than the Developer or such other person making the guarantee shall not increase over \$ 88.54 per month, and obligates itself to pay any amount of common expenses incurred during that period and not produced by the assessments at the guaranteed level receivable from other unit owners. The period of guarantee shall be from the date of the recording of this Declaration until the sales of 90 of the units have been closed or for one year from the date of recording, whichever occurs first.

8. ASSOCIATION. The operation of the condominium shall be by Bahama Bay Club Townhomes Condominium Association of Gulf Breeze, Inc. a Florida non-profit corporation, which shall fulfill its functions pursuant to the following provisions:

8.1 Articles of Incorporation. A copy of the Articles of Incorporation of the Association is attached as Exhibit B.

8.2 By-Laws. The By-Laws of the Association shall be the By-Laws of the condominium, a copy of which is attached as Exhibit C.

8.3 Limitation upon Liability of Association. Notwithstanding the duty of the Association to maintain and repair parts of the condominium property, the Association shall not be liable to unit owners for injury or damage, other than the cost of maintenance and repair, caused by any latent condition of the property to be maintained and repaired by the Association, or caused by the elements or other owners or persons.

8.4 Restraint Upon Assignment of Shares and 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 unit.

8.5 Approval or Disapproval of Matters. Whenever the decision of a unit owner is required upon any matter, whether or not the subject of an Association meeting, such decision shall be expressed by the same person who would cast the vote of such owner if in an Association meeting, unless the joinder of record owners is specifically required by this Declaration.

8.6 Roster of Unit Owners and Mortgagees:

(A) Unit Owners: The Association shall maintain a roster of unit owners which shall include the mailing addresses of the unit owners and which shall be furnished to the owners and institutional mortgagees of the units from time to time.

(B) Mortgagees: The Association shall maintain a roster which shall contain the name and address of each owner and holder of a mortgage upon a unit in the condominium, of which notice is given to the Association. The Association shall give written notification to every first mortgagee that requests the same of any default by the mortgagor of such unit in the performance of such mortgagor's obligations under the condominium documents which is not cured within 30 days.

8.7 No unit owner, except as an officer of the Association, shall have any authority to act for the Association.

8.8 Indemnification. Every director and officer of the Association shall be indemnified by the Association against all expenses and liabilities, including counsel fees, reasonably incurred by or imposed upon him in connection with any proceeding or any settlement of 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, provided that in the event of a settlement the indemnification shall apply only when the Board of Directors approves such settlement and reimbursement as being for the best interests of the Association. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such director or officer may be entitled. The cost of the indemnification shall be a common expense. Provided, however, that the indemnification provided by this provision shall not cover or pertain to criminal or fraudulent actions of a director or officer.

8.9 The powers and duties of the Association shall include those set forth in the By-Laws attached hereto as Exhibit C and in addition thereto the Association shall have authority to prescribe such reasonable rules and regulations as it shall from time to time consider essential to the operation of the condominium as a safe, enjoyable place for all occupants to live.

9. INSURANCE: The insurance, other than title insurance that may be carried upon the condominium property and other than the insurance upon the property of the unit owners, shall be governed by the following provisions:

9.1 Authority to Purchase: Named Insured. All insurance policies upon the condominium property shall be purchased by the Association. The named insured shall be the Association individually and as agent for the unit owners, without naming them, and as agent for their mortgagees. Provision shall be made for the issuance of mortgagee endorsements and memoranda of insurance to the mortgagees of unit owners. Such policies shall provide that payments by the insurer for losses shall be made to the Insurance Trustee designated below, and all policies and their endorsements shall be deposited with the Insurance Trustee and copies retained by the Association. Unit owners may obtain coverage at their own expense upon their personal property, for their personal liability and living expense, and all other coverage that they so desire.

A copy of each insurance policy and of all endorsements on it shall be furnished by the Association to each mortgagee who holds mortgages upon units covered by the policy. The copies shall be furnished not less than 10 days prior to the beginning of the term of the policy or not less than 10 days prior to the expiration of each preceding policy that is being renewed or replaced, whichever date shall first occur.

9.2 Coverage.

(A) Casualty. All buildings and improvements upon the land, including fixtures, shall be insured in an amount equal to the maximum insurable replacement value, excluding foundation and excavation costs, (the hazard insurance policy shall contain a Replacement Cost Endorsement), and all personal property included in the common elements shall be insured for its value, all as determined annually by the board of directors of the Association. Such coverage shall afford protection against:

1. Loss or damage by fire and other hazards or perils covered by a standard extended coverage endorsement and standard "all-risk" endorsement; and
2. Such other risks as from time to time shall be customarily covered with respect to buildings similar in construction, location and use as the building on the land, including but not limited to vandalism and malicious mischief and flood insurance.
3. Insurance policies providing casualty coverage pursuant to the above provisions shall provide that the word "building" wherever used in the policy shall include, but shall not necessarily be limited to, fixtures, installations, additions, or appliances comprising that part of the building within the unfinished interior surfaces of the perimeter walls, floors and ceilings of the individual units initially installed or replacements thereof, in accordance with the original plans and specifications. With respect to the coverage provided for by this paragraph, the unit owners shall be considered additional insureds under the policy. Further, such policies, when appropriate and possible, shall waive the insurer's right to (a) subrogation against the Association and against the unit owners individually and as a group; (b) benefit of the prorata clause that reserves to the insurer the right to pay only a fraction of any loss if

other insurance carriers have issued coverage upon the same risk; and (c) avoid liability for a loss that is caused by an act of the board of directors of the Association, or by a member of the board of directors of the Association or by one or more unit owners. The policies must contain an Agreed Amount and Inflation Guard Endorsement if available.

(B) Liability Insurance. Public liability insurance in such amounts and with such coverage as shall be required by the board of directors of the Association, and as shall be required by FHA, VA, FNMA, and FHLMC, or any of the foregoing, that holds, owns, insures or guarantees a mortgage on any unit within the condominium. Coverage under the policy shall include but not be limited to, legal liability of the insureds for property damage, bodily injury and deaths of persons in connection with the operation, maintenance, use or ownership of the common elements, and legal liability arising out of law suits related to employment contracts of the Association. The policy shall provide that it may not be cancelled or substantially modified, by any party, without at least ten days prior written notice to the Association and to each institutional mortgagee of a first mortgage on any unit in the condominium which is listed as a scheduled holder of a first mortgage in the insurance policy. The policy shall also include but not be limited to hired automobile and non-owned automobile coverage, and with cross liability endorsement to cover the liabilities of the unit owners as a group to a unit owner. The coverage must be for at least \$1,000,000.00 for a single occurrence.

