

DECLARATION OF CONDOMINIUM

FOR

WATERCOLOR PRIVATE RESIDENCE CLUB,
A CONDOMINIUM

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List of Exhibits

Exhibit "A"	Legal Description of Condominium Property
Exhibit "B"	Articles of Incorporation of WaterColor Private Residence Club Condominium Association, Inc.
Exhibit "C"	Bylaws of WaterColor Private Residence Club Condominium Association, Inc.
Exhibit "D"	Undivided Interests in Common Elements and Common Surplus Per Condominium Unit and Fractional Interest
Exhibit "E"	Survey; Graphic Description; Plot Plan; Certificate of Surveyor

DECLARATION OF CONDOMINIUM

FOR

WATERCOLOR PRIVATE RESIDENCE CLUB, A CONDOMINIUM

STATE OF FLORIDA)
) KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF WALTON)

THIS DECLARATION OF CONDOMINIUM FOR WATERCOLOR PRIVATE RESIDENCE CLUB, A CONDOMINIUM (hereinafter referred to as the "Declaration"), is executed as of the 30th day of September, 2004, by ST. JOE HOME BUILDING, L.P., a Delaware limited partnership qualified to do business in Florida, the principal place of business of which is 1701 East County Highway, 30-A, Seagrave Beach, Florida 32459 (hereinafter referred to as "Developer").

WHEREAS, Developer is the owner in fee simple of certain real property, together with any improvements which have been or will be constructed thereon and all appurtenances thereto (hereinafter referred to as the "Condominium Property"), situated in Walton County, Florida, which real property and improvements are more particularly described in Exhibit "A," attached hereto and incorporated herein by this reference; and

WHEREAS, the Condominium Property is located within the master planned community generally known as WaterColorSM (the "Community"); and

WHEREAS, Developer desires to establish a uniform plan for the development, sale, and ownership of the Condominium Property and the Units and any Fractional Interests therein, as such terms are hereinbelow defined, by imposing upon said Condominium Property, Units, and Fractional Interests mutual and beneficial restrictions, covenants, conditions, obligations, and easements to apply uniformly to the use, enjoyment, repair, maintenance, restoration, improvement, transfer, and encumbrance of all of the Condominium Property described in Exhibit "A" hereto, and for the payment of all taxes, assessments, insurance premiums, and other expenses relating thereto, for the mutual enjoyment, convenience, protection, and benefit of all of said Condominium Property and the Owners and future Owners thereof.

NOW, THEREFORE, Developer hereby submits the Condominium Property and all improvements thereon, the Units, all Fractional Interests therein, and all appurtenances thereto to Chapter 718, Florida Statutes, and declares that the Condominium Property, the Units, all Fractional Interests therein, and all appurtenances thereto, are and shall be held, sold, conveyed, mortgaged, hypothecated, encumbered, occupied,

improved, and used subject to the covenants, conditions, reservations, restrictions, easements, and limitations of record contained herein or incorporated by this reference herein, as the same from time to time may lawfully be amended and/or supplemented, all of which are established, declared, and agreed to be for the purpose of enhancing and protecting the value, desirability, and enjoyment of the Condominium Property, the Units, and any Fractional Interests therein. All such covenants, conditions, reservations, restrictions, easements, and limitations shall constitute equitable servitudes upon the Condominium Property, shall run perpetually with the land, and shall be binding upon and inure to the benefit of Developer, all Owners, any other Persons having or acquiring any right, title, or interest therein and thereto, WaterColor Private Residence Club Condominium Association, Inc., each of their respective heirs, legal representatives, successors, and assigns, and all other Persons who are present within or use the Condominium Property for any purpose whatsoever.

By the acceptance of a Warranty Deed or any other instrument of transfer conveying a Condominium Unit or a Fractional Interest therein, whether from Developer, its successors or assigns, or from any Owner, each Owner, as herein defined, for himself, his heirs, legal representatives, successors, assigns, and any other Person or Persons holding or occupying by, through, or under such Owner, and whether or not expressly stated therein, covenants, consents, and agrees to and with Developer and with all other Owners from time to time of a Unit and/or a Fractional Interest, to have ratified and to be bound by, observe, comply with, and perform the covenants, conditions, reservations, restrictions, easements, and limitations contained in this Declaration and in the Articles of Incorporation, in the Bylaws, in the Rules and Regulations, and, to the extent not prohibited by Chapter 718, Florida Statutes, in the Community Instruments, as such terms are hereinbelow defined, as each of the aforesaid documents may lawfully be amended and/or supplemented from time to time.

ARTICLE I

DEFINITIONS

The terms used in this Declaration and in the Exhibits attached hereto, and all amendments and supplements thereof, shall have the following meanings unless the context otherwise requires or otherwise expressly provides:

1.1 "Affiliate" shall mean, any Person which (either directly or indirectly, through one or more intermediaries) controls, is in common control with, or is controlled by, another Person, and any Person that is a director, trustee, officer, employee, independent contractor, shareholder, limited partner, general partner, agent, co-venturer, subsidiary, personal representative, or attorney of any of the foregoing. For purposes of this definition, the term "control" means the direct or indirect power to direct or cause the direction of an entity's management or policies, whether through the ownership of voting securities, by contract, or otherwise.

1.2 "Affiliated Exchange Resort" shall mean another fractional or timeshare Resort, wherever located, that is affiliated with the Resort, whether legally or beneficially owned in whole or in part, and/or operated by Developer, an Affiliate of Developer, or an independent third party, pursuant to the terms, provisions, and conditions of a Resort Affiliation Agreement. Neither Developer nor any Affiliate thereof is obligated to develop one (1) or more Affiliated Exchange Resorts or to permit Fractional Owners to reserve and occupy accommodations thereat. Rather, Developer or an Affiliate of Developer may elect to do so, in its sole and absolute discretion. Moreover, any rights, benefits, and privileges conferred upon Fractional Owners with respect to any such Affiliated Exchange Resort, together with the duties and obligations, both financial and otherwise, imposed upon Fractional Owners with respect thereto, may be similar to or different from the rights, benefits, privileges, duties, and obligations which exist from time to time in connection with the Resort, pursuant to the Resort Instruments. A Fractional Owner's right to reserve and occupy accommodations at one (1) or more Affiliated Exchange Resorts, if any, shall be governed by the terms, conditions, and provisions of the applicable Resort Affiliation Agreement. To the extent legally required, the Developer shall comply fully with the requirements of Section 721.18, Florida Statutes, with respect to any such Affiliated Resorts.

1.3 "Affiliated Exchange Resort Association" shall mean a condominium, time-share, fractional, homeowners, or community association in which the owners of time-share, fractional, condominium, or other property interests in the related Affiliated Exchange Resort are members.

1.4 "Articles of Incorporation" shall mean the Articles of Incorporation of WaterColor Private Residence Club Condominium Association, Inc., filed with Florida's Department of State, attached hereto as Exhibit "B" and incorporated herein by this reference, as they may lawfully be amended from time to time, pursuant to the provisions thereof.

1.5 "Assessment" shall mean any amount which, from time to time, is levied by the Board of Directors upon one (1) or more Fractional Owners, including but not limited to:

(a) "Common Expense Assessment" shall mean an Assessment levied by the Board upon all of the Fractional Owners for their proportionate shares of the Common Expenses of the Association;

(b) "Fractional Maintenance Fee" shall mean an Assessment levied by the Board upon all of the Fractional Owners for their proportionate shares of the Fractional Expenses of the Association;

(c) "Special Assessment" shall mean an Assessment levied by the Board upon all of the Unit Owners and/or Fractional Owners in the event that the total of all Common Expense Assessments and/or Fractional Maintenance Fees is inadequate to meet the Common Expenses and/or Fractional Expenses of the Association or to sat-

isfy any judgments or other extraordinary, unforeseen, or unbudgeted costs or expenses deemed reasonably necessary by the Board; and

(d) "Personal Charge" shall mean an Assessment levied by the Board upon a particular Fractional Owner for one (1) or more of the reasons permitted hereunder.

"Assessments" are "Neighborhood Assessments," as such term is defined in the Community Declaration.

1.6 "Assigned Unit" shall mean any Unit Committed to Fractional Ownership, as such term is defined herein, the use and occupancy of which has been assigned to a particular Fractional Owner or Unit Occupant by the Manager for one (1) or more Use Period(s) in accordance with the provisions of this Declaration and the then-current Rules and Regulations.

1.7 "Association" shall mean WaterColor Private Residence Club Condominium Association, Inc., a Florida not-for-profit corporation, together with its successors and assigns. The Association's Bylaws and Rules and Regulations shall govern the operation and administration of the Resort.

1.8 "Board of Directors" or "Board" shall mean the board of directors of the Association.

1.9 "Bonus Use Period" shall mean a period of time reserved in accordance with the provisions of Section 6.2 hereof and the then current Rules and Regulations, during which a Fractional Owner is entitled to use and occupy an Assigned Unit within the Resort.

1.10 "Bylaws" shall mean the Bylaws of the Association, attached hereto as Exhibit "C" and incorporated herein by this reference, as they may lawfully be amended from time to time, pursuant to the provisions thereof.

1.11 "Chapter 718" shall mean Chapter 718, Florida Statutes, also known as the Florida Condominium Act.

1.12 "Chapter 721" shall mean Chapter 721, Florida Statutes, also known as the Florida Vacation Plan and Time-Sharing Act.

1.13 "Common Area" shall mean all real and personal property, including easements which the Community Association owns, leases, or otherwise has a right to possess or use for the common use and enjoyment of Fractional Owners and other owners of real property within the Community, pursuant to the Community Declaration.

1.14 "Common Elements" shall mean and include all portions of the Condominium Property described in Exhibit "A" hereto (and any amendments thereof) and all of the improvements thereto and thereon located, except for the Units and the Common Furnishings, as more fully described herein. Each Owner's proportionate share of the

Common Elements is set forth in Exhibit "D," attached hereto and incorporated herein by this reference.

1.15 "Common Expenses" shall mean and include all expenses incurred by the Association or its duly authorized agent(s) for the maintenance, repair, replacement, restoration, improvement, operation, and administration of the Resort and the operation and administration of the Association, including but not be limited to the Common Expenses described in Article X of this Declaration but excluding all Fractional Expenses as defined herein or any amounts for which Personal Charges are assessed, pursuant to the provisions hereof.

1.16 "Common Furnishings" shall mean all furniture, furnishings, fixtures, and equipment from time to time owned, or held for use by the Association and located in or appurtenant to a Unit Committed to Fractional Ownership or a Common Element, all of which shall be "association property," as such term is defined by Section 718.103, Florida Statutes.

1.17 "Common Surplus" shall mean the excess of all amounts received by the Association, including but not limited to Assessments, rents, profits, and revenues, if any, in excess of the amount of the Common Expenses and Fractional Expenses. Each Owner shall have an undivided interest in the Common Surplus in the same percentage as he owns an undivided interest in the Common Elements, as set forth in Exhibit "D" hereto and any amendments or supplements thereto.

1.18 "Community" or "WaterColor" shall mean the real property described in Exhibit "A" to the Community Declaration, together with such additional property as is subjected to the Community Declaration in accordance with Article IX thereof.

1.19 "Community Association" shall mean WaterColor Community Association, Inc., a Florida not-for-profit corporation, together with its successors and assigns.

1.20 "Community Declaration" shall mean that certain Declaration of Covenants, Conditions, and Restrictions for WaterColor dated March 27, 2000, executed by the St. Joe Company and duly recorded in the Public Records of Walton County, Florida, in Official Records File No. 632883, Book 2186, at Page 1, as lawfully amended and/or supplemented from time to time.

1.21 "Community Instruments" shall mean the Community Declaration, the Articles of Incorporation and By-Laws of the Community Association, the WaterColor Design Guidelines, and any use restrictions, rules, and regulations adopted by the Community Association's board of directors which govern the use of the Common Area, together with all facilities at any time situated thereon, as each may lawfully be amended and/or supplemented from time to time.

1.22 "Condominium Parcel" shall mean a Condominium Unit, together with an undivided interest in and to the Common Elements and Common Surplus which is appurtenant to such Unit.

1.23 "Condominium Property" shall have the meaning ascribed to it in the recitals hereto and shall be deemed a "Lot," as such term is defined in the Community Declaration.

1.24 "Condominium Unit" or "Unit" shall mean a unit within WaterColor Private Residence Club, A Condominium, as described herein.

1.25 "Declaration" shall mean this Declaration of Condominium for WaterColor Private Residence Club, A Condominium, together with all Exhibits attached hereto, as it may lawfully be amended and/or supplemented from time to time, pursuant to the provisions hereof. The Declaration is a "Supplemental Declaration," as such term is defined in the Community Declaration.

1.26 "Designated Season" shall mean one of the seasons into which each Use Year is divided during which Fractional Owners may use and occupy Units at the Resort in the manner set forth herein and in the then current Rules and Regulations, as follows:

- (a) Winter: First Sunday in December through last Sunday in February
- (b) Spring: Last Sunday in February through last Sunday in May
- (c) Summer: Last Sunday in May through first Sunday after Labor Day
- (d) Fall: First Sunday after Labor Day through first Sunday in December

1.27 "Developer" shall mean St. Joe Home Building, L.P., a Delaware limited partnership, together with any successor in interest thereto by express assignment of Developer's rights hereunder, pursuant to an instrument executed by Developer and recorded in the Public Records of Walton County, Florida.

1.28 "Director" shall mean any individual appointed or elected to the Board of Directors, pursuant to the Bylaws of the Association.

1.29 "Exchange User" shall mean any individual who occupies a Unit committed to Fractional Ownership pursuant to a reciprocal exchange program that is affiliated with the Resort and approved by the Board of Directors.

1.30 "Floating Fractional Ownership Plan" shall mean an arrangement by which the Owner of a Fractional Interest is entitled to use and occupy such Assigned Unit within the Resort as is designated by the Manager upon check-in during such Use Period(s) as are properly reserved by such Fractional Owner in accordance with the procedures set forth in the then current Rules and Regulations.