(C) Workmen's Compensation. Workmen's Compensation Policy, if required, to meet the requirements of law.

(D) Fidelity Bonds. The Association shall maintain blanket fidelity bonds for all officers, directors and employees of the Association and all other persons handling, or responsible for, funds of or administered by the Association, except in the event where a management agent has the responsibility for handling or administering the funds of the Association in which case 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 owner's association. Any such fidelity bonds shall name the Association as an obligee and shall not be for 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 time during the term of the bond, provided, however, that in no event may the aggregate amount of such bonds be less than a sum equal to three months aggregate assessments on all units plus reserve funds. 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 bonds shall provide that they may not be cancelled or substantially modified (including cancellation for non-payment of premium) without at least ten days prior written notice to the Association or Insurance Trustee and each institutional mortgagee of a first mortgage on any unit in the condominium which is listed on the roster of mortgagees that is held, owned, insured or guaranteed by either FHA, VA, FNMA, or FHLMC, and with respect to a FNMA mortgage, the FNMA Servicer shall also receive notice.

(E) Officers and Directors Liability Insurance.

The Association shall maintain insurance in such amounts, from such sources, and in such form as the board of directors shall determine from time to time to be desirable, insuring each member of the board of directors and each of the officers of the Association from liability arising from the fact that the said person or persons is or was a Director or Officer.

(F) Such other insurance as the board of directors of the Association shall determine from time to time to be desirable.

(G) All insurance policies and bonds shall be from generally acceptable insurance carriers, and all such insurance policies must provide that they may not be cancelled or substantially modified, without at least ten days' prior written notice to the Association and to each holder of a first mortgage listed as a scheduled holder of a first mortgage in the policy.

9.3 Premiums. Premiums upon insurance policies purchased by the Association shall be paid by the Association as a common expense. Not less than 10 days prior to the date when a premium is due, evidence of the payment shall be furnished by the Association to each mortgagee listed in the roster of mortgages. Any institutional mortgagee may require that the insurance premium due on any unit on which it has a mortgage be escrowed with it and that the insurance premium due for that unit be made payable annually from the institutional mortgagee to the Association, or require proof of payment by the unit owner.

9.4 Insurance Trustees; Shares of Proceeds. All insurance policies purchased by the Association shall be for the benefit of the Association and the unit owners and their mortgagees as their interests may appear, and shall provide that all proceeds covering property losses shall be paid to such bank in Florida with trust powers as may be designated as insurance trustee by the board of directors of the Association, which trustee is referred to in this instrument as the Insurance Trustee. The Insurance Trustee shall not be liable for payment of premiums nor for the renewal or the sufficiency of policies nor for the failure to collect any insurance proceeds. The duty of the Insurance Trustee shall be to receive such proceeds as are paid and hold the proceeds in trust for the purposes elsewhere stated in this instrument and for the benefit of the unit owners and their mortgagees and the Association in the following shares, but which shares need not be set forth on the records of the Insurance Trustee:

(A) Common Elements. Proceeds on account of damage to common elements shall be held for the benefit of the Association, all unit owners, and all mortgagees, as their respective interests may appear.

(B) Units. Proceeds on account of damage to units shall be held in the following undivided shares:

(1) When the building is to be restored, for the owners of damaged units in proportion to the cost of repairing the damage suffered by each unit owner, which cost shall be determined by the Association.

(2) When the building is not to be restored, an undivided share for each unit owner, such share being the same as the undivided share in the common elements appurtenant to his unit.

(C) Mortgagee. In the event a mortgagee endorsement has been issued as to a unit, the share of the unit owner shall be held in trust for the mortgagee and the unit owner as their interests may appear; provided, however, that no mortgagee shall have any right to apply or have applied to the reduction of a mortgage debt any insurance proceeds except distributions of such proceeds made to the unit owner and mortgagee pursuant to the provisions of this Declaration.

9.5 Distribution of Proceeds. Proceeds of insurance policies received by the Insurance Trustee shall be distributed to or for the benefit of the beneficial owners in the following manner:

(A) Expense of the Trust. All expenses of the Insurance Trustee shall be paid first, or provision made for such payment.

(B) Reconstruction or Repair. If the damage for which the proceeds are paid is to be repaired or reconstructed, the remaining proceeds shall be paid to defray the cost of such as elsewhere provided. Any proceeds remaining after defraying such costs shall be distributed to the beneficial owners, remittances to unit owners and their mortgagees being payable jointly to them. This is a covenant for the benefit of any mortgagee of a unit and may be enforced by such mortgagee.

(C) Failure to Reconstruct or Repair. If it is determined in the manner elsewhere provided that the damage for which proceeds are paid shall not be reconstructed or repaired, the remaining insurance proceeds shall be used first to satisfy the liens of existing mortgagees and second, to accomplish the leveling and cleaning of the property and the hauling away of any debris which may remain. Any remaining insurance proceeds shall be distributed to the beneficial owners. This provision is a covenant for the benefit of any mortgagee of a unit and may be enforced by such mortgagee.

(D) Certificate. In making distribution to unit owners and their mortgagees, the Insurance Trustee may rely upon a certificate of the Association made by its President and Secretary as to the names of the unit owners, but with respect to mortgagees of any units, the Insurance Trustee must include on disbursement checks for any units, the names of all mortgagees giving notice to the Insurance Trustee that they have a mortgage on said units and the names of all mortgagees reflected on any mortgagee endorsements or memoranda of insurance issued with respect to said units and all mortgagees shown on the roster of mortgagees maintained by the Association.

9.6 Association as Agent. The Association is irrevocably appointed agent for each unit owner and for each owner of a mortgage or other lien upon a unit and for each owner of any other interest in the condominium property to adjust all claims arising under insurance policies purchased by the Association and to execute and deliver releases upon the payment of claims.