1.31 "Fractional Expenses" shall mean and include all expenses incurred by the Association or its duly authorized agent(s) that are directly attributable to the commitment of one (1) or more Condominium Units to Fractional Ownership in accordance with the provisions hereof.

1.32 "Fractional Interest" shall mean a type of timeshare period as defined in Section 721.05(36), Florida Statutes, and consists of an undivided one eighth (1/8) interest in fee simple as a tenant in common in and to the specific Condominium Parcel identified in a Fractional Owner's Warranty Deed, together with the recurring (i) exclusive right of said Fractional Owner every Use Year, commencing with the Use Year identified in such Fractional Owner's Warranty Deed, to reserve, use, and occupy an Assigned Unit within the Resort; (ii) exclusive right to use and enjoy the Limited Common Elements, if any, and Common Furnishings located within or otherwise appurtenant to such Assigned Unit; and (iii) nonexclusive right to use and enjoy the Common Elements of the Resort, for their intended purposes, during such Use Period(s) as shall properly have been reserved by such Fractional Owner in accordance with the provisions of the then current Rules and Regulations.

1.33 "Fractional Owner" or "Owner" shall mean any Person in whose name a Warranty Deed to a Fractional Interest is recorded in the Public Records of Walton County, Florida, together with such Person's successors and permitted transferees; provided, however, that Developer shall be deemed to be the Fractional Owner of any Fractional Interest(s) in a Unit within the Resort with respect to which a Warranty Deed has not been recorded in the Public Records of Walton County, Florida, conveying such Fractional Interest(s) from Developer to the initial transferee(s) thereof, as well as any Fractional Interest(s), title to which is obtained through any means by Developer from any such initial transferee or a successor or assign thereof.

1.34 "Holdover Occupant" shall mean any Fractional Owner or Unit Occupant who fails to vacate his Assigned Unit at the end of his reserved Use Period(s), or at such earlier time as may be established by the then current Rules and Regulations, or otherwise uses or occupies a Unit during any period other than his scheduled Use Period(s) without written authorization from the Fractional Owner entitled to occupy such Unit at that time, or who prevents another Fractional Owner or Unit Occupant from using or occupying the Unit during such other Fractional Owner's reserved Use Period(s).

1.35 "Limited Common Elements" shall mean those Common Elements which are reserved for the exclusive or nonexclusive use and enjoyment of the Owner(s) or Unit Occupant(s) of one or more Condominium Units, to the exclusion of the Owners of other Units, as described herein.

1.36 "Maintenance Period" shall mean, with respect to each Unit Committed to Fractional Ownership, a period of time during which the Association performs maintenance and repairs to such Unit as more fully described herein.

1.37 "Management Agreement" shall mean the then effective agreement between the Association and the Manager which provides for the operation and management of the Resort.

1.38 "Manager" shall mean the Person, together with its successors and assigns, engaged from time to time by the Association to undertake the duties, responsibilities, and obligations of operating and managing the Resort, pursuant to the then ef-

fective Management Agreement. The Association is authorized to engage Developer or an affiliate of Developer to serve as the Manager of the Resort.

1.39 "Mortgagee of Record" shall mean any Person which holds a mortgage or other security interest on a Unit or Fractional Interest, including but not limited to the beneficiary of a deed of trust or a purchase money mortgagee and its successors and assigns, provided that such mortgage or other security interest is evidenced by a written instrument that has been recorded in the Public Records of Walton County, Florida, or otherwise perfected in accordance with applicable law, a true and correct copy of which has been provided to the Manager for the Association's records.

1.40 "Officer" shall mean any individual elected or appointed by the Board of Directors, pursuant to the Bylaws of the Association, to serve as an officer of the Association.

1.41 "Person" shall mean a natural person, corporation, partnership, joint venture, association, estate, trust, government, governmental subdivision or agency, other legal entity, or any combination thereof.

1.42 "Purchase Agreement" shall mean that certain instrument pursuant to which Developer agrees to convey one (1) or more Condominium Units or Fractional Interests in the Resort.

1.43 "Regular Use" shall mean the use by a Fractional Owner of one Week in each of the four (4) Designated Seasons each Use Year and one additional Use Week each Use Year during any of the Designated Seasons, resulting in a maximum of thirty-five (35) days and nights of occupancy of a Unit in the Resort per Use Year (not including any Bonus Use Periods of occupancy).

1.44 "Resort" shall mean all land, Units, Common Elements, and other permanent fixtures of whatever kind thereon, the Common Furnishings, and all rights, benefits, and privileges belonging or in any manner appertaining thereto, now or hereafter submitted to this Declaration, as it may lawfully be amended and/or supplemented from time to time. The Resort is a "Neighborhood," as such term is defined in the Community Declaration.

1.45 "Resort Affiliation Agreement" shall mean an agreement by and among Developer, an Affiliate of Developer, or an independent third Person that owns, controls, or manages an Affiliated Exchange Resort (if any), the Association, and an Affiliated Exchange Resort Association, pursuant to which such Affiliated Exchange Resort's accommodations and recreational facilities become available for the use, occupancy, and enjoyment of Fractional Owners.

1.46 "Resort Instruments" shall mean this Declaration, the Articles of Incorporation, the Bylaws, and the Rules and Regulations of the Association, as each may lawfully be amended and/or supplemented from time to time.

1.47 "Rules and Regulations" shall mean the Rules and Regulations adopted by the Board of Directors of the Association, as they may lawfully be amended and/or supplemented from time to time.

1.48 "Split Use Period" shall mean a portion of a Use Week consisting of from one (1) to six (6) consecutive days and nights during which time a Fractional Owner or Unit Occupant shall be entitled to use and occupy such Assigned Unit as shall properly have been reserved by him, pursuant to the terms and conditions of this Declaration and the then current Rules and Regulations, as well as to enjoy such other rights and privileges as are granted hereunder.

1.49 "Unit Committed to Fractional Ownership" shall mean a Condominium Unit in which one (1) or more Fractional Interests have been conveyed by Developer.

1.50 "Unit Occupant" shall mean any Person occupying or permitted to occupy a Unit, including but not limited to an Owner, members of his family, his guests, licensees, and invitees, together with Exchange Users, subject to the provisions of the Resort Instruments.

1.51 "Unit Owner" (sometimes referred to as "Owner") shall mean any Person in whose name a Warranty Deed to a Condominium Unit is recorded in the Public Records of Walton County, Florida, together with such Person's successors and permitted transferees; provided, however, that Developer shall be deemed to be the Unit Owner of any Condominium Unit(s) with respect to which a Warranty Deed has not been recorded in the Public Records of Walton County, Florida, conveying such Condominium Unit(s) from Developer to the initial transferee(s) thereof, as well as any Condominium Unit(s), title to which is obtained through any means by Developer from any such initial transferee or a successor or assign thereof.

1.52 "Use Period" shall mean any period of time during which a Fractional Owner is entitled to use and occupy an Assigned Unit within the Resort, pursuant to the provisions hereof and the then current Rules and Regulations.

1.53 "Use Week" shall mean a specific period of seven (7) consecutive days and nights during which a Fractional Owner or Unit Occupant is entitled to use and occupy such Assigned Unit within the Resort as the Manager shall designate, pursuant to the terms and conditions of this Declaration and the reservation procedures set forth in the then current Rules and Regulations, as well as to enjoy such other rights, benefits, and privileges as are granted to him hereunder.

Use Week numerical designations shall be determined as follows:

Use Week number 1 is the seven (7) consecutive days and nights commencing on the first Sunday of each calendar year. Use Week number 2 is the seven (7) consecutive days and nights immediately succeeding Use Week number 1. The remaining Use Week numbers, up to and including Use Week number 52, may be determined in like manner. Use Week number 53 contains the seven (7) days and nights periodically (i.e., every five [5] or six [6] years) succeeding the end of Use Week number 52, and will

exist only in those calendar years in which Use Week number 52 ends prior to December 31 of such calendar year.

Notwithstanding the foregoing, each Fractional Owner and Unit Occupant shall be required to vacate his Assigned Unit at the check-out time established by the Board and set forth in the then current Rules and Regulations in order to enable the Association to perform routine cleaning and maintenance, pursuant to the provisions hereof.

1.54 "Use Year" shall mean the one (1) year period commencing on the first (1st) day of the calendar month identified as the start of a particular Fractional Owner's Use Year in his Purchase Agreement and Warranty Deed. A Fractional Owner's Use Year does not change from calendar year to calendar year.

1.55 "Warranty Deed" shall mean that certain instrument captioned "Special Warranty Deed" by which Developer conveys title to one (1) or more Condominium Units or Fractional Interests, together with any subsequent assignments thereof.

ARTICLE II

NAME AND ADDRESS

The name by which the Resort shall be known and identified is WaterColor Private Residence Club, A Condominium, the address of which is 29 Goldenrod Circle, Santa Rosa Beach, Florida 32459.

ARTICLE III

THE RESORT

3.1 Survey; Plot Plan; Graphic Description. A survey of the land described in Exhibit "A" hereto, together with a Graphic Description of the improvements in which Condominium Units are located and a Plot Plan thereof, are attached hereto as part of Exhibit "E" and incorporated herein by this reference.

3.2 Certificate of Surveyor. Also attached hereto as part of Exhibit "E" is the certificate of a surveyor authorized to practice in the State of Florida which states that construction of the Resort is substantially complete such that the Survey, the Plot Plan, and the Graphic Description referred to in Section 3.1 above, together with the provisions hereof describing the Condominium Property, constitute an accurate representation of the location and dimensions of such improvements and that the identification, location, and dimensions of said improvements and the Common Elements can be determined therefrom.

3.3 Description of Condominium Units. The Condominium Units are shown on the Survey which is attached hereto as part of Exhibit "E." Each such Unit is identified by a number such that no Unit bears the same numerical designation as any other Unit.

Each Unit shall be deemed to include all non-load bearing walls and partitions located therein as well as the inner decorated or finished surfaces of all walls, floors, and ceilings. A Unit shall not be deemed to include:

- (a) The undecorated or unfinished surfaces of the perimeter walls and party walls of such Unit;
- (b) The perimeter walls of the building in which such Unit is located, including the exterior finished surfaces of the perimeter walls of such building;
- (c) All load bearing walls and partitions within a Unit;
- (d) Any pipes, shafts, wires, conduits, and other utility or service lines located within a Unit;
- (e) The undecorated or unfinished floors and ceilings, and all doors, door frames, windows, window frames, and panels located within a Unit; or
- (f) All furniture, furnishings, fixtures, and equipment located within a Unit, the same being deemed Common Elements or Common Furnishings as provided herein.

3.4 Description of Common Elements. The Common Elements of the Resort are described as follows:

- (a) The land described in Exhibit "A" hereto;
- (b) The undecorated or unfinished surfaces of the perimeter walls and party walls of each Unit;
- (c) All load bearing walls and partitions, including the exterior finished or decorated surfaces of such walls and partitions (but not the inner decorated or finished surfaces of such walls in a Unit);
- (d) All walls not located in a Unit, including the exterior finished or decorated surfaces of all such walls;
- (e) All pipes, wires, shafts, conduits, and other utility or service lines located in a Unit;
- (f) The undecorated or unfinished floors and ceilings, and all doors, door frames, windows, window frames, and panels located in a Unit;
- (g) The perimeter walls of the buildings in which the Units are located, including the exterior finished surfaces thereof;
- (h) Central and appurtenant installations for services such as power, light, gas, water, sewage disposal, and air conditioning, together with the tanks, pumps,

motors, fans, compressors, ducts, and, in general, all apparatus, equipment, and installations existing for the common use of all Owners;

(i) The foundations, floor slabs, beams, columns, supports, girders, walls, partitions, walkways, stairways, stairs, doors, windows, and panels upon the Condominium Property existing for the common use of all Owners;

(j) All ducts, electrical equipment, wiring, pipes, and other central and appurtenant transmission facilities and installations over, under, and across the Condominium Property which service more than one Unit for services such as power, light, gas, water, sewage disposal, air conditioning, and radio and television signal distribution, except to the extent that any such equipment or facilities are owned by or leased from independent third party service providers;

(k) All areas and specific spaces demarcated for parking or as parking spaces;

(l) Any and all other areas, corridors, decks, apparatus, and installations of common use which are necessary or convenient for the existence, maintenance, and safety of the Condominium Property, or normally in common use, or as are specified in Section 718.108, Florida Statutes.

Each Owner's respective undivided interest in the Common Elements of the Resort is set forth in Exhibit "D" hereto.

3.5 Description of Limited Common Elements. The Limited Common Elements shall consist of those of the above Common Elements that are reserved for the exclusive or nonexclusive use and enjoyment of the Owner(s) of one (1) or more Units within the Resort, to the exclusion of the Owners of all other Units. Such Limited Common Elements include, but are not necessarily limited to, the following:

(a) Individual patios and balconies appurtenant to a Unit, if any;

(b) Storage areas and parking spaces appurtenant to a Unit, if any;
and

(c) All other structures, equipment, and areas designated as Limited Common Elements on the Survey which is attached as part of Exhibit "E" hereto.

3.6 Additional Amenities and Facilities. The Association shall have the right to enter into agreements and/or otherwise acquire, on behalf of all Owners, fee, leasehold, membership, and other possessory and use interests in real and personal property for the enjoyment, recreation, and benefit of the Owners, whether or not such property is contiguous to or included within the Resort. Any purchase prices, rental fees, use charges, membership costs, or other expenses incurred in connection therewith shall be deemed Common Expenses, pursuant to the provisions hereof.

ARTICLE IV

FRACTIONAL OWNERSHIP

4.1 Timeshare Estates. TIMESHARE ESTATES, AS THAT TERM IS DEFINED BY SECTION 718.103, FLORIDA STATUTES, MAY BE CREATED WITH RESPECT TO SOME OR ALL OF THE UNITS IN THE RESORT. The maximum number of Units in the Resort is eleven (11). The maximum number of Fractional Interests to be conveyed in each such Unit will be eight (8), and therefore, the maximum number of Fractional Interests which Developer is authorized to create in the Resort is eighty-eight (88). Developer reserves the right on a Unit by Unit basis to change the percentage undivided interest of a Fractional Interest in a particular Unit by an amendment to this Declaration, pursuant to Section 18.2 hereof.