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10. RECONSTRUCTION OR REPAIR AFTER CASUALTY.

10.1 Determination to reconstruct or repair. If any part of the condominium property shall be damaged by casualty, whether or not it shall be reconstructed or repaired shall be determined in the following manner:

(A) Common Element. If the damaged improvement is a common element, other than a condominium building, the damaged property shall be reconstructed or repaired, unless it is determined in the manner elsewhere provided that the condominium shall be terminated.

(B) Condominium Building. If the damaged improvement is a condominium building, the damaged property shall be reconstructed or repaired unless within 60 days after the casualty it is determined by agreement in the manner elsewhere provided that the condominium shall be terminated.

10.2 Plans and Specification. Any reconstruction or repair must be substantially in accordance with the plans and specifications for the original building, portions of which are attached as exhibits; or if not, then according to plans and specifications approved by the board of directors of the Association, and if the damaged property is a condominium building, by the owners of not less than 75% of the common elements, including the owners of all damaged units, and the institutional mortgagees of all mortgages covering said units, which approval shall not be unreasonably withheld.

10.3 Responsibility. If the damage is not the result of a casualty for which the Association has secured insurance coverage and is only to those parts of a unit for which the responsibility of maintenance and repair is that of the unit owner, then the unit owner shall be responsible for reconstruction and repair after casualty. In all other instances the responsibility of reconstruction and repair after casualty shall be that of the Association.

10.4 Estimates of Costs. Immediately after damage to property for which the Association has the responsibility for reconstruction and repair, the Association shall obtain reliable and detailed estimates of the cost to rebuild or repair.

10.5 Assessments. If the proceeds of insurance are not sufficient to defray the estimated costs of reconstruction and repair by the Association, or if at any time during reconstruction and repair, or upon completion of reconstruction and repair, the funds for the payment of the costs of reconstruction and repair are insufficient, assessments shall be made against all unit owners in sufficient amounts to provide funds for the payment of such costs. Such assessments shall be in proportion to the owner's share in the common elements.

10.6 Construction Funds. The funds for payment of costs of reconstruction and repair after casualty, which shall consist of proceeds of insurance held by the Insurance Trustee and funds collected by the Association from assessments against unit owners, shall be disbursed in payment of such costs in the following manner:

(A) Association. If the total of assessments made by the Association in order to provide funds for payment of costs of reconstruction and repair that is the responsibility of the Association is more than \$10,000.00, then the sums paid upon such assessments shall be deposited by the Association with the Insurance Trustee. In all other cases the Association shall hold the sums paid upon such assessment and disburse them in payment of the costs of reconstruction and repair.

(B) Insurance Trustee. The proceeds of insurance collected on account of a casualty, and the sums deposited with the Insurance Trustee by the Association from collections of assessments against unit owners on account of such casualty, shall constitute a construction fund which shall be disbursed in payment of the costs of reconstruction and repair in the following manner and order:

1. Association - Lesser Damage. If the amount of the estimated costs of reconstruction and repair that is the responsibility of the Association is less than \$10,000.00, then the construction fund shall be disbursed in payment of such costs upon the order of the Association; provided, however, that upon request to the Insurance Trustee by a mortgagee that is a beneficiary of an insurance policy, the proceeds of which are included in the construction fund, such funds shall be disbursed in the manner provided for the reconstruction and repair of major damage.

2. Association - Major Damage. If the amount of the estimated costs of reconstruction and repair that is the responsibility of the Association is more than \$10,000.00, then the construction fund shall be disbursed in payment of such costs in the manner required by the board of directors of the Association and upon approval of an architect qualified to practice in Florida and employed by the Association to supervise the work.

3. Unit Owner. The portion of insurance proceeds representing damage for which the responsibility of reconstruction and repair lies with a unit owner shall be paid by the Insurance Trustee to the unit owner, or if there is a mortgagee endorsement as to the unit, then to the unit owner and the mortgagee jointly, who must use such proceeds for such reconstruction and repair.

4. Surplus. It shall be presumed that the first moneys disbursed in payment of costs of reconstruction and repair shall be from insurance proceeds. If there is a balance in a construction fund after payment of all costs of the reconstruction and repair for which the fund is established, such balance shall be distributed to the beneficial owners of the fund in the manner elsewhere stated; except, however, that the part of a distribution to a beneficial owner that is not in excess of assessments paid by such owners into the construction fund shall not be made payable to any mortgagee.

5. Certificate. Notwithstanding the provisions of this instrument, the Insurance Trustee shall not be required to determine whether or not sums paid by the unit owners upon assessments shall be deposited by the Association with the Insurance Trustee, nor to determine whether the disbursements from the construction fund are to be upon the order of the Association or upon approval of an architect or otherwise, nor whether a disbursement is to be made from the construction fund, nor to determine the payee nor the amount to be paid. Instead, the Insurance Trustee

may rely upon a certificate of the Association made by its President and Secretary as to any or all of such matters and stating that the sums to be paid are due and properly payable and stating the name of the payee and the amount to be paid; provided that when a mortgagee is required in this instrument to be named as payee, the Insurance Trustee shall also name the mortgagee as a payee of any distribution of insurance proceeds to a unit owner; and further provided that when the Association, or a mortgagee that is the beneficiary of an insurance policy whose proceeds are included in the construction fund, so requires, the approval of an architect named by the Association shall be first obtained by the Association upon disbursements in payment of costs of reconstruction and repair.

11. USE RESTRICTIONS: The use of the condominium property shall be in accordance with the following provisions as long as the condominium exists and a condominium building in useful condition exists upon the land.

11.1 Units. Each of the units shall be occupied only by a family, its servants, guests, and lessees, as a residence and for no other purpose. Except as reserved to Developer, no unit may be divided or subdivided into a smaller unit nor any portion sold or otherwise transferred without first amending this Declaration to show the changes in the units to be affected.

11.2 Common Elements. The common elements shall be used only for the purposes for which they are intended in the furnishing of services and facilities for the enjoyment of the units.