4.2 Committing a Unit to Fractional Ownership. A Condominium Unit as shown on Exhibit "E" hereto shall become a Unit Committed to Fractional Ownership upon the recording in the Public Records of Walton County, Florida, of the first Warranty Deed conveying a Fractional Interest in such Unit from Developer to a Fractional Owner other than Developer. No Condominium Unit may be committed to Fractional Ownership by any Person other than Developer. Developer reserves the right to offer whole Units for sale prior to the recordation of the first Warranty Deed conveying a Fractional Interest in such Unit.

ARTICLE V

DESCRIPTION OF CONDOMINIUM UNITS AND FRACTIONAL INTERESTS

Subsequent to the recording of this Declaration in the Public Records of Walton County, Florida, every deed, lease, mortgage, deed of trust, and other instrument may legally describe a Condominium Unit by its Unit number, as set forth on the Survey which is attached hereto as part of Exhibit "E," together with the appropriate recording data for this Declaration and any amendments and/or supplements hereto, and may legally describe a Fractional Interest in a Unit Committed to Fractional Ownership by the Unit number, the applicable Fractional Owner's undivided percentage interest therein, together with the Use Year in which such Fractional Owner's use and occupancy rights commence, and the recording data for this Declaration and any amendments and/or supplements hereto. Each such description shall be good and sufficient for all purposes to sublease, encumber, or otherwise transfer an Owner's Condominium Unit or Fractional Interest.

ARTICLE VI

USE AND OCCUPANCY RIGHTS AND RESTRICTIONS

6.1 Residential Use. Each Fractional Owner shall occupy his Assigned Unit as a single family private dwelling for himself, members of his family, his guests, licen-

sees, and invitees, subject to the restrictions contained herein and in the other Resort Instruments; provided, however, that Developer may make any lawful use of a Unit or Fractional Interest of which it is deemed the Owner, pursuant to the provisions hereof.

6.2 Occupancy of Units Committed to Fractional Ownership. This Declaration creates a Floating Fractional Ownership Plan for all Fractional Owners. Notwithstanding any provision of the Resort Instruments, his Warranty Deed, or his Purchase Agreement to the contrary, no Fractional Owner shall have the exclusive right to use and occupy the specific Unit identified in his Warranty Deed or Purchase Agreement for any particular Use Period(s). Rather, each Fractional Owner shall have the recurring exclusive right every Use Year, commencing with the Use Year set forth in such Fractional Owner's Warranty Deed, to use and occupy an Assigned Unit (though not necessarily the specific Unit identified in his Warranty Deed), as well as the Limited Common Elements and Common Furnishings that are located within or otherwise appurtenant to such Unit, and the nonexclusive right to use and enjoy the Common Elements of the Resort, for their intended purposes, during such Use Period(s) as shall properly have been reserved by him in accordance with the provisions of the then current Rules and Regulations. The Board shall have the authority (but not the obligation) to permit Fractional Owners to reserve the right to use and occupy an Assigned Unit for one (1) or more Bonus Use Periods upon the conditions set forth in the Rules and Regulations, as amended from time to time. No Fractional Owner or the family members, guests, licensees, or invitees thereof shall occupy any Unit or exercise any of the rights appurtenant to his Fractional Interest, including but not limited to the right to use and enjoy any of the Common Elements, other than the rights expressly provided to him in this Declaration, during any time period other than such Fractional Owner's reserved Use Period(s), unless expressly authorized to do so by the Board or the Fractional Owner entitled to use such Unit during such Use Period(s).

6.3 Check-In. Upon arrival at the Resort, all Fractional Owners, members of their families, their guests, licensees, and invitees, and any Exchange Users, shall check-in at the reception desk available for such purpose. No individual shall be admitted into a Unit until the check-in process has been completed. Furthermore, proper identification, and in the case of persons other than a Fractional Owner, written authorization to enter and use an Assigned Unit, in a form acceptable to the Manager, shall be required.

6.4 Care of Condominium Property. Each Unit Occupant shall exercise reasonable care in the use of his Assigned Unit, the Common Elements, the Common Furnishings, and any property of the Association.

6.5 Responsibility for Damage. Each Unit Occupant shall be liable for the uninsured cost and expense of any maintenance, repair, or replacement of the Units, the Common Elements, or the Common Furnishings necessitated by such Unit Occupant's negligent or intentional acts or omissions. The negligent or intentional act or omission of an Owner's family members, guests, licensees, or invitees shall be deemed to be the act of the Owner, and such individuals shall be held jointly and severally liable with such Owner.

In the event that a Unit Committed to Fractional Ownership is rendered uninhabitable due to the intentional or negligent act or omission of a Fractional Owner or Exchange User, the Manager, on behalf of the Association, shall use reasonable efforts to find, and shall initially pay for, alternative accommodations of reasonably comparable quality and location for any individual(s) authorized to occupy such uninhabitable Unit. If no other Unit within the Resort is available for such individuals' use and occupancy, the Manager shall seek to obtain the right of such individual(s) to use and occupy an accommodation that is located outside of the Resort. The responsible Fractional Owner or Exchange User shall be assessed by the Association for the uninsured cost of such alternative accommodations and shall also be liable to the Association for an administrative fee which, unless and until adjusted by the Board of Directors, shall be in the amount of two hundred percent (200%) of the fair rental value of the Unit rendered uninhabitable, as such fair rental value is determined from time to time by the Board, for each day or any portion thereof during which the Unit remains uninhabitable.

The Manager shall submit a bill to the responsible Fractional Owner or Exchange User for all amounts payable to the Association under this Section, which amounts shall be enforceable as a claim for money damages against such Fractional Owner or Exchange User and shall constitute a Personal Charge to such Fractional Owner.

Any loss, damage, or destruction caused by an Exchange User to a Unit, Common Element, Common Furnishing, or any property of the Association, or any violation of the Resort Instruments by the Exchange User, shall be remedied by the Association, and the cost thereof, to the extent not covered by insurance or recovered from the Exchange User, shall be a Fractional Expense and shall be shared by all Fractional Owners as a part of their Fractional Maintenance Fee; provided, however, that if an Exchange User is also a Fractional Owner, such costs shall constitute a Personal Charge to such Fractional Owner and shall be borne by such Fractional Owner exclusively.

6.6 Offensive Use. No Unit Occupant shall cause or permit any unlawful, improper, or offensive use of any Unit, Common Element, or Common Furnishing, nor shall any Unit Occupant permit any portion of the Resort to be used in any manner contrary to or not in accordance with the provisions of the Resort Instruments. Furthermore, no Unit Occupant shall cause or permit anything to be done or kept in a Unit or the Common Elements that might adversely affect the safety or soundness thereof or which is reasonably likely to increase the rate of any of the Association's insurance coverage or obstruct or interfere with the rights of other Unit Occupants or annoy them by unreasonable noises or otherwise, nor shall any Unit Occupant commit or permit any nuisance, objectionable or disruptive behavior, or illegal acts in or about the Resort.

6.7 Hazards to Health and Safety. Any violation of the Resort Instruments which is deemed by the Board of Directors or the Manager to constitute a hazard to any Person's health or safety shall be corrected immediately. The responsible Owner or Exchange User shall be liable for the uninsured expense of correcting any such violation.

6.8 Maximum Occupancy Restriction. No Unit Occupant shall cause or permit a Unit to be occupied overnight by a number of individuals in excess of such occupancy limits as are imposed by law and/or set forth in the then current Rules and Regulations.

6.9 Pet Restriction. No pet or animal of any kind (other than a properly licensed and certified service animal for a disabled person) shall be permitted within a Unit or elsewhere within the Resort.

6.10 Vacating Units. Each Unit Occupant of a Unit Committed to Fractional Ownership shall vacate his Assigned Unit on the final day of his reserved Use Period at the time specified in the then current Rules and Regulations. At such time, each Unit Occupant shall take all such steps as are necessary to ensure the removal of all individuals occupying his Assigned Unit during his reserved Use Period, along with all of the personal property of such individuals. If any Unit Occupant fails to vacate his Assigned Unit at the end of his reserved Use Period(s) or at such earlier time as may be fixed by the then current Rules and Regulations, or otherwise uses or occupies a Unit during any period other than his reserved Use Period(s) without written authorization from the Fractional Owner entitled to occupy such Unit at that time, or prevents another Fractional Owner from using or occupying the Unit during such Fractional Owner's reserved Use Period(s), then he shall be deemed a "Holdover Occupant" and shall be subject to immediate removal, eviction, or ejection from the Unit wrongfully used or occupied and shall be deemed to have waived any notice required by law with respect to any legal proceedings regarding removal, eviction, or ejection (to the extent that such notice may be waived under Florida law). The Association, acting through the Manager, shall take such prompt and immediate steps as may be necessary to remove such Holdover Occupant and his personal property from the Unit wrongfully occupied, to the extent permitted by law. The Association shall use its best efforts to secure, at its expense, alternative accommodations for any Fractional Owner or Unit Occupant who is unable to occupy his Assigned Unit due to the failure of any Holdover Occupant to vacate such Unit. Such alternative accommodations shall be comparable in quality and location to such Fractional Owner's or Unit Occupant's Assigned Unit, to the extent reasonably practicable, and the cost of such alternative accommodations shall initially be borne by the Association. Notwithstanding the above, the Association shall not incur any liability in the event it is unable to secure alternative accommodations nor shall it be liable for any loss or damage to such accommodations caused by an Owner or Unit Occupant. If no other Unit within the Resort is available for the use and occupancy of the Fractional Owner or Unit Occupant who is unable to occupy his Assigned Unit, the Manager shall seek to obtain the right of such individual(s) to use and occupy an accommodation that is located outside of the Resort.

The cost of such alternative accommodations, together with all other costs and expenses, including reasonable attorneys' fees, incurred by the Association due to the Holdover Occupant's failure to vacate the Unit in question, as well as an administrative fee which, unless and until adjusted by the Board, shall be in the amount of two hundred percent (200%) of the fair rental value of the Unit wrongfully occupied, as such fair rental value is determined from time to time by the Board, based upon the cost of renting comparable accommodations located in the vicinity of the Resort, shall be as-

essed to the Fractional Owner who wrongfully occupied or permitted or otherwise allowed the Holdover Occupant to occupy such Unit. Such administrative fee shall be charged for each day or portion thereof, including the day of surrender, during which the Holdover Occupant wrongfully occupies a Unit. The Manager shall submit a bill to such Fractional Owner or Exchange User for any amounts payable to the Association pursuant to this Section which amounts shall be enforceable as a claim for money damages against such Fractional Owner or Exchange User, and shall constitute a Personal Charge to such Fractional Owner.

6.11 No Accrual. If, for any reason, a Fractional Owner, members of his family, his guests, licensees, or invitees do not use and occupy an Assigned Unit in the Resort or an Affiliated Exchange Resort, if any, for one (1) or more Use Periods in a particular Use Year, then, except as may expressly be provided in the then current Rules and Regulations to the contrary, the unused time cannot be accumulated and carried forward for future use at the Resort or an Affiliated Exchange Resort, and such Fractional Owner shall remain responsible for complying with all of the provisions of the Resort Instruments, including but not limited to the payment of all Assessments.

6.12 Easements. In addition to any easements set forth in the Community Declaration or otherwise of record in the Public Records of Walton County, Florida, the Resort shall be subject to the following easements:

(a) Each Unit shall have nonexclusive easements in and to the Common Elements for support and for the maintenance and repair of such Unit;

(b) If any Common Element now or hereafter encroaches upon any Unit, or if any Unit now or hereafter encroaches upon any other Unit or Common Element, a valid easement for such encroachment and the maintenance thereof, as long as such encroachment continues, does and shall exist. Minor encroachments by any Unit or Common Element upon any other Unit or Common Element due to construction or the partial or total destruction and subsequent rebuilding of the improvements, shall be permitted, and valid easements for such encroachments and the maintenance thereof shall exist;

(c) Each Owner, Unit Occupant, and Developer, its successors and assigns, shall have an easement in common with all of the Owners to use all pipes, wires, ducts, cables, conduits, public utility lines, and other Common Elements located in any of the other Units or Common Elements that serve his Unit. Each Unit and Common Element shall be subject to an easement in favor of the Owners of all of the other Units and Fractional Interests, Unit Occupants, and Developer to use the pipes, ducts, cables, wires, conduits, public utilities, and other Common Elements serving such other Units and located in such Units;

(d) Developer shall have and hereby retains for itself, its successors and assigns, together with its guests, licensees, invitees, and agents, an easement to maintain one (1) or more model Units and business and sales offices at the Resort to enable Developer or its designee(s) to market, sell, and resell Condominium Units and

Fractional Interests to members of the general public and to conduct any other commercial activities not prohibited hereby. In particular, until (i) all Units and Fractional Interests in the Resort have been sold and conveyed; and (ii) Developer records an instrument in the Public Records of Walton County, Florida, expressly terminating such easement, Developer shall have a nonexclusive easement in, over, and through the Common Elements for the purpose of conducting any of such activities and providing pedestrian and vehicular access to the Units and the Common Elements. In connection therewith, Developer or its designee(s), including its guests, licensees, invitees, and agents may place signs in or around the Common Elements and may use any of the Common Elements, or portions thereof, for sales and resales marketing and other business purposes, in combination with or to the exclusion of all other uses, and shall have a nonexclusive easement and right of pedestrian and vehicular access and ingress and egress over, across, in, and to, as well as the right to park vehicles upon, those portions of the Common Elements, as are necessary or appropriate for the conduct of such activities. However, Developer and its designee(s) shall place such signs and conduct such activities in such manner and location as to minimize any inconvenience to the Owners which might be occasioned thereby. Owners, other than Developer, are prohibited from placing signs in or around the Common Elements;

(e) Developer shall have and hereby retains for itself, its successors, assigns, and agents, an easement and right of ingress and egress in and to those portions of the Common Elements which are necessary to Developer for the construction of additions and improvements to the Resort;

(f) Developer shall have and hereby retains for itself, its successors, assigns, and agents, an easement over, under, above, and through the Resort, as may be required for conduits, ducts, plumbing, wiring, and other facilities necessary for the furnishing of utility services to the Units and the Common Elements;

(g) Developer shall have and hereby retains for itself, its successors and assigns, including all of the Owners, together with its guests, licensees, invitees, and agents, a nonexclusive easement for ingress and egress over, through, and across such streets, walks, paths, stairways, lanes, and other rights-of-way serving the Units and the Common Elements as may be necessary to provide reasonable pedestrian access thereto, as well as an easement for ingress and egress over, through, and across such paved portions of the Common Elements as may be necessary to provide reasonable vehicular access thereto; provided, however, that the latter easement shall not give or create in any individual the right to park upon any portion of the Condominium Property not designated as a parking area by the Board of Directors. In the event that any of said easements for ingress and egress shall be encumbered by any mortgage, leasehold, or other lien, other than those on the entire Condominium Property, such mortgages, leaseholds, or other liens shall hereby be subordinate to the use rights of any Owner whose Condominium Unit or Fractional Interest is not also encumbered by said mortgage, leasehold, or other lien;

(h) Developer shall have and hereby retains for itself, its successors, assigns, and agents, the right, in perpetuity, for the benefit of the Resort or any adjacent

property or other property owned or operated by Developer or any successor, assign, or Affiliate thereof, to utilize and to grant easements over, across, and under the Common Elements for vehicular and pedestrian access to, as well as the nonexclusive right to use and enjoy on the same terms and conditions as apply to Owners of Units and Fractional Interests in the Resort, said Common Elements (including the Resort's recreational facilities), and for utilities, sanitary and storm sewers, security or other types of monitors, cable television lines, walkways, roadways, and rights-of-way, and to relocate or to realign any existing easements or rights-of-way over, across, and under the Common Elements, including without limitation, any existing utilities, sanitary lines, sewer lines, and cable television lines, and to connect the same over, across, and under the Common Elements, provided that such utilization, easements, relocations, and connections of lines shall not materially impair or interfere with the use of any Unit. In addition, the Association, through the Board, is authorized to give, convey, transfer, cancel, relocate, and otherwise deal with any and all utility and other easements now or hereafter located on or affecting the Resort;

(i) Developer shall have and hereby retains for itself, its successors, assigns, and agents, including the Association and all Fractional Owners, such easements for ingress and egress in and to each Unit Committed to Fractional Ownership as may be necessary to enable the Association and the Manager to implement any reservation procedures that may be set forth in the then current Rules and Regulations, pursuant to the provisions thereof; and

(j) Developer further reserves for itself, its Affiliates, and their respective successors and assigns, the right to establish such additional temporary or permanent easements, licenses, reservations, similar use rights, exceptions, and exclusions or to relocate any existing easements, as Developer, in its sole discretion, deems necessary or appropriate and in the best interests of the Owners and/or the Association.

6.13 Rentals. Notwithstanding any provision of this Declaration to the contrary, no Owner (including Developer) shall have the right to lease or rent any Condominium Unit or Fractional Interest owned by him or of which he or it is deemed the Owner, pursuant to the provisions hereof.

6.14 Protection of Developer. Notwithstanding any provision of the Resort Instruments to the contrary, for so long as Developer holds for sale in the ordinary course of its business one (1) or more Condominium Units and/or Fractional Interests, none of the following actions may be taken by the Board, the Association, or any Owner other than Developer, without the prior written approval of Developer:

- (a) Levying any Assessment which discriminates against Developer;
- (b) Levying any Assessment against Developer for any capital improvements to the Resort; or
- (c) Taking any action that would be detrimental to the sale or resale by Developer of Condominium Units and/or Fractional Interests; provided, however, that an

increase in Common Expense Assessments or Fractional Maintenance Fees without discriminating against Developer shall not be deemed to be detrimental to the sale or resale of Condominium Units or Fractional Interests.

6.15 Affiliated Exchange Resorts. Developer shall have and hereby retains the right, at any time, in its sole and absolute discretion, to establish an internal exchange program ("Internal Exchange Program") among the Owners of Fractional Interests in Units within the Resort and the holders of ownership or membership interests of varying types in accommodations within one (1) or more Affiliated Exchange Resorts, if any. In the event that Fractional Owners are granted the right to participate in such an Internal Exchange Program, they will be permitted, on a first come, first served, space-available basis, to exchange their properly reserved Use Periods for comparable use and occupancy rights at one (1) or more such Affiliated Exchange Resorts, all in accordance with such reservation procedures as Developer shall establish from time to time in an attempt to ensure the orderly and equitable operation of the Internal Exchange Program. Developer may terminate any such Internal Exchange Program that it has previously established at any time, in its sole and absolute discretion, in which event Fractional Owners' use and occupancy rights shall be limited to the Units, Common Elements, and Common Furnishings of the Resort.

ARTICLE VII

TRANSFER AND ENCUMBRANCE OF CONDOMINIUM UNITS AND FRACTIONAL INTERESTS

7.1 Transfer of Condominium Units and Fractional Interests.

(a) Any attempt to separate an Owner's interest in his Condominium Unit or Fractional Interest from its appurtenant undivided interest in the Common Elements, Common Furnishings (if applicable), Common Surplus, or membership in the Association shall be null and void.

(b) Absent the prior written consent of the Association, no Owner may in any way sell, convey, devise, or otherwise transfer any portion of his Condominium Unit or Fractional Interest without selling, conveying, devising, or otherwise transferring the entire Condominium Unit or Fractional Interest and all rights related or appurtenant thereto, and any attempt by an Owner to do so may, in the sole discretion of the Board, be deemed null, void, and of no legal effect. However, subject to the conditions and restrictions contained herein and in the other Resort Instruments, an Owner may transfer his entire Condominium Unit or Fractional Interest and all rights related or appurtenant thereto to any other Person.

(c) For as long as Developer owns any Fractional Interest in the Resort for the purpose of re-sale until the date Developer records a termination of the rights established in this Section 7.1(c) in the Public Records of Walton County, Florida, no Fractional Interest Owner may sell or transfer his or her Fractional Interest without first offering to sell the Fractional Interest to Developer as described below (such period being

herein referred to as the "Repurchase Period"). Prior to any sale of a Fractional Interest during the Repurchase Period, the Fractional Interest Owner shall cause the offer from a third party to be reduced to writing and submit the written offer to Developer together with a written offer from the Owner to sell the subject Fractional Interest to Developer for a purchase price equal to the purchase price the Owner would have received under the written offer. Developer shall be deemed to have rejected any such offer to acquire a Fractional Interest unless Developer accepts the offer in writing or causes another person or entity to purchase the Fractional Interest upon the same purchase price and terms and conditions of the written offer within thirty (30) days after receipt of the offer. If Developer rejects any offer to acquire a Fractional Interest, the Owner shall have the right, for a period of sixty (60) days, to sell the Fractional Interest pursuant to the written offer submitted to Developer, after which time the rights of Developer under this Section 7.1(c) shall be automatically reinstated. In the event Developer accepts any offer, the closing shall occur within sixty (60) days after acceptance. The right of first refusal contained in this Section 7.1(c) shall not apply to (i) a conveyance of a Fractional Interest to any family member in which a real estate commission is not paid; (ii) a conveyance of a Fractional Interest by will or from the estate of any Owner; (iii) a conveyance of a Fractional Interest from one co-Owner to another; (iv) any foreclosure sale or deed in lieu of foreclosure to the holder of a first priority purchase money mortgage on the Fractional Interest; or (v) any sale of the Fractional Interest by the holder of a first priority purchase money mortgage who has acquired title to the Fractional Interest by foreclosure or deed in lieu of foreclosure.

(d) Each Owner shall be free to transfer his Condominium Unit or Fractional Interest, subject to Developer's right of first refusal as set forth in Section 7.1(c) hereof, the restrictions contained herein, and the payment to the Manager or, in the absence of a Manager, to the Association of a nonrefundable transfer fee not to exceed the amount set forth in Section 718.112(2)(i), Florida Statutes, as amended from time to time. The applicable deed or other instrument of conveyance shall provide that the Condominium Unit or Fractional Interest conveyed thereby shall be held by the transferee subject to each of the provisions of the Resort Instruments. No transfer of any kind of a Condominium Unit or Fractional Interest, except for a transfer to a Mortgagee of Record that obtains title to the Condominium Unit or Fractional Interest as a result of the foreclosure of its mortgage thereon or otherwise, shall be recognized by the Association as valid or effective for any or all purposes under the Resort Instruments unless and until an instrument evidencing such transfer is recorded in the Public Records of Walton County, Florida, and a true and correct copy of such instrument is provided by the transferee to the Manager for the Association's records; provided, however, that a Mortgagee of Record shall not (i) be entitled to receive any notices or other communications of any kind otherwise required or permitted to be provided under the Resort Instruments; or (ii) have the right to approve any actions by the Owners as otherwise contemplated by Sub-sections 13.2(d), 13.3(a) and (b), 17.1, or any other provision of this Declaration or any of the other Resort Instruments, unless and until an instrument evidencing such Mortgagee of Record's acquisition of title to a Condominium Unit or Fractional Interest or the perfection of its lien thereupon has been recorded in the Public Records of Walton County, Florida, and a true and correct copy thereof has been furnished to the Manager for the Association's records.

(e) The transferee (including a purchaser at a judicial sale) of a Condominium Unit or Fractional Interest shall be jointly and severally liable with the transferor for all unpaid Assessments levied upon the transferor up to the time of the transfer, without prejudice to the transferee's right to recover from the transferor any amounts paid by the transferee to the Association in satisfaction of such indebtedness. No Person who acquires a Condominium Unit or Fractional Interest shall be entitled to occupy a Unit, use and enjoy the Common Elements or Common Furnishings, or resell such Condominium Unit or Fractional Interest until such time as all unpaid Assessments due and owing from the transferor have been paid in full, provided that an appropriate claim of lien was recorded in the Public Records of Walton County, Florida, prior to the effective date of such transfer. The Person acquiring title to such Condominium Unit or Fractional Interest shall pay the full amount owed to the Association within thirty (30) days following the transfer of title. Failure to pay such full amount when due shall entitle the Association to record a claim of lien against the applicable Condominium Unit or Fractional Interest and proceed in the same manner as provided in Articles X and XI hereof for the collection of unpaid Assessments (other than Personal Charges). Notwithstanding the foregoing, the liability of a Mortgagee of Record or its successors or assigns that acquires title to a Condominium Unit or Fractional Interest by foreclosure or by deed in lieu thereof for any Common Expenses or Fractional Expenses attributable to such Condominium Unit or Fractional Interest which became due prior to such Mortgagee of Record's acquisition of title shall be limited to the lesser of: (i) the Condominium Unit's or Fractional Interest's unpaid Common Expense Assessments and, if applicable, Fractional Maintenance Fees, that accrued or came due during the six (6) months immediately preceding the acquisition of title and for which payment in full has not been received by the Association; or (ii) one percent (1%) of the original mortgage debt. Any Assessments or other amounts for which a Mortgagee of Record is not liable, pursuant to this Sub-section (e), shall be deemed a Common Expense and/or Fractional Expense, as appropriate, collectible from all of the Owners or only the Fractional Owners, as appropriate, in the manner provided herein.

7.2 Encumbrance of Condominium Units and Fractional Interests. Each Fractional Interest shall be entirely independent of every other Fractional Interest in the same Unit or any other Unit within the Resort. Each Owner shall have the right to mortgage or otherwise encumber his Condominium Unit or Fractional Interest; provided, however, that no Owner may encumber or hypothecate any portion of his Condominium Unit or Fractional Interest without encumbering or hypothecating the entire Condominium Unit or Fractional Interest and all rights related or appurtenant thereto, and any attempt by an Owner to do so shall be null and void. No Owner shall have the right to take any action that will encumber the Condominium Unit or Fractional Interest of any other Owner or any portion of the Common Elements or Common Furnishings, and any attempt by an Owner to do so shall be null and void. Any mortgage, deed of trust, security agreement, or other encumbrance of any Condominium Unit or Fractional Interest shall be subject and subordinate to all of the provisions of the Resort Instruments.

7.3 Waiver of Partition. Each Owner hereby waives any and all right to seek or obtain, through any legal proceeding, judicial partition or sale in lieu thereof of any Unit, Fractional Interest, Common Element, Common Furnishing, the Common Surplus,

or other portion of the Resort, unless and until the Resort is terminated and removed from the provisions of Chapter 718, Florida Statutes, as provided in Article XVII hereof, or in the case of substantial damage or destruction to the Condominium Property as provided in Article XIII hereof. If, however, any Condominium Unit or Fractional Interest shall be owned by two (2) or more Persons, as tenants in common, tenants by the entirety, joint tenants, or as community property, then nothing herein contained shall prohibit the partition or judicial sale in lieu of partition of such Condominium Unit or Fractional Interest as between such co-Owners.

7.4 Protection of Interest. Except as otherwise provided herein, no Owner shall permit his Condominium Unit or Fractional Interest to be subject to any lien (other than the liens of current and future real property taxes), claim, or charge, the enforcement of which may result in a sale or threatened sale of any other Condominium Unit or Fractional Interest or in any interference in the use or enjoyment thereof by any other Owner.

ARTICLE VIII

THE PRIVATE RESIDENCE CLUB AT WATERCOLOR CONDOMINIUM ASSOCIATION, INC.

8.1 Membership in Association. Each Owner, including Developer (so long as Developer is deemed the Owner of any Condominium Unit[s] or Fractional Interest[s], pursuant to the provisions hereof), shall automatically be a member of the Association until he ceases to be an Owner.