11.3 Nuisances. No nuisances shall be allowed upon the condominium property, nor any use or practice that is the source of annoyance to residents or which interferes with the peaceful possession and proper use of the property by its residents. All parts of the condominium shall be kept in a clean and sanitary condition, and no rubbish, refuse or garbage allowed to accumulate nor any fire hazard allowed to exist. No unit owner shall permit clothes, towels, or other items of personal property to be hung, draped or otherwise displayed on the unit's patio or fence for the purpose of drying or for any other purpose in a manner which would allow said clothing, towel or other personal property to be viewed by any other person occupying or using the condominium. No unit owner shall erect, maintain or use a clothes line. No unit owner shall permit bicycles, or similar equipment, or other materials or personal property to be stored or accumulated around the front door of his unit. All unit owners shall keep and maintain their patio and other limited common elements appurtenant to the unit in a clean and presentable condition. No unit owner shall permit any use of his unit or make any use of the common elements that will increase the cost of insurance upon the condominium property. No unit owner shall permit any noise to originate from his unit that would be an annoyance or nuisance to occupants of adjoining units, including, but not limited to noise from radios, record players, stereos, musical instruments, singing, dogs, and cats.

11.4 Lawful Use. No immoral, improper, offensive or unlawful use shall be made of the condominium property nor any part of it; and all valid laws, zoning ordinances and regulations of all governmental bodies having jurisdiction shall be observed. The responsibility of meeting the requirements of governmental bodies for maintenance, modification or repair of the condominium property shall be the same as the responsibility for the maintenance and repair of the property concerned. All unit owners must properly dispose of their garbage by wrapping the same in plastic bags and depositing the bags in the dumpsters provided on the condominium property.

11.5 Leasing. Entire units may be rented provided that the unit is used only as a residence; that the lease or rental period is for not less than seven consecutive days; that the unit is occupied by only one family having no more members than the unit is designed to accommodate; and provided that such use by the tenant or tenants does not create a nuisance. An owner may lease or rent his own unit himself to any lessee provided that he furnishes the Association with the names of all the tenants. All lessees are subject to the provisions of the Declaration and the By-Laws and failure to comply with said provisions shall be a default under any lease of any unit whether so stated in said lease. All of the foregoing may be enforced by the Association.

11.6 Signs. No professional or commercial signs, including "For Rent", "For Sale", and similar signs, shall be erected or maintained on the condominium property by any unit owner except:

(A) With the written permission of the Association or except as may be required by legal proceedings, it being understood that the Association will not grant permission for said signs unless their erection is reasonably necessary to avert serious hardship to a unit owner. If such permission is granted, the Association reserves the right to restrict size, color and content of such signs. This restriction as to signs is not applicable to the Developer.

(B) An appropriate "For Rent" or "For Sale" sign may be placed on the inside of the downstairs front window next to the front door of each unit.

11.7 Window and Sliding Glass Door Drapes. Each unit owner shall maintain appropriate drapes for each window and sliding glass door within his unit. The backs of each such drape or window covering shall be of a white or off-white color so as to maintain a uniformity of visible color throughout the condominium property.

11.8 Animals. No livestock, animals, chickens or fowl of any kind shall be permitted except dogs, cats, and birds owned as personal pets. Dogs, cats and birds shall not be kept in such number as to be an annoyance to other unit owners. In addition, no dogs, cats or birds shall be permitted on the condominium property, except inside a unit, without being on a leash and under the immediate control of a responsible individual. All such pets must be walked in appropriate areas and owners of such pets must clean up after their pets. If any such pet owner fails to properly clean up after his pet then the Association shall perform such service and shall bill the pet owner accordingly. The Association shall have the right to adopt and enforce such additional pet regulations as are reasonably necessary to insure that such pets are not and do not become a nuisance.

11.9 Parking. No trailer, mobile home, house trailer, truck, tractor, commercial vehicle of any kind, or other machine, equipment or apparatus, or motorbike, motor-cycle or motor scooter (herein collectively referred to as "vehicles") shall be parked any place on the condominium property other than in the designated parking areas. No such vehicle that takes up more than one regular parking space shall be permitted on the condominium property. All such vehicles which were initially designed and manufactured to be self propelled with an individual engine must be in operating condition in order to be parked in any designated parking space and no designated parking space shall be used as a site to store, repair and/or overhaul any such vehicle. Parking of boats and boat trailers shall be in accordance

with such rules and regulations as may be adopted by the Association from time to time. This restriction with respect to parking does not apply to the Developer in the performance of activities authorized by the Declaration and does not apply to commercial vehicles, machines and equipment required to perform construction, maintenance, refurbishing or repair services to a unit or building for the period of time necessary for such construction, maintenance, refurbishing or repair.

11.10 General. No fence or other structure, including basketball backboards, shall be erected or placed on the condominium property except for the fences, and their replacement, originally erected and placed on the condominium property by the Developer. No alterations or additions shall be made to any landscaping placed upon the condominium property by the Developer without the written permission of the Association.

11.11 Regulations. Reasonable regulations concerning the use of condominium property may be made and amended from time to time by the Association in the manner provided by its Articles of Incorporation and By-Laws. Copies of such regulations and amendments shall be furnished by the Association to all unit owners and residents of the condominium upon request.

11.12 Proviso. Provided, however, that until Developer has completed all of the contemplated improvements and closed the sales of all of the units of the condominium, neither the unit owners nor the Association nor the use of the condominium property shall interfere with the completion of the contemplated improvements and the sale of the units. Developer may make such use of the unsold units and common areas as may facilitate such completion and sale, including but not limited to maintenance of a sales office, the showing of the property and the display of signs. The sales office, the furniture and furnishings in all model units, signs and all items pertaining to sales shall not be common elements and shall remain the property of the Developer. The Developer shall have the absolute right to rent or lease unsold units as long as any such rental or lease is for a minimum term of seven days.

12. TRANSFERS AND MORTGAGES. A unit owner may sell, transfer, or otherwise convey his unit without the approval of the Association and the Association has no right of first refusal, provided, however, that the renting or leasing of a unit is subject to the provisions and restrictions as set forth in this Declaration. Each unit owner may mortgage his unit or any interest in it without the approval of the Association. Every mortgagee shall have all of the rights set forth in this Declaration, in the By-Laws and all of the additional rights as set forth in paragraph 19 of this Declaration.