8.2 Transfer of Membership. The membership of each Owner in the Association is appurtenant to and inseparable from his ownership of a Condominium Unit or Fractional Interest and shall automatically terminate upon any valid transfer or conveyance of his Condominium Unit or Fractional Interest to any transferee or grantee, whether voluntary or by operation of law, except to the extent that such transferor retains an interest in any other Condominium Unit or Fractional Interest. The transferee of a Condominium Unit or Fractional Interest shall, immediately and automatically upon the valid transfer of his Condominium Unit or Fractional Interest as provided herein, become a member of the Association. If title to a Condominium Unit or Fractional Interest is vested in more than one (1) Person, then all of the Persons having title to such Condominium Unit or Fractional Interest shall be members of the Association.

The transfer of any Condominium Unit or Fractional Interest shall operate to transfer to the new Owner thereof the undivided percentage interest of the prior Owner in the Common Elements, the Common Furnishings (if applicable), and the Common Surplus, even though not expressly mentioned or described in the instrument of transfer and without further instrument of transfer.

8.3 Voting.

(a) Each Owner (including Developer as to any Condominium Unit(s) or Fractional Interest(s) of which it is deemed the Owner, pursuant to the provisions hereof) shall be entitled to one (1) vote for each Fractional Interest owned and eight (8) votes for each Condominium Unit owned. The vote(s) allocated to a Condominium Unit or Fractional Interest that is owned by more than one (1) Person, by a corporation, partnership, limited liability company, or other business entity may be cast only in the manner provided in the Bylaws.

(b) Voting rights transferred or pledged by any mortgage held by a Mortgagee of Record with respect to any Condominium Unit or Fractional Interest that has been recorded in the Public Records of Walton County, Florida, a true and correct copy of which has been filed with the Manager, shall be exercised only by the individual designated in such instrument, or such individual's proxy, until a written release or other termination thereof has been recorded and a true and correct copy thereof has been filed with the Manager.

ARTICLE IX

MANAGEMENT, MAINTENANCE, AND REPAIRS

9.1 Administration of the Resort. Responsibility for the maintenance, repair, replacement, restoration, improvement, operation, and administration of the Resort, including all Common Elements, Limited Common Elements, and Common Furnishings, shall be vested in the Association. The Association shall act as the agent of all of the Owners in collecting Assessments and in paying taxes, utility costs, and other Common Expenses and Fractional Expenses. The Association, through its Board of Directors, Officers, the Manager, and other duly authorized agent(s) may exercise any and all rights and powers granted to it by law or by the Resort Instruments, as amended or supplemented from time to time; provided, however, that the Board and the Manager shall be jointly and severally responsible for the faithful discharge of the duties set forth in Section 721.13, Florida Statutes, as amended from time to time.

9.2 Common Elements, Limited Common Elements, and Common Furnishings. Exclusive control and responsibility over the maintenance, repair, modification, and alteration of the Common Elements and the Limited Common Elements are vested in the Association. The Association shall at all times maintain the Common Elements and the Limited Common Elements in good condition and repair. In the event of any disruption in service, the Association shall immediately make such repairs as may be necessary to restore such service. If Developer believes in good faith that the Association cannot or will not immediately make such repairs, Developer may, but shall not be obligated to, immediately arrange for and make such repairs in order to restore service, and the Association shall be liable to Developer for the cost of such repairs. The Association shall have complete discretion to determine the exterior color scheme of all Condominium Units and the interior color scheme, the decor, and the furnishings of each

Common Element and Limited Common Element, as well as the timing, extent, and nature of all redecorations, repairs, and/or replacements thereof. No Unit Occupant shall make any repairs, modifications, alterations, additions, redecorations, or replacements to any Common Element, Limited Common Element, Common Furnishing, or property of the Association.

9.3 Condominium Units Not Committed to Fractional Ownership. Each Unit Owner shall maintain his Unit in good condition and repair at all times, and shall be responsible for maintaining, repairing, and replacing, at his sole cost and expense, all portions of such Unit, including but not limited to the interior surfaces of all walls, floors, and ceilings. No Unit Owner may enclose, paint, or otherwise decorate or change the appearance of any patio or balcony appurtenant to his Unit, any portion of the exterior of the building in which his Unit is located, or any other Common Element or Limited Common Element, such responsibilities being vested in the Association as provided in Section 9.2 above. A Unit Owner may, however, alter or improve his Unit, at his sole and personal cost, provided that all such work is performed without disturbing the rights of other Owners, and further provided that all such work is in compliance with all applicable building codes.

9.4 Units Committed to Fractional Ownership. Exclusive control and responsibility over the maintenance, repair, modification, and alteration of all Units Committed to Fractional Ownership, as well as the Common Furnishings therein, is vested in the Association. No Fractional Owner shall make any repairs, modifications, alterations, additions, redecorations, or replacements to any Unit Committed to Fractional Ownership or to any Common Furnishing therein, without the prior written approval of the Association. Each Fractional Owner, during his reserved Use Period(s), shall keep the interior of his Assigned Unit, including, without limitation, the interior walls, windows, glass, ceilings, floors, fixtures, and appurtenances thereto, and all Common Furnishings contained therein, in a clean, sanitary, and attractive condition, and shall be personally liable for any damage or destruction thereto caused by such Fractional Owner, members of his family, his guests, invitees, or licensees. The Association shall at all times maintain and keep the Units Committed to Fractional Ownership, as well as the Common Furnishings therein, in good condition and repair. The Association shall have complete discretion to determine the interior color scheme, the decor, and the furnishings of each Unit Committed to Fractional Ownership, as well as the timing, extent, and nature of all redecorations, repairs, and replacements thereof.

9.5 Right of Access. Developer and the Association, acting through the Board, the Manager, or such other person or persons as they shall designate, shall have an irrevocable right of access to each Unit, without liability for trespass, during reasonable hours, as may be necessary to perform and carry out their respective rights, duties, and responsibilities as set forth herein, in the Bylaws, in the then current Rules and Regulations, and in the Management Agreement, including but not limited to:

- (a) Making emergency repairs therein;

(b) Abating any nuisance or any dangerous, unauthorized, prohibited, or unlawful activity in such Unit;

(c) Protecting the property rights and general welfare of Unit Owners and Unit Occupants; and

(d) Any other purpose reasonably related to the performance by Developer, the Association, the Board, and/or the Manager of their respective duties and responsibilities under the Resort Instruments and the Management Agreement.

Such right and authority to enter any Unit shall be exercised in such manner as to avoid any unreasonable or unnecessary interference with the possession, use, and/or enjoyment of any Unit by any occupant thereof, and shall be preceded by reasonable notice to the occupant(s) whenever the circumstances reasonably permit. No Owner or Unit Occupant may at any time change a lock on the entrance to any Unit. If an Owner or Unit Occupant changes any such lock, the Association may replace such lock and assess the cost thereof as a Personal Charge to the responsible Owner.

9.6 Relocation to Permit Maintenance and Repairs. If it becomes necessary, in the judgment of the Manager, to perform maintenance or repairs within a Unit in order to prevent foreseeable personal injury or imminent damage to such Unit, to any other Unit, to the Common Elements, to the Common Furnishings, or to the personal belongings of any Owner or Unit Occupant, and such maintenance or repairs cannot reasonably be performed while such Unit is occupied, then the occupant(s) of such Unit shall vacate the Unit upon the request of the Manager to do so in order to permit such maintenance or repairs. In such event, the Manager shall use reasonable efforts to relocate the displaced Unit Occupant(s) for the duration of such period of displacement to such reasonably comparable nearby accommodations as possible, at the Association's expense. Any such expense shall be a Common Expense or Fractional Expense, as appropriate, unless the damage or destruction was caused by the intentional or negligent act or omission of an Owner, a member of his family, his guests, invitees, or licensees, in which case the cost of such alternative accommodations as well as that of any required maintenance or repairs shall be assessed against the responsible Owner as a Personal Charge.

Notwithstanding the foregoing, the Association shall not incur any liability in the event that it is unable to secure alternative accommodations nor shall it be liable for any loss or damage to such accommodations caused by an Owner or Unit Occupant. The decision of the Manager as to whether a Unit is habitable and/or whether relocation to permit maintenance or repairs is necessary shall be conclusive as to all affected Persons.

9.7 Maintenance Periods. Although the Association will not hold legal title to any Unit, it shall be entitled to use any unreserved or otherwise unused Use Period(s), or portions thereof, in a particular Unit Committed to Fractional Ownership as the Maintenance Period(s) for such Unit. The Board and its agents shall have free access to each Unit during its reserved or designated Maintenance Period(s) for the purpose of

effecting any necessary or appropriate maintenance, repairs, modifications, alterations, replacements, and additions to such Unit and to the Common Furnishings therein. The Maintenance Period(s) for a particular Unit may vary from time to time in the Board's sole discretion, and need not occur at the same time for each Unit Committed to Fractional Ownership. The Association shall use its best efforts to reserve Maintenance Periods in Units Committed to Fractional Ownership so as to maximize the use and enjoyment thereof by Fractional Owners and minimize any scheduling problems under the reservation system established by the Rules and Regulations. In particular, the Maintenance Period for any Unit Committed to Fractional Ownership shall not occur during any Use Period that has been properly reserved by a Fractional Owner or Unit Occupant in accordance with the provisions of the then current Rules and Regulations.

ARTICLE X
ASSESSMENTS

10.1 Common Expense Assessment. Each Owner, including a Mortgagee of Record that has acquired title to a Condominium Unit or Fractional Interest as a result of foreclosure or the acceptance of a deed in lieu of foreclosure, shall be required to pay a Common Expense Assessment for each Condominium Unit or Fractional Interest owned. The Common Expense Assessment shall be levied by the Association, through the Board, to meet the Common Expenses. The liability for payment of the Common Expenses shall be apportioned among Owners based upon each Owner's respective undivided interest in the Common Elements, as specified and set forth in Exhibit "D" hereto.

The Common Expenses shall include, but shall not be limited to, the costs of the following items:

- (a) Any ad valorem taxes, personal property taxes, or other fees or assessments levied by a governmental authority and not billed directly to the Owners;
- (b) The operation, maintenance, cleaning, repair, modification, alteration, redecoration, and replacement of the Common Elements and the Limited Common Elements;
- (c) Utility charges;
- (d) Basic telephone service;
- (e) Insurance coverage, as provided for herein and in the Bylaws;
- (f) The purchase, rental, repair, and replacement of any furniture, fixtures, or equipment owned or leased by the Association;
- (g) Cable television service;

- (h) Rental by the Association of any facilities or amenities from Developer or other Persons;
- (i) Administrative costs;
- (j) Reserves, as described herein;
- (k) Management fees;
- (l) Attorneys', accountants', and other professional fees;
- (m) Any Regular Assessments, Special Assessments, Benefited Assessments, or other amounts levied by the Community Association upon all or any portion of the Resort as permitted by the Community Declaration; and
- (n) Any other costs incurred by the Association in connection with the maintenance, repair, replacement, restoration, redecoration, improvement, operation, and administration of the Resort and in connection with the operation and administration of the Association, but excluding all Fractional Expenses or any amounts for which Personal Charges are assessed, pursuant to the provisions hereof, and determined by the Board to be Common Expenses.

Common Expense Assessments shall be due and payable by each Owner at the time or times and in the manner established by the Board, written notice of which shall be provided to each Owner. Notwithstanding the foregoing, the Board, in its sole discretion, may elect to establish different payment schedules for Fractional Owners and Unit Owners such that, for example, all Fractional Owners are required to pay their Common Expense Assessments on a quarterly or annual basis while all Unit Owners are required to pay their Common Expense Assessments on a monthly basis. Any portion of the Common Expense Assessment attributable to ad valorem taxes and special governmental assessments shall be clearly labeled as such in the Association's notice of the aggregate amount of such Common Expense Assessment.

10.2 Fractional Maintenance Fee. Each Fractional Owner, including a Mortgagee of Record that has acquired title to a Fractional Interest as a result of foreclosure or the acceptance of a deed in lieu of foreclosure, shall be required to pay a Fractional Maintenance Fee for each Fractional Interest owned. The Fractional Maintenance Fee shall be levied by the Association, through the Board, to meet the Fractional Expenses. The Fractional Maintenance Fee shall be shared proportionately by the Fractional Owners exclusively, based upon a fraction, the numerator of which shall be the undivided percentage interest in the Common Elements owned by a particular Fractional Owner, and the denominator of which shall consist of the aggregate undivided percentage interest in the Common Elements owned by all Fractional Owners in whose names Warranty Deeds have been recorded in the Public Records of Walton County, Florida, plus the aggregate undivided percentage interest in the Common Elements of which Developer is deemed the Fractional Owner, pursuant to the provisions hereof. The Fractional Expenses shall include, but shall not be limited to, the costs of the following items:

- (a) The maintenance, repair, modification, alteration, and redecoration of any Unit Committed to Fractional Ownership;
- (b) The maintenance, repair, modification, alteration, redecoration, replacement, and/or rental of the Common Furnishings;
- (c) Insurance coverage on the Common Furnishings;
- (d) A reserve to cover the cost of any repair, replacement, or restoration of any Common Furnishing;
- (e) Standard domestic services, including cleaning and maid service, the frequency of which shall be determined from time to time by the Board, furnished to or on behalf of Fractional Owners; and
- (f) Any other costs incurred by the Association in connection with the maintenance, repair, replacement, restoration, redecoration, improvement, operation, and administration of the Resort, or in connection with the operation or administration of the Association, that are directly attributable to the commitment of one (1) or more Condominium Units in the Resort to Fractional Ownership, in accordance with the provisions hereof, and determined by the Board to be Fractional Expenses.

Fractional Maintenance Fees shall be due and payable by each Fractional Owner, along with his Common Expense Assessment, at the time or times and in the manner established by the Board, written notice of which shall be provided to each Fractional Owner.

10.3 Special Assessments. In the event that the Common Expense Assessments collected from the Owners and/or the Fractional Maintenance Fees collected from the Fractional Owners are at any time inadequate to meet the costs and expenses incurred by or imposed upon the Association for any reason, including but not limited to the non-payment by any Owner of any Assessment, the Board shall immediately determine the approximate amount of such inadequacy, prepare a supplemental budget, and levy a Special Assessment upon each Owner or, if appropriate, each Fractional Owner, in such amount(s) as the Board determines to be necessary in order to pay the Association's costs and expenses. Such Special Assessment shall be allocated among the Unit Owners and/or Fractional Owners, based upon each Owner's proportionate share of the Common Expenses and/or Fractional Expenses, as set forth in Sections 10.1 and 10.2 hereof.

Any Special Assessment shall be due and payable within thirty (30) days after the date upon which a written notice of such Special Assessment is mailed to the Owner, unless the Board determines that installment payments shall be permitted and provides each Owner with an approved payment schedule, in which case each Owner's payments must be made no later than is specified in such payment schedule. In the event that the Board authorizes the payment of any Special Assessment in installments, no notice of the due date of each individual installment payment shall be required to be given, other than the aforesaid Special Assessment notice. Special Assessments shall

be used only for the specific purpose(s) set forth in the aforescribed written notice or shall be returned to the applicable Owners; provided, however, that upon completion of such specific purpose or purposes, any excess funds shall be considered Common Surplus and may, in the Board's sole discretion, either be returned to the applicable Owners or applied as a credit toward future Assessments owed.

10.4 Personal Charges.

(a) Each Unit Owner shall be responsible for paying to the Association any and all expenses incurred as a result of the act or omission to act of such Unit Owner or any other Person(s) occupying such Unit Owner's Unit, including but not limited to the cost to repair any damage to any Unit or Common Element, the cost to satisfy any expenses arising from an intentional or negligent act or omission of the Unit Owner, a member of his family, his guests, invitees, or licensees (to the extent not covered by insurance), or resulting from his or their breach of any of the provisions of the Resort Instruments, and any late fees, attorneys' fees, and other amounts which the Resort Instruments expressly permit to be assessed against a particular Unit Owner. Any Common Expenses incurred by the Association in connection with the maintenance, repair, or replacement of a Limited Common Element shall be assessed in equal shares as a Personal Charge against the Owner(s) to whose Unit(s) the Limited Common Element was appurtenant at the time the Common Expense was incurred. All such Personal Charges shall be due and payable within thirty (30) days from the date upon which a notice of such Personal Charges is mailed to the responsible Unit Owner.

(b) Each Fractional Owner shall be responsible for paying to the Association any and all expenses incurred as a result of the act or omission to act of such Fractional Owner or of any other individual(s) occupying such Fractional Owner's Assigned Unit during a reserved Use Period(s), or as a result of using and enjoying the Common Elements or the Common Furnishings, including but not limited to the cost of:

(i) Local and long distance telephone charges;

(ii) Additional (non-standard) cleaning and maid services as required by the Board or as reasonably may be requested by a Fractional Owner or Unit Occupant;

(iii) Video rental, mini-bar use, food and beverage charges, non-routine housekeeping services, and any other special services or supplies attributable to the occupancy of the Assigned Unit during such Use Period(s);

(iv) Repair or replacement of any Common Furnishings located in a Unit Committed to Fractional Ownership on account of loss or damage occurring during such Fractional Owner's Use Period(s) other than from ordinary wear and tear;

(v) Satisfying any expenses arising from an intentional or negligent act or omission of a Fractional Owner, a member of his family, his guests, invitees, or licensees (to the extent not covered by insurance) or resulting from his or their breach of any of the provisions of the Resort Instruments; and

(vi) Any late fees, attorneys' fees, and other amounts which the Resort Instruments permit to be assessed upon a particular Fractional Owner or Unit Occupant.

(c) The Manager, on behalf of the Association, may require Fractional Owners or Unit Occupants to surrender upon check-in some form of deposit or credit card imprint to guarantee such Fractional Owner's or Unit Occupant's payment of any and all Personal Charges incurred by him during the Use Period(s) in question. Such Personal Charges shall be paid by each Fractional Owner and Unit Occupant as follows:

(i) If the Manager, on behalf of the Association, is able to determine the amount of Personal Charges due from the Owner or Unit Occupant at or prior to the time of check-out and issue a statement therefor, such Personal Charges shall be payable at or before such time.

(ii) Personal Charges due from a Fractional Owner or Unit Occupant that are not ascertainable as provided in Sub-section (i) above shall be due and payable within thirty (30) days from the date upon which a written notice of such Personal Charges is mailed to the responsible Fractional Owner or Unit Occupant.

10.5 Liability for Assessments. No Owner may exempt himself, his successors or assigns, from his obligation to pay any Assessment(s) by his waiver of the use and enjoyment of an Assigned Unit or of any of the Common Elements or the Common Furnishings, by his failure for any reason to reserve and occupy an Assigned Unit for one (1) or more Use Periods in accordance with the procedures established therefor in the then current Rules and Regulations, by his failure for any reason to use and enjoy the Common Elements, or by the abandonment of his Condominium Unit(s) or Fractional Interest(s).

10.6 Surplus Funds. The Association, through its Board of Directors, shall, from time to time, fix and determine the sum or sums which are necessary and adequate to provide for the Common Expenses and Fractional Expenses of the Resort and such other Assessments as are specified herein. The procedure for determining all such Assessments shall be as set forth in the Bylaws, this Declaration, and in the Exhibits attached hereto. In the event that the Board determines at any time during the Association's fiscal year that the aggregate amount of Assessments is, or will be, in excess of the amounts needed to meet the Common Expenses and/or Fractional Expenses of the Resort, such excess amount shall appear as a line item on the Association's budget for the immediately succeeding fiscal year and shall be applied to reduce the amount assessed to meet the Common Expenses and/or Fractional Expenses, as appropriate, for such fiscal year; provided, however, that notwithstanding any provision of this Declaration or the other Resort Instruments to the contrary, such excess amount shall be refunded to all Owners or all Fractional Owners, as appropriate, on a pro-rata basis upon the affirmative vote of Owners casting sixty-six and two-thirds percent (66 $\frac{2}{3}$ %) of the total votes eligible to be cast by all of the Owners. Any such excess shall not relieve any Owner from his obligation to pay any delinquent amounts that he owes the Associa-

tion, nor shall any Owner be entitled to a refund of all or any portion of any Assessment previously paid on account of such excess.

10.7 Reserves. The Board shall from time to time establish and maintain one (1) or more reserves which it determines to be reasonably necessary for the maintenance, operation and improvement of the Resort and which satisfy the requirements of Sections 718.112(2)(f), 718.618, and 721.07(5)(u)3.a.(XI), Florida Statutes, and Rules 61B-40.006 and 61B-40.0061, Florida Administrative Code, as each may be amended from time to time; provided, however, that from time to time, the Board, in its sole and absolute discretion and without the consent of one (1) or more other Owners, may reallocate reserves for deferred maintenance and capital expenditures required by Section 721.07(5)(u)3.a.(XI), Florida Statutes, from any deferred maintenance or capital expenditure reserve account to any other deferred maintenance or capital expenditure reserve account or accounts, although funds in any deferred maintenance or capital expenditure reserve account may not be transferred to any operating account without the consent of Owners representing an aggregate undivided ownership interest in the Common Elements submitted hereto of greater than fifty percent (50%). Such reserves may include, but need not be limited to, a working capital reserve, a Common Furnishings reserve for the maintenance, repair, and replacement of the Common Furnishings, and a reserve for capital expenditures and deferred maintenance for such items as roof replacement, Unit and Common Element painting, pavement resurfacing, and other items for which the deferred maintenance expense or replacement cost exceeds such dollar amount as is determined from time to time by the Board. Such reserves shall be included in the Association's budget or established by levying Assessments upon all of the Owners, or upon all Fractional Owners, to the exclusion of all Unit Owners, if appropriate, in such amount(s) as the Board determines to be necessary or appropriate. The amounts of said reserves shall be allocated among Owners in the manner set forth in Sections 10.1 and 10.2 of this Article and may be waived or reduced in amount only in accordance with the conditions set forth in Section 718.112(2)(f), Florida Statutes, and Rule 61B-40.0062, Florida Administrative Code, as each may be amended from time to time.

Except to the extent prohibited by law, including but not limited to Section 718.112(2)(f)3, Florida Statutes, as amended from time to time, or determined by the Association or the Manager, on behalf of the Association, to give rise to any unnecessary federal or state income tax liability on the part of the Association or its members, following a vote of Owners casting a majority of the total votes eligible to be cast by all of the members of the Association, pursuant to Rule 61B-40.0061(2), Florida Administrative Code, reserve funds and any interest accruing thereon, at the discretion of the Board, may be used to pay any unbudgeted, unforeseen, or extraordinary expenses for which they were established or intended, may be allocated to reserve accounts that were established for different purposes, may be used to meet any deficiencies in operating funds from time to time resulting from delinquencies by Owners in the payment of Assessments or any other cause, or may be used for some other purpose. Neither the Board nor the Manager shall commingle operating funds with reserve funds; provided, however, that the Board or the Manager may maintain operating and reserve funds within a single account for a period not to exceed thirty (30) days after the date upon which the Board or the Manager, on behalf of the Association, received payment of

such funds, unless such temporary commingling is determined by the Board or the Manager, on behalf of the Association, to give rise to any unnecessary federal or state income tax liability on the part of the Association or its members. The existence of any such reserves shall not operate to exempt any Owner from his obligation to contribute his proportionate share of the Common Expenses and/or Fractional Expenses or to pay any such Assessments therefor. Any funds used from any of said reserves to meet any deficiencies in operating or maintenance funds resulting from an Owner's delinquencies shall promptly be restored upon the payment of such delinquent Assessment(s) by said Owner.

The proportionate interest of each Owner in said reserves or any other funds being held by the Association shall not be withdrawn or assigned separately, but shall be deemed to be transferred with each Owner's Condominium Unit(s) or Fractional Interest(s), even though not mentioned or described expressly in the instrument of transfer. If the Association is ever dissolved, all such funds remaining after full payment of all Common Expenses and Fractional Expenses shall be distributed on a pro-rata basis to all then existing Owners in accordance with each Owner's undivided interest in the Common Surplus as set forth in Exhibit "D" hereto, as amended from time to time, at the time of such dissolution.

10.8 Default Interest Rate; Late Fees. Except as otherwise expressly provided in the Resort Instruments, any Assessment levied upon an Owner that is not paid within fifteen (15) days after the date upon which it is due shall bear interest at the highest rate permitted by law or at such lesser rate as the Board may establish from time to time. In addition, the Association may charge the delinquent Owner an administrative late fee in an amount established from time to time by the Board for each installment due the Association that is delinquent. Any payment received by the Association shall be applied first to any interest accrued on the late installment, then to any administrative late fee, then to the Association's reasonable attorneys' fees and other costs of collection, and then to the delinquent Assessment.

10.9 Default in Payment of Assessments; Suspension of Rights and Privileges; Liens. Subject to Section 11.1(d) below and except as otherwise provided by law, no Fractional Owner or any Person authorized by such Fractional Owner to occupy his Assigned Unit (with the exception of a Mortgagee of Record acquiring title to such Fractional Interest pursuant to a valid transfer) shall be entitled to use and occupy such Unit or use and enjoy any of the Common Elements unless and until all Assessments owed by such Fractional Owner have been paid in full; provided, however, that an Exchange User whose occupancy has been scheduled with the Manager prior to the sending of the below-described notice of default shall be permitted to occupy such Unit. The Manager shall send a written notice to any Owner who fails to pay any Assessment or any installment thereof when due, which notice shall advise such Owner (i) of the Association's intention to accelerate all Assessments due from the Owner and foreclose its lien (as hereinafter described) to collect such unpaid Assessments (other than Personal Charges), together with late fees, interest, collection costs, and reasonable attorneys' fees, if not paid in accordance with such written notice; and (ii) of the Owner's right to cure such default (and avoid foreclosure) by remitting all delinquent amounts, plus late

charges and/or interest, within sixty (60) days from the date of such notice. For purposes of this Sub-section, an Owner shall be considered delinquent in the payment of a given Assessment only upon the expiration of sixty (60) days after the date upon which said Assessment is billed to such Owner or upon the expiration of sixty (60) days after the date upon which the Assessment is due, whichever is later. If full payment of all such amounts is not received within the specified period, the unpaid balance of such Owner's remaining installments for such fiscal year, if any, shall then become accelerated and immediately due. The Association may commence legal action for the recovery of such delinquent amounts and/or exercise its right to foreclose upon such Owner's Condominium Unit or Fractional Interest as provided hereinafter.

Each Assessment and any late fees, interest, and costs of collection, including reasonable attorneys' fees and collection agency fees, shall be a personal debt of the Owner against whom they are assessed. A lien as security for the payment of all such amounts (except Personal Charges) shall attach to the Condominium Unit or Fractional Interest of such Owner and be deemed perfected as of the date upon which a claim of lien that has been signed and acknowledged by an Officer or agent of the Association is recorded in the Public Records of Walton County, Florida, as provided in Section 721.16(3), Florida Statutes, as amended from time to time, and Section 718.116, Florida Statutes, to the extent not superseded by Section 721.16, Florida Statutes; provided, however, that no fine of any kind, whether levied by the Association or the Community Association, shall ever become a lien against any Unit or Fractional Interest. Any lien arising hereunder shall continue in full force and effect until fully paid or otherwise discharged and the Association records an appropriate satisfaction of lien in the Public Records of Walton County, Florida, or until five (5) years have expired after the date the claim of lien is recorded unless, within that time, an action to enforce the lien is commenced pursuant to the provisions hereof. Each Owner, by accepting a Warranty Deed or otherwise acquiring title to his Condominium Unit or Fractional Interest, shall be deemed to covenant and agree to the attachment of such lien. In the event of any conflict whatsoever between the provisions of this Article X and any provision of the Community Declaration, the provisions of this Article X shall supersede such provision of the Community Declaration and, to the extent applicable, be deemed to limit the rights of the Community Association with respect to its enforcement of any assessment or other financial obligations of any Fractional Owners or Unit Owners thereunder.

As to a Unit Committed to Fractional Ownership, only the Fractional Owner(s) thereof who is delinquent in the payment of any Assessment(s) due the Association with respect to such Unit shall be liable for the payment of such Assessment(s). None of the other Fractional Owners of such Unit shall be jointly or severally liable for the payment of such Assessment(s).