13. COMPLIANCE AND DEFAULT. Each unit owner, and his assigns and lessees, shall be governed by and shall comply with the terms of the Declaration of Condominium, Articles of Incorporation and By-Laws and the Regulations adopted pursuant to those documents, and all of such as they may be amended from time to time. Failure of a unit owner, or his assigns and lessees, to comply with such documents and regulations shall entitle the Association or other unit owners to the following relief in addition to the remedies provided by the Condominium Act:

13.1 Negligence. A unit owner shall be liable for the expense of any maintenance, repair or replacement rendered necessary by his negligence or by that of any member of his family or his or their guests, employees, agents or lessees, but only to the extent that such expense is not met by the proceeds of insurance carried by the Association and only to the extent that the owner would be legally responsible for such under State law. A unit owner shall pay the Association the amount of any increase in its insurance premiums occasioned by use, misuse, occupancy or abandonment of a unit or its appurtenances, or of the common elements, by the unit owner.

13.2 Costs and Attorney's Fees. In any proceeding arising because of an alleged failure of a unit owner or the Association to comply with the terms of the Declaration, Articles of Incorporation of the Association, the By-Laws, or the Regulations adopted pursuant to them, and the documents and Regulations as they may be amended from time to time, the prevailing party shall be entitled to recover the costs of the proceeding and such reasonable attorneys' fees as may be awarded by the court.

13.3 No Waiver of Rights. The failure of the Association or any unit owner to enforce any covenant, restriction or other provision of the Condominium Act, this Declaration, the Articles of Incorporation of the Association, the By-Laws or the Regulations shall not constitute a waiver of the right to do so thereafter.

14. AMENDMENT. Except as elsewhere provided otherwise, this Declaration of Condominium may be amended in the following manner:

14.1 Notice. Notice of the subject matter of a proposed amendment shall be included in the notice of any meeting at which a proposed amendment is considered.

14.2 Adoption. A resolution for the adoption of a proposed amendment may be proposed by either the board of directors of the Association or by the members of the Association. Directors and members not present in person or by proxy at the meeting considering the amendment may express their approval in writing, providing such approval is delivered to the Secretary at or prior to the meeting. Except as elsewhere provided, such approvals must be either by:

(A) Not less than 70% of the entire membership of the board of directors and by not less than 70% of the votes of the entire membership of the Association, and approval of mortgagees as required in sub-paragraph (C) and (D) below; or

(B) Not less than 75% of the votes of the entire membership of the Association, and approval of mortgagees as required in sub-paragraph (C) and (D) below; or

(C) Until the first election of directors, only by the directors, provided the amendments do not: (1) terminate the condominium, (2) increase the number of units, nor (3) materially amend any provision providing for, governing or relating to any of the following: Voting; assessments, assessment liens or subordination of such liens; reserves for maintenance, repair and replacement of the common elements; insurance or fidelity bonds; rights to use of the common elements; responsibility for maintenance and repair; phase development except as provided for in this Declaration; boundaries of any units except for future phases; unit owners' interest in general or limited common elements; convertibility of units into common elements or of common elements into units; leasing of units; imposition

of any right of first refusal or similar restriction on the right of a unit owner to sell, transfer, or otherwise convey his unit; or establishment of self-management by the Association where professional management has been required by either FHA, VA, FNMA, or FHLMC; and express rights and benefits of holders or insurers of first mortgages on units. The amendments referred to as (1), (2), and (3) in this sub-paragraph (C) must be approved by eligible holders of mortgages on units to which at least 51% of the votes of units subject to the mortgage appertain and must be approved by the owners of units to which at least 67% of the votes of the Association are allotted, subject, however, to the further provisions of sub-paragraph (D).

(D) Proviso. Provided, however, that no amendment shall discriminate against any unit owner nor against any unit or class or group of units, unless the unit owners and their mortgagees so affected shall consent; and no amendment shall change any unit nor the share in the common elements appurtenant to it, nor increase the owners' share of the common expenses, unless the record owner of the unit concerned and all record owners of mortgages on such unit shall join in the execution of the amendment. Neither shall an amendment make any change in the section entitled "Insurance" nor in the section entitled "Reconstruction or Repair after Casualty" unless the record owners of all mortgages upon the condominium shall join in the execution of the amendment.

14.3 Execution and Recording. A copy of each amendment shall be attached to a certificate certifying that the amendment was duly adopted, which certificate shall be executed by the officers of the Association with the formalities of a deed. The amendment shall be effective when such certificate and copy of the amendment are recorded in the public records of Santa Rosa County, Florida.

15. TERMINATION. The condominium may be terminated in the following manner in addition to the manner prescribed by the Condominium Act:

15.1 Agreement. The condominium may be terminated at any time by the approval in writing of all record owners of units and all record owners of mortgages on units. If the proposed termination is submitted to a meeting of the members of the Association, and the notice of the meeting gives notice of the proposed termination, and if the approval of the owners of not less than 75% of the common elements, and of the record owners of all mortgages upon the units, are obtained in writing not later than 30 days after the date of such meeting, then the approving owners shall have an option to buy all of the units of the other owners for the period ending on the 60th day from the date of such meeting. Such approvals shall be irrevocable until the expiration of the option, and if the option is exercised, the approval shall be irrevocable. The option shall be upon the following terms:

(A) Exercise of Option. The option shall be exercised by delivering or mailing by registered mail to each of the record owners of the units to be purchased an agreement to purchase signed by the record owners of units who will participate in the purchase. Such agreement shall indicate which units will be purchased by each participating owner and shall require the purchase of all units owned by owners not approving the termination, but the agreement shall effect a separate contract between each seller and his purchaser.

(B) Price. The sales price for each unit shall be the fair market value determined by agreement between the seller and purchaser within 30 days from the delivery or mailing of such agreement, and in the absence of the agreement as to price it shall be determined by arbitration in accordance with the then existing rules of the American Arbitration Association, except that the arbitrators shall be two appraisers appointed by the American Arbitration Association who shall base their determination upon an average of their appraisals of the unit; and a judgment of specific performance of the sale upon the award rendered by the arbitrators may be entered in any court of competent jurisdiction. The expense of the arbitration shall be paid by the purchaser.