10.10 Statement of Unpaid Assessments. Within seven (7) days following its receipt of a written request therefor and the payment of a reasonable fee as determined by the Board (provided, however, that such fee shall not exceed 25 cents per page of the statement), the Manager, on behalf of the Association, shall furnish to an Owner a written statement setting forth the amount of unpaid Assessments and other amounts, if any, currently levied against such Owner's Condominium Unit or Fractional Interest.

Said statement shall be binding upon the Association, the Board, and every other Owner.

10.11 Condominium Units and Fractional Interests Owned by Developer.

(a) Notwithstanding any provision to the contrary contained herein, Developer shall not be assessed by the Association for any portion of the Common Expenses or Fractional Expenses attributable to any Condominium Unit(s) or Fractional Interest(s) of which it is deemed the Owner, pursuant to the provisions hereof, during such period of time (the "Guarantee Period") as Developer has guaranteed to each Owner in his Purchase Agreement that the sum of all Common Expense Assessments and Fractional Maintenance Fees (if appropriate) levied against such Owner's Condominium Unit or Fractional Interest will not increase over a specified dollar amount; provided, however, that notwithstanding any such specified dollar amount (which amount shall be based upon a good faith estimate of the Resort's total revenues and expenses during the Guarantee Period), the total Common Expense Assessment and Fractional Maintenance Fee (if appropriate) owed by an Owner to the Association with respect to a particular fiscal year shall not exceed such Owner's proportionate share of the Common Expenses and Fractional Expenses (if appropriate) as determined pursuant to Sections 10.1 and 10.2 hereof. During the Guarantee Period, which shall have a specific beginning and ending date which corresponds to the beginning and end of one (1) or more fiscal years of the Association, Developer shall pay to the Association the amount of any monetary deficiencies (the "Deficiencies") in the Common Expenses and/or Fractional Expenses attributable to such Condominium Unit(s) and Fractional Interest(s) with respect to which a Warranty Deed has been delivered by Developer to a third Person and recorded in the Public Records of Walton County, Florida.

(b) Except as otherwise provided in Rule 61B-40.005, Florida Administrative Code, as amended from time to time, the amount of the Deficiencies that Developer shall pay with respect to the Guarantee Period shall be the difference between (i) the actual Common Expenses and Fractional Expenses incurred by the Association during the Guarantee Period (exclusive of ad valorem taxes and depreciation expenses related to real property); and (ii) the aggregate Common Expense Assessments and Fractional Maintenance Fees collected during the Guarantee Period by the Association from the Owners of such Condominium Units and Fractional Interests, other than Developer, at the guaranteed levels, plus any other revenues from any source whatsoever inuring to the benefit of the Association during the Guarantee Period. Developer shall pay the amount of such Deficiencies when and as the expenses attributable to the maintenance, operation, and administration of the Resort become due.

(c) Developer shall have the option, in its sole discretion, to extend the initial Guarantee Period for one or more additional stated periods. In addition, Developer's guarantee may provide for different specified dollar amounts of Common Expense Assessments and Fractional Maintenance Fees with respect to different fiscal years during the Guarantee Period.

(d) As long as Developer maintains the right to elect or appoint at least a majority of the members of the Board of Directors, pursuant to the Bylaws, the Board shall not impose an Assessment for any year greater than one hundred fifteen percent (115%) of the prior fiscal or calendar year's Assessment without the approval of Owners eligible to cast a majority of the voting interests of all of the Owners.

ARTICLE XI

ENFORCEMENT PROVISIONS

11.1 Enforcement of Resort Instruments. Any default in the payment of any Assessment or the violation of any provision of the Resort Instruments by an Owner, members of his family, his guests, licensees, or invitees, or an Exchange User, shall be grounds for an action to recover sums due and/or damages, for injunctive relief, or both, and for the reimbursement of all costs and attorneys' fees incurred in connection therewith, as well as late fees and interest on any delinquent amounts. Such action shall be maintainable by the Board or the Manager, in the name of the Association, or, in a proper case, by an aggrieved Owner. All such amounts, along with any other costs incurred by the Association to obtain the services of an attorney to enforce any provision of the Resort Instruments, shall constitute a Personal Charge against the Owner who committed or who is responsible for such violation or who caused the Association to take such action, and shall be reimbursed by such Owner to the Association promptly upon demand therefor. To the extent not prohibited by law, and subject to the requirements of Chapters 718 and 721, Florida Statutes, as each may be amended from time to time, the violation of any provision of the Resort Instruments shall give the Board and the Manager, on behalf of the Association, and Developer (to the extent of its rights hereunder) the right, in addition to any other rights set forth in the Resort Instruments:

(a) To enter the Unit or area in which, or as to which, such violation or breach exists, and to summarily abate and remove, at the expense of the Owner or Exchange User who caused or permitted such violation, any structure, thing, or condition that may exist therein contrary to the intent and meaning of the provisions of the Resort Instruments, and neither the Board, the Association, the Manager, Developer, nor any authorized agent thereof shall thereby be deemed guilty in any manner of trespass;

(b) To engage the services of an attorney to initiate such action as is deemed necessary by the Board, the Association, the Manager, or Developer to enforce such provision, including the initiation of a suit for damages and/or to enjoin, abate, or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach;

(c) To bring an action to recover a money judgment for the amount of any unpaid Assessments without waiving any applicable claim of lien or to foreclose the Association's lien against a Condominium Unit or Fractional Interest for unpaid Assessments (other than Personal Charges) in the manner authorized by the State of Florida for the foreclosure of mortgages on real property. The Association shall have the

right to bid on such Condominium Unit or Fractional Interest at any foreclosure sale and may acquire, hold, lease, mortgage, and convey any Condominium Unit or Fractional Interest acquired at such sale;

(d) To suspend some or all of such Owner's rights and privileges hereunder and pursuant to his Purchase Agreement and Warranty Deed, including but not limited to the right to use and occupy (or allow others, including a Fractional Owner's family members, guests, licensees, and invitees, to use and occupy) an Assigned Unit or any portion of the Common Elements or the Common Furnishings during his reserved Use Period(s); provided, however, that any such denial of a Fractional Owner's use rights shall occur as a result of a Fractional Owner's failure to pay any Assessment or other amount due the Association only following the expiration of sixty (60) days after the date such Assessment or other amount is billed to the Fractional Owner or upon the expiration of sixty (60) days after the date such Assessment or other amount is due, whichever is later. In the event the Board or the Manager, on behalf of the Association, desires to deny the use of the Resort, including the Units, Common Elements, and Common Furnishings thereof to a Fractional Owner, members of his family, his guests, licensees, and invitees, who is delinquent in the payment of Assessments or other amounts to the Association, the Board or the Manager shall, no less than thirty (30) days prior to the first day of such Fractional Owner's reserved Use Period(s), notify such Fractional Owner in writing of the total amount of any delinquency which then exists or which will exist as of the first day of such Use Period, including any accrued interest and late charges permitted to be imposed hereunder, together with a per diem amount, if any, to account for further accrual of interest and late charges between the stated effective date of the aforescribed notice and the first day of such Fractional Owner's reserved Use Period. Said notice shall also clearly state that the Fractional Owner will not be permitted to use an Assigned Unit during his reserved Use Period(s) until the total amount of all Assessments and other amounts due and owing the Association has been paid in full. The Owner in question shall be notified in writing of any such suspension of rights and privileges, including the reason(s) therefor and the length thereof, immediately after such enforcement decision has been made. If such suspension of rights and privileges occurs as a result of the failure of an Owner to pay any Assessment required hereunder when due, then the suspended rights and privileges of such Owner shall automatically be reinstated at such time as such Owner shall have paid to the Association or the Manager, in cash or by cashier's or certified check, all amounts past due. If such suspension of rights and privileges is based on any act or omission other than the failure by an Owner to pay any Assessments required hereunder when due, then the suspended rights and privileges shall automatically be reinstated upon the expiration of the suspension period stated in the notice of suspension.

Notwithstanding the foregoing provisions of this Sub-section (d) to the contrary, any attempt by the Manager or the Association to deny an Exchange User the right to use and occupy an Assigned Unit and otherwise to enjoy certain rights and privileges granted to Fractional Owners hereunder as a result of a particular Fractional Owner's failure to pay any Assessments or other amounts due the Association shall be governed by Sub-sections 721.13(6)(b) and (c), Florida Statutes, as amended from time to time.

Any costs reasonably incurred by the Association and/or the Manager in connection with their actions under this Sub-section (d) shall be assessed against the delinquent Fractional Owner as a Personal Charge; provided, however, that the amount so assessed at any one time may not exceed five percent (5%) of the total amount of delinquency contained in the notice given to the delinquent Fractional Owner as provided above or \$15.00 per Fractional Interest owned, whichever is less; and

11.2 Remedies are Cumulative. All of the remedies granted by the Resort Instruments are cumulative, and the exercise of one (1) right or remedy shall not impair the right to exercise any other remedy. The Association, the Board, the Manager, and Developer shall not be limited to the remedies set forth in this Declaration, and may invoke any other or additional remedies provided for or allowed by law or in equity.

11.3 Preservation of Remedies. The failure of the Association, the Board, the Manager, or Developer to enforce any provision of the Resort Instruments shall not be construed as a waiver of any such provision or right. Rather, such provision shall continue and remain in full force and effect.

ARTICLE XII

CONDEMNATION

12.1 Proceedings. In the event of a taking in condemnation or by eminent domain of all or any portion of the Resort, each Owner shall be entitled to notice thereof and to participate in the proceedings incident thereto, unless otherwise prohibited by law. In addition, all Mortgagees of Record shall be given timely notice of any such proceedings.

12.2 Allocation and Distribution of Awards.

(a) Unless otherwise required by law at the time of such taking, any award made therefor shall be disbursed to a condemnation trustee designated by the Board. Said condemnation trustee shall be a bank or trust company having a state or federal charter and having assets of not less than \$50,000,000. Such funds shall be held in trust and subsequently distributed in accordance with the provisions of this Article XII for the benefit of all Owners, including Developer, and all Mortgagees of Record, as their respective interests may appear, as well as the Association. Any dispute as to the proper allocation of condemnation proceeds between Developer and the Association shall be determined by distributing such proceeds based upon an appraisal of the fair market value of each party's respective interest in the Resort by two (2) reputable and established Florida real estate appraisers having an "MAI" or similar designation, one (1) of which shall have been chosen by the Board, the other of which shall have been chosen by Developer. The aforesaid appraisers shall elect a third appraiser with similar qualifications in the event that they are unable to agree upon a proper allocation of such condemnation proceeds, and the determination of such third appraiser shall be conclusive upon the parties.

(b) In the event of a taking in condemnation or by eminent domain of the entire Resort, the proceeds of any award shall be allocated between the Owners (including Developer), and all Mortgagees of Record, as their respective interests may appear, based upon each Owner's undivided interest in the Common Elements as set forth in Exhibit "D" hereto.

(c) In the event of a partial taking in condemnation or by eminent domain, the Board shall arrange for any necessary repairs and restoration of the remaining portion of the Resort, in accordance with the design thereof, utilizing the funds held by the condemnation trustee, at the earliest possible date. If such repairs and restoration in accordance with such design are not permissible under the laws then in force, the Board shall nonetheless repair and restore the Resort as nearly as is reasonably possible to its condition immediately prior to such taking. The Board is expressly authorized to pay any excess cost of such restoration as a Common Expense, and to levy a Special Assessment, if necessary, in the event that available Association funds are insufficient for such purpose. In the event that any such sums are received by the Association from the condemnation trustee in excess of the cost of repairing and restoring the Resort, such excess proceeds shall be allocated by the Board to each Owner based upon the undivided interest of such Owner in the Common Elements, as shown on Exhibit "D" hereto, at the time of the Association's receipt of such funds.

(d) In the event of a partial taking in which any portion of the Resort is eliminated or not restored, the proceeds allocable to such portion, less the proportionate share of said portion in the cost of debris removal, shall be paid by the condemnation trustee to the Association and allocated by the Board to each affected Owner based upon a fraction, the numerator of which shall be each affected Owner's undivided interest in the Common Elements as shown on Exhibit "D" hereto, and the denominator of which shall be the aggregate undivided interest in the Common Elements of all affected Owners.

ARTICLE XIII

DAMAGE, DESTRUCTION, AND OBSOLESCENCE

13.1 Association as Attorney In Fact. Each Owner hereby irrevocably appoints the Association as his Attorney In Fact in his name, place, and stead for the purpose of dealing with the Resort, including the Units, upon its damage, destruction, or obsolescence, as hereinafter provided. As Attorney In Fact, the Association, by its authorized Officers, shall have full and complete authorization, right, and power to make, execute, and deliver any contract, deed, or other instrument with respect to the interest of an Owner that is necessary or appropriate in order for the Association to exercise the powers herein granted.

13.2 Reconstruction and Repair of Units and Common Elements. Any insurance proceeds that are received by the Association on account of any damage or loss to all or any portion of the Resort shall be paid to the insurance trustee designated by

the Board, pursuant to Section 14.9 hereof, and used by the Association to restore the Resort to substantially the same condition in existence prior to the damage, unless the Owners and Mortgagees of Record agree not to rebuild in accordance with the following provisions:

(a) In the event of damage or destruction due to fire or other disaster, the insurance proceeds, if sufficient to reconstruct the improvement(s), shall be applied by the Association, as Attorney In Fact, to such reconstruction, and the improvement(s) shall be promptly repaired and reconstructed. After deducting an amount allocable to any reserves which the Board is entitled to establish and maintain, pursuant to Section 10.7 hereof, any excess insurance proceeds shall be distributed by the Association to the Owners or their Mortgagees of Record, as their respective interests may appear, based upon each Owner's undivided interest in the Common Elements, as set forth in Exhibit "D" hereto, at the time of such distribution. To the extent that any such damage or loss is covered by insurance, neither the Board, the Manager, the Association, nor any Owner shall have a claim or cause of action for damage or loss against any responsible Owner or Unit Occupant, provided that this waiver of claim shall in no way prevent the Board from obtaining similar insurance coverage at similar premium costs in the future. To the extent that any damage or loss to the personal property of any Owner or Unit Occupant is covered by insurance, such Owner or Unit Occupant shall have no claim or cause of action for such damage or loss against the Board, the Manager, the Association, or any other Owner. No damage to, or loss of, all or any portion of the Resort shall relieve any Owner of his obligation to pay his proportionate share of the Common Expenses, Fractional Expenses (if applicable), and all other impositions becoming due, except as otherwise expressly provided herein.