(C) Payment. The purchase price shall be paid in cash.

(D) Closing. The sale shall be closed within 10 days following the determination of the sale price.

15.3 Certificate. The termination of the condominium in either of the foregoing manners shall be evidenced by a certificate of the Association executed by its president and secretary certifying as to facts affecting the termination, which certificate shall become effective upon becoming recorded in the public records of Santa Rosa County, Florida.

15.4 Shares of Owners after Termination. After termination of the condominium, the unit owners shall own the condominium property and all assets of the Association as tenants in common in undivided shares that shall be the same as the undivided shares in the common elements appurtenant to the owners' units prior to the termination.

15.5 Amendment. This section concerning termination cannot be amended without consent of all unit owners and of all record owners of mortgages upon the units.

16. TRANSFER OF CONTROL. As units of the condominium are sold by the Developer, control of the Association shall be transferred from the Developer to the unit owners in the following manner:

16.1 The first election of Directors shall be held no later than the earlier of the following dates:

(A) When the Developer elects to terminate its control of the Association and the condominium operated by it, or

(B) When unit owners other than the Developer own 15% or more of the units in the condominium, at which time the unit owners other than the Developer shall be entitled to elect no less than 1/3 of the members of the Board of Directors of the Association.

16.2 Provided, however, that notwithstanding the foregoing, the unit owners other than the Developer shall be entitled elect no less than a majority of the members of the Board of Directors no later than the earlier of the following dates:

(A) Three years after 50% of the units that will be operated ultimately by the Association have been conveyed

to purchasers, or

(B) Three months after 90% of the units that will be operated ultimately by the Association have been conveyed to purchasers, or

(C) When all the units that will be operated ultimately by the Association have been completed, some of them have been conveyed to purchasers and none of the others are being offered for sale by the Developer in the ordinary course of business, or

(D) When some of the units have been conveyed to purchasers and none of the others are being constructed or offered for sale by the Developer in the ordinary course of business, or

(E) 120 days after the date on which 75% of the units that will be operated ultimately by the Association have been conveyed to purchasers, or

(F) 3 years after the date of the first conveyance to a purchaser, but in no event no later than January 1, 1985, or

(G) When required by the Condominium Act (Chapter 718), including the provisions of Section 718.301 thereof.

16.2 Within 60 days after the unit owners other than the Developer are entitled to elect a member or members of the Board of Directors of the Association, the Association shall call, and give no less than 30 day's or more than 40 day's notice of, a meeting of the unit owners to elect the members of the Board of Directors. The meeting may be called and the notice given by any unit owner if the Association fails to do so.

16.3 The Developer is entitled to elect at least one member of the Board of Directors of the Association as long as the Developer holds for sale in the ordinary course of business at least 5% of the units in the condominium which is operated by the Association.

16.4 If the Developer holds units for sale in the ordinary course of business, none of the following actions may be taken without approval in writing by the Developer.

(A) Assessment of the Developer as a unit owner for new capital improvements to the common elements.

(B) Any action by the Association that would be detrimental to the sales of units by the Developer; provided, an increase in the assessments for common expenses without discrimination against the Developer shall not be deemed to be detrimental to the sales of units.

17. SEVERABILITY. The invalidity in whole or in part of any covenant or restriction, or any section, subsection, sentence, clause, phrase or word, or other provision of this Declaration and the Articles of Incorporation, ByLaws and Regulations of the Association shall not affect the validity of the remaining portions.

18. CONDEMNATION.

SANTA ROSA COUNTY, FLA.

18.1 Deposit of awards with Insurance Trustee.

The taking of condominium property by condemnation shall be deemed to be a casualty, and the awards for that taking shall be deemed to be proceeds from insurance on account of the casualty and shall be deposited with the Insurance Trustee. Even though the awards may be payable to unit owners, the unit owners shall deposit the awards with the Insurance Trustee; and in the event of failure to do so, in the discretion of the board of directors of the Association a special assessment shall be made against a defaulting unit owner in the amount of his award, or the amount of that award shall be set off against the sums hereafter made payable to that owner.

18.2 Determination whether to continue condominium.

Whether the condominium will be continued after condemnation will be determined in the manner provided for determining whether damaged property will be reconstructed and repaired after a casualty. For this purpose, the taking by condemnation shall be deemed to be a casualty.

18.3 Disbursement of funds.

If the condominium is terminated after condemnation, the proceeds of the awards and special assessments will be deemed to be condominium property and shall be owned and distributed in the manner provided for insurance proceeds if the condominium is terminated after a casualty. If the condominium is not terminated after condemnation, the size of the condominium will be reduced, the owners of condemned units will be made whole and the property damaged by the taking will be made useable in the manner provided below. The proceeds of the awards and special assessments shall be used for these purposes and shall be disbursed in the manner provided for disbursement of funds by the Insurance Trustee after a casualty.

18.4 Unit reduced but tenantable.

If the taking reduces the size of a unit and the remaining portion of the unit can be made tenantable, the award for the taking of a portion of the unit shall be used for the following purposes in the order stated and the following changes shall be effected in the condominium:

a. Restoration of unit. The unit shall be made tenantable. If the cost of the restoration exceeds the amount of the award, the additional funds required shall be assessed against the owner of the unit.

b. Distribution of surplus. The balance of the award, if any, shall be distributed to the owner of the unit and to each mortgagee of the unit, the remittance being made payable jointly to the owner and mortgagees.

c. Adjustment of shares in common elements.

If the floor area of the unit is reduced by the taking, the number representing the share in the common elements appurtenant to the unit shall be reduced in the proportion by which the floor area of the unit is reduced by the taking, and then the shares of all unit owners in the common elements shall be restated as percentages of the total of the numbers representing their original shares as reduced by the taking.

18.5 Unit made untenable.

If the taking is so reduces the size of a unit that it cannot be made tenantable, the award for the taking of the unit shall be used for the following purposes in the order stated and the following changes shall be effected in the condominium:

SANTA ROSA COUNTY, FLA.

a. Payment of award. The market value of the unit immediately prior to the taking shall be paid to the owner of the unit and to each mortgagee of the unit, the remittance being made payable jointly to the owner and mortgagees.

b. Addition to common elements. The remaining portion of the unit, if any, shall become a part of the common elements and shall be placed in condition for use by all of the unit owners in the manner approved by the board of directors of the Association; provided that if the cost of the work shall exceed the balance of the fund from the award for the taking, the work shall be approved in the manner elsewhere required for further improvement of the common elements.

c. Adjustment of shares in common elements. The shares in the common elements appurtenant to the units that continue as part of the condominium shall be adjusted to distribute the ownership of the common elements among the reduced number of unit owners. This shall be done by restating the shares of continuing unit owners in the common elements as percentages of the total of the numbers representing the shares of these owners as they exist prior to the adjustment.

d. Assessments. If the amount of the award for the taking is not sufficient to pay the market value of the condemned unit to the owner and to condition the remaining portion of the unit for use as a part of the common elements, the additional funds required for those purposes shall be raised by assessments against all of the unit owners who will continue as owners of units after the changes in the condominium effected by the taking. The assessments shall be made in proportion to the shares of those owners in the common elements after the changes effected by the taking.

e. Arbitration. If the market value of a unit prior to the taking cannot be determined by agreement between the unit owner and the mortgagees of the unit and the Association within 30 days after notice by either party, the value shall be determined by arbitration in accordance with the then existing rules of the American Arbitration Association, except that the arbitrators shall be two appraisers appointed by the American Arbitration Association who shall base their determination upon an average of their appraisals of the unit; and a judgment of specific performance upon the decision rendered by the arbitrators may be entered in any court of competent jurisdiction. The cost of arbitration proceedings shall be assessed against all unit owners in proportion to the shares of the owners in the common elements as they exist prior to the changes effected by the taking.

18.6 Taking of common elements. Awards for the taking of common elements shall be used to make the remaining portion of the common elements useable in the manner approved by the board of directors of the Association; provided, that if the cost of the work shall exceed the balance of the funds from the awards for the taking, the work shall be approved in the manner elsewhere required for further improvement of the common elements. The balance of the awards for the taking of common elements, if any, shall be distributed to the unit owners in the shares in which they own the common elements after adjustment of these shares on account of the condemnation. If there is a mortgage of a unit, the distribution shall be paid jointly to the owner and mortgagees of the unit.

18.7 Amendment of declaration. The changes in units, in the common elements and in the ownership of the common elements that are effected by condemnation shall be evidenced by an amendment of the declaration of condominium that need be approved only

by a majority of all directors of the Association. SANTA ROSA COUNTY, FLA.

19. ADDITIONAL RIGHTS OF MORTGAGEES. In addition to the rights and privileges expressly granted to the mortgagees of condominium units in other Articles of this Declaration of Condominium and by the By-Laws, each and every mortgagee shall have the following rights and entitlements:

19.1 Financial Statements. The right to examine the books and records of the Association and to be furnished with at least one copy of an Annual Financial Statement and Report of the Association, prepared by a Certified Public Accountant designated by the Association, including a detailed statement of annual carrying charges or income collected and operating expenses, with such Financial Statement and Report to be furnished within 90 days following the end of each calendar year.

19.2 Insurance approval. Each insurance policy and the agency and company issuing the policy shall be subject to approval by the institutional mortgagee that, according to the roster of mortgagees at the time for approval, is the owner and holder of the oldest unsatisfied mortgage held by such an institution upon a unit covered by the policy. The approval may be obtained by directing to the mortgagee having the right of approval a request in writing for approval or disapproval within 10 days after the receipt of the request; and if a response from the mortgagee is not received within that 10 day period, the request shall be deemed to be approved. An approval shall not be unreasonably withheld or denied.

19.3 Copies of insurance policies to mortgagees and notice of cancellation. One copy of each insurance policy and of all endorsements on it shall be furnished by the Association to each mortgagee included on the mortgagee roster who holds mortgages upon units covered by the policy. The copy shall be furnished not less than 10 days prior to the beginning of the term of the policy or not less than 10 days prior to the expiration of each preceding policy that is being renewed or replaced, whichever date shall first occur. Every mortgagee shall be given an endorsement to the policies covering the Common Elements requiring that such mortgagee be given any notice of cancellation provided for in such policy.

19.4 Right to pay insurance premiums. Should the Association fail to pay any insurance premiums when due, or should the Association fail to comply with other insurance requirements of the mortgagee(s) said mortgagee(s) 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, and to the extent of the money so advanced, said mortgagee shall be subrogated to the assessment and lien rights of the Association as against the individual unit owners for the payment of such item of common expense.

19.5 Exemptions. Any mortgagee which acquires title to a unit through foreclosure or deed in lieu of foreclosure, shall take the property free of any claim for unpaid assessments or charges against the mortgaged unit which became due prior to acquisition of title as a result of said foreclosure or deed in lieu of foreclosure; except for claims secured by a claim of lien for assessments that is recorded prior to the recording of the foreclosed mortgage; and except for claims for a pro-rata share of any such previous assessment for which a claim of lien was not recorded, in common with the other unit owners, which claim becomes a common expense.

19.6 Notices. The Association shall give written notice to every first mortgagee that requests the same of all meetings of the Association and such mortgagees shall be permitted to designate a representative to attend all such meetings. In addition, upon written request to the Association, identifying the

name and address of the holder, insurer, or guarantor and the unit number or address, any mortgagee or eligible insurer or guarantor of a mortgage is entitled to timely written notice of the following:

(A) Any condemnation loss or any casualty loss which affects a material portion of the condominium or any unit on which there is a first mortgage held, insured, or guaranteed by such mortgagee or insurer or guarantor.

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

(C) Any proposed action which would require the consent of a specified percentage of mortgagees as specified herein.

19.7 Copies of Condominium Documents. The Association shall make available to unit owners, lenders and the holders and insurers of any first mortgage on any unit, current copies of the Declaration, By-Laws and other rules governing the condominium, and other books, records and financial statements of the Association. The Association shall make available to prospective purchasers current copies of the Declaration, By-Laws, other rules governing the condominium, and the most recent annual audited financial statement, if such is prepared. "Available" means available for inspection upon request, during normal business hours or under other reasonable circumstances.

20. SPECIAL AMENDMENTS. Developer, until such time as the unit owners other than the Developer shall be entitled to elect not less than a majority of the members of the Board of Directors or until January 1, 1985 whichever date occurs first, hereby reserves and is granted the right and power to record in the public records of Santa Rosa County, Florida, Special Amendments to this Declaration at any time and from time to time which amend this Declaration: (1) to comply with the requirements of the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Department of Housing and Urban Development (FHA), the Veterans Administration, or any other governmental agency or any other public, quasipublic or private entity which performs (or may in the future perform) functions similar to those currently performed by such entities and; (2) to induce any of such agencies or entities to make, purchase, sell, insure or guaranty first mortgages on any of the units within the condominium. In furtherance of the foregoing, a power coupled with an interest is hereby reserved and granted to the Developer to make and execute a certificate evidencing a Special Amendment on behalf of each unit owner. The acceptance of each deed and mortgage affecting a unit shall be deemed to be a grant, acknowledgment of, and a consent to the reservation of the power of the Developer to make, execute and record Special Amendments. Provided, however, that no such Special Amendment shall discriminate against any unit nor against any unit or class or group of units, unless the unit owners and their mortgagees so affected shall consent; and no amendment shall change any unit nor the share in the common elements appurtenant to it, nor increase the owners' share of the common expenses, unless the record owner of the unit concerned and all record owners of mortgages on such units shall join in the execution of the amendment. Neither shall an amendment make any change in the section entitled "Reconstruction or Repair after Casualty" unless the record owner of the unit concerned and all record owners of mortgages on such units shall join in the execution of the amendment.

IN WITNESS WHEREOF, The Developer has caused this Declaration to be executed by its duly authorized officers and its corporate seal to be hereunto affixed this 21st day of January, 1982.

PENSACOLA HOME AND SAVINGS ASSOCIATION

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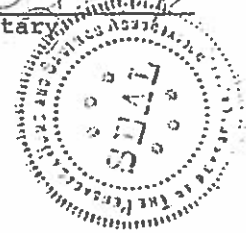
SANTA ROSA COUNTY, FLA.

By: Ronald E. Kaser
Its Vice President

ATTEST: James A. Spurl, Jr.
Its Secretary

Signed, sealed and delivered in the presence of:

James M. Weber
Shirley M. Torchilli

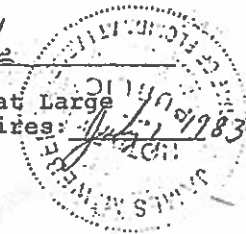


STATE OF FLORIDA
COUNTY OF ESCAMBIA

Before me, a Notary Public in and for the State and County shown above, personally appeared Ronald E. Kaser and James A. Spurl, Jr., known to me and known to me to be the Vice President and Secretary of Pensacola Home and Savings Association, a Florida corporation, and they acknowledged and declared that they as Vice President and Secretary of said Corporation and being duly authorized by it, signed its name and affixed its seal to and executed the said instrument for it and as its act and deed.

11th GIVEN under my hand and official seal this day of May, 1982.

James M. Weber
Notary Public
State of Florida at Large
My Commission Expires: July 1, 1983



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SANTA ROSA COUNTY, FLA.

EXHIBIT "A"

LEGAL DESCRIPTION OF BAHAMA BAY CLUB TOWNHOMES,
A CONDOMINIUM

Parcel I

SANTA ROSA COUNTY, FLA.

Begin at the intersection of the North line of Fractional Section 10, Township 3 South, Range 29 West, Santa Rosa County, Florida and the Southwesterly right-of-way line of State Road #399-A (Pensacola Beach Road) as the Point of Beginning; thence go South 37°45'24" East along the aforesaid Southwesterly right-of-way line a distance of 170.62 feet; thence go South 46°36'31" West a distance of 266.17 feet; thence go North 88°28'33" West a distance of 537.66 feet; thence go South 01°31'27" West a distance of 120.00 feet; thence go North 88°28'33" West a distance of 255.00 feet; thence go North 01°31'27" East a distance of 120.00 feet; thence go North 88°28'33" West a distance of 365.18 feet; thence go North 01°31'27" East a distance of 320.00 feet to a point on the aforesaid North line of Fractional Section 10; thence go South 88°28'33" East along the aforesaid North line of Fractional Section 10 a distance of 1238.31 feet to the Point of Beginning. The above described parcel of land contains 10.022 acres.

Parcel II

Commence at the intersection of the North line of Fractional Section 10, Township 3 South, Range 29 West, Santa Rosa County, Florida and the Southwesterly right-of-way line of State Road #399-A (Pensacola Beach Road); thence go South 37°45'24" East along the aforesaid Southwesterly right-of-way line a distance of 170.62 feet; thence go South 46°36'31" West a distance of 266.17 feet; thence go North 88°28'33" West a distance of 170.00 feet to the Point of Beginning; thence go South 01°31'27" West a distance of 35.00 feet; thence go North 88°28'33" West a distance of 155.00 feet; thence go North 01°31'27" East a distance of 25.00 feet; thence go North 88°28'33" West a distance of 212.66 feet; thence go North 01°31'27" East a distance of 10.00 feet; thence go South 88°28'33" East to the Point of Beginning.

Parcel III

A non-exclusive, but perpetual, right of ingress and egress pursuant to the provisions of that certain Easement Agreement dated September 8, 1980 and recorded in Official Record Book 521, at page 258 of the public records of Santa Rosa County, Florida, on, over, along and through the following real property, to-wit:

A portion of Section 10, Township 3 South, Range 29 West, Santa Rosa County, Florida, more particularly described as follows: Begin at the intersection of the North line of Fractional Section 10, Township 3 South, Range 29 West, Santa Rosa County, Florida and the Southwesterly right-of-way line of State Road #399-A (Pensacola Beach Road); thence South 38°07'33" East along said Southwesterly right-of-way line for a distance of 170.62 feet to the point of beginning; thence South 32°09'33" East along the said Southwesterly right-of-way line for a distance of 364.37 feet; thence South 57°50'27" West for a distance of 125 feet; thence North 32°09'33" West for a distance of 218.17 feet; thence North 01°31'27" East for 187 feet; thence East to the Point of Beginning,