(b) If the insurance proceeds are insufficient to repair and reconstruct the improvement(s), and if such damage is not to more than sixty-six and two-thirds percent (66-2/3%) of all of the Units and Common Elements, not including the land, such damage or destruction shall promptly be repaired and reconstructed by the Association, as Attorney In Fact, using the proceeds of insurance and the proceeds of a Special Assessment to be levied against all of the Owners, based upon each Owner's undivided interest in the Common Elements, as set forth in Exhibit "D" hereto, as of the date upon which such Special Assessment is levied. The Association shall have the authority to cause the repair or restoration of the improvements using all of the insurance proceeds for such purpose, notwithstanding the failure of an Owner to pay such Special Assessment. The Special Assessment provided for herein shall be the debt of each Owner and a lien on his Condominium Unit or Fractional Interest, and may be enforced and collected as provided in Article XI hereof.

(c) If the insurance proceeds are insufficient to repair or reconstruct the improvement(s), and more than sixty-six and two-thirds percent (66-2/3%) of all of the Units and Common Elements, not including the land, are destroyed or damaged, and if Owners representing an aggregate undivided ownership interest of sixty-six and two-thirds percent (66-2/3%) of the Common Elements submitted hereto do not voluntarily, within one hundred (100) days thereafter, make provision for reconstruction, which plan must have the approval or consent of Mortgagees of Record with mortgages on Con-

dominium Units and/or Fractional Interests representing sixty-six and two-thirds percent (66-2/3%) of the Common Elements submitted hereto and encumbered by mortgages, the Association shall forthwith record a notice setting forth such fact or facts, and upon the recording of such notice by the Association's President and Secretary, the entire remaining Property shall be sold by the Association, as Attorney In Fact for all of the Owners, free and clear of the provisions of this Declaration. The insurance proceeds shall be collected by the insurance trustee and disbursed to the Association, and such proceeds shall be divided by the Association according to each Owner's undivided interest in the Common Elements, as set forth in Exhibit "D" hereto, and paid into separate accounts, one (1) for each Unit Owner and Fractional Owner in the Resort. Each such account shall be in the name of the Association and shall be further identified by the applicable Condominium Unit(s) or Fractional Interest(s) designation and the name of the Owner thereof. From each separate account, the Association, as Attorney In Fact, shall use and disburse the total amount in each of such accounts, without contribution from any one (1) account to another, toward the full payment of the lien of any first mortgage against the Condominium Unit or Fractional Interest to which such separate account pertains. There shall be added to each such account the apportioned amount of the proceeds derived from the sale of the entire Condominium Property. Such apportionment shall be based upon each Owner's undivided interest in the Common Elements, as set forth in Exhibit "D" hereto, as of the date of such disbursements. The total funds in each account shall be used and disbursed, without contribution from one (1) account to another, by the Association, as Attorney In Fact, for the same purposes and in the following order:

- (i) For payment of taxes and satisfaction of special assessment liens in favor of any governmental assessing entity;
- (ii) For payment of the balance of the lien of any first mortgage;
- (iii) For payment of any unpaid Common Expenses or Fractional Expenses;
- (iv) For payment of junior liens and encumbrances in the order and to the extent of their priority; and
- (v) The balance remaining, if any, shall be paid to the Owner, based upon such Owner's undivided interest in the Common Elements, as set forth in Exhibit "D" hereto.

(d) If the insurance proceeds are insufficient to repair or reconstruct the improvement(s), more than sixty-six and two-thirds percent (66-2/3%) of all of the Units and Common Elements, not including the land, are destroyed or damaged, and if Owners representing an aggregate undivided ownership interest of sixty-six and two-thirds percent (66-2/3%) of the Common Elements submitted hereto adopt a plan for reconstruction, which plan has the approval of the Mortgagee of Record holding mortgages on the greatest number of Condominium Units and/or Fractional Interests within the Resort, then all of the Owners shall be bound by the terms and provisions of such plan.

Any Special Assessment levied in connection with such plan shall be assessed pro rata according to each Owner's undivided interest in the Common Elements, as set forth in Exhibit "D" hereto, as of the date upon which such Special Assessment is levied, and shall be due and payable as provided in Article X above. The Association shall have the authority to cause the repair and restoration of the improvements using all of the insurance proceeds for such purpose, notwithstanding the failure of any Owner to pay the Special Assessment. The Special Assessment provided for herein shall be a debt of each Owner and a lien on his Condominium Unit or Fractional Interest and may be enforced and collected as provided in Article XI hereof.

13.3 Obsolescence.

(a) Owners representing an aggregate undivided ownership interest of sixty-six and two-thirds percent (66-2/3%) or more of the Common Elements submitted hereto as well as the Mortgagee of Record holding the greatest number of mortgages on Condominium Units and/or Fractional Interests within the Resort may agree that some or all of the Common Elements of the Resort are obsolete and that the same should be renovated or reconstructed. In such instance, the Board shall adopt a plan for such renovation or reconstruction, and all Owners and Mortgagees of Record shall be bound by the terms and provisions of such plan. Any Special Assessment levied in connection with such plan shall be assessed pro rata according to each Owner's undivided interest in the Common Elements, as set forth in Exhibit "D" hereto, as of the date upon which such Special Assessment is levied.

(b) If Owners representing an aggregate undivided ownership interest of sixty-six and two-thirds percent (66-2/3%) of the Common Elements submitted hereto fail to adopt a plan for renovation or reconstruction, which plan has the approval of the Mortgagee of Record holding the greatest number of mortgages on Condominium Units and/or Fractional Interests within the Resort, then the Association shall record a notice setting forth such fact or facts, and upon the recording of such notice by the Association's authorized Officers, the entire Resort shall be sold by the Association, as Attorney In Fact, for all of the Owners, free and clear of the provisions of this Declaration. The proceeds from any such sale shall be apportioned between the Owners and their Mortgagees of Record, as their respective interests may appear, based upon each Owner's undivided interest in the Common Elements, as set forth in Exhibit "D" hereto, as of the date of such apportionment, and such apportioned proceeds shall be paid into separate accounts, one for each Unit Owner and Fractional Owner in the Resort. Each such account shall be in the name of the Association, as Attorney In Fact, and shall be further identified by the applicable Condominium Unit(s) or Fractional Interest(s) designation and the name of the Owner thereof. From each separate account, the Association, as Attorney In Fact, shall use and disburse the total amount in each of such accounts, without contribution from one (1) account to another, for the same purposes and in the same order as provided in Sub-sections 13.2(c)(i) through (v) above.

13.4 Damage or Destruction to Common Furnishings. In the event of any damage or destruction to the Common Furnishings other than by ordinary wear and tear, the Association shall promptly cause such damage to be repaired and shall use

any available insurance proceeds for such purpose. If the damage is not covered by insurance, or if the available insurance proceeds held by the insurance trustee are insufficient, the Association shall levy a Special Assessment upon each of the Fractional Owners, to be allocated in the manner set forth in Article X above; provided, however, that in the event the damage or destruction was caused by the intentional or negligent act or omission of a Fractional Owner, a member of his family, his guests, invitees, or licensees, then the cost of such repair or the amount of such deficiency shall be a Personal Charge to such Fractional Owner, to be paid in the manner provided in Article X above.

13.5 Liability.

(a) To the extent that any damage or loss is covered by insurance, neither the Board, the Manager, the Association, nor any Owner shall have a claim or cause of action for damage or loss against any responsible Owner or Unit Occupant, provided that this waiver of claim shall in no way prevent the Board from obtaining similar insurance coverage at similar premium cost in the future. To the extent that any damage or loss to the personal property of any Owner or Unit Occupant is covered by insurance, such Owner or Unit Occupant shall have no claim or cause of action for such damage or loss against the Board, the Manager, the Association, or any other Owner.

(b) No damage to, or loss of, all or any portion of the Resort shall relieve any Owner of his obligation to pay his proportionate share of the Common Expenses and/or Fractional Expenses and all other impositions becoming due, except as otherwise expressly provided herein.

ARTICLE XIV

INSURANCE

14.1 Property Insurance. The Association shall, at its sole cost and expense, keep all of the Resort insured for the benefit of all Owners, their Mortgagees of Record, and the Association, as their respective interests may appear, against all risks of direct physical loss commonly insured against in Resorts similar in construction, general location, use, and occupancy in a total amount, after application of deductibles, of the maximum insurable replacement value thereof (excluding foundation and excavation costs), without deduction for depreciation, all in accordance with Sections 718.111(11) and 721.165, Florida Statutes, as amended from time to time. Replacement value shall be determined periodically by the Board, in its sole discretion. Such determination shall be made by one of the insurers or, at the option of the Board, by an appraiser, architect, or contractor chosen by the Board. In particular, such coverage shall afford protection against (a) loss or damage by fire or other hazards covered by a standard extended coverage or other perils, including windstorm, endorsement; and (b) such other risks of a similar or dissimilar nature as are or shall be customarily covered with respect to buildings similar in construction, location, and use to the Resort, including vandalism, malicious mischief, sprinkler damage, water and flood damage, and such other insur-

ance coverage, as and to the extent available, that may from time to time be required by law or be deemed by the Board of Directors of the Association to be necessary, proper, and in the best interests of the Association and the Owners.

14.2 Liability Insurance. The Association shall, at its sole cost and expense, procure and maintain, for the mutual benefit of all Owners, their Mortgagees of Record, and the Association, as their respective interests may appear, a general liability policy insuring against claims for bodily injury, death, or property damage arising out of or in connection with the use, ownership, or maintenance of the Units, the Common Elements, and the Common Furnishings. Such insurance shall afford protection to such limits as the Board may deem reasonable and appropriate, it being agreed that as of the date hereof, a limit of not less than \$1,000,000 in respect to injury or death to one (1) or more persons or property damage as the result of any one (1) occurrence is deemed reasonable.

14.3 Directors' and Officers' Liability Insurance. If reasonably available, in the judgment of the Board, the Association shall, at the Association's sole cost and expense, procure and maintain a policy of directors' and officers' liability insurance in such amount as the Board may decide, but not less than \$1,000,000 per claim and/or aggregate occurrence.

14.4 Workers' Compensation. The Association shall, at the Association's sole cost and expense, procure and maintain such worker's compensation and other insurance coverage as is required by law, upon each of the employees of the Association, if any.

14.5 Officers, Directors, Employees, and Other Agents of Association. If reasonably available, in the judgment of the Association, the Association shall, at the Association's sole cost and expense, procure and maintain insurance on behalf of any person who is a Director, Officer, employee, or other agent of the Association against any liability asserted against or incurred by him in such capacity or arising out of his status as such, including an errors and omissions policy for the Manager, whether or not the Association would have the power to indemnify the Manager against such liability under the Bylaws.

14.6 Insurance Against Additional Risks. The Association may also procure insurance against such additional risks as the Board deems advisable for the protection of the Owners and the Resort.

14.7 General Insurance Requirements. All insurance provided for in this Article XIV shall be effected under valid and enforceable policies in forms that are reasonably satisfactory to the Association, issued by insurers of recognized responsibility that are duly authorized to transact business in the State of Florida, and distributed among such insurers in amounts reasonably satisfactory to the Association. All policies of insurance referred to in this Article XIV shall (a) contain appropriate waivers of subrogation for the benefit of the Association, Developer, the Manager, Mortgagees of Record, and all Owners; (b) contain a provision that no act or omission of the Association, the Board,

the Manager, Developer, or any Owner shall void such policy or be a condition to recovery thereunder; (c) state that such policy shall not be canceled without at least thirty (30) days' prior written notice to the Board and to any Mortgagee of Record named therein; and (d) provide for the issuance of mortgagee endorsements and memoranda of insurance to Mortgagees of Record upon request. A notice shall be mailed by the Association to each Owner not less than forty-five (45) days prior to the effective date of any renewal of or amendment to the Association's coverage authorized by Section 718.111, Florida Statutes, as amended from time to time, and shall advise the members of any change in insurance coverage to be provided by the Association, including a description of the property previously covered by insurance obtained by the Association that will no longer be covered, and of the effective date of such change. Owners may obtain insurance coverage at their own expense upon their personal property and for their personal liability.

14.8 Additional Named Insureds. All policies of insurance provided for in this Article XIV shall name the Association, the Manager, and each of the Owners (including Developer, to the extent it is deemed the Owner of any Condominium Unit[s] or Fractional Interest[s], pursuant to the provisions hereof), and all Mortgagees of Record, as insureds, as their respective interests may appear, and also, with respect to the policies described in this Article XIV, shall inure to the benefit of the holder of any mortgage, as the interest of any such mortgagee may appear, by standard mortgagee clause, without contribution, if obtainable.

14.9 Insurance Trustee.

(a) The loss, if any, under any insurance policy described in this Article XIV shall be adjusted with the applicable insurance company by Developer, the Association, and any applicable Mortgagee(s) of Record, and the proceeds of any such insurance, as so adjusted, shall be paid to an insurance trustee designated by the Board and held in trust for the purposes described herein. Said insurance trustee shall be a bank or trust company having a state or federal charter and having assets of not less than \$50,000,000. Any dispute between the Association and Developer, its successors or assigns, as to the allocation of such proceeds, shall be submitted to binding arbitration.

(b) Proceeds of insurance policies received by the insurance trustee shall be distributed to or for the benefit of the Owners and Mortgagees of Record, as their respective interests may appear, in the following manner:

- (i) Any expenses of the insurance trustee shall first be paid or provision made therefor;
- (ii) The proceeds shall then be used in the manner set forth in Article XIII hereof; and
- (iii) Any remaining proceeds shall be distributed to the Association as Common Surplus.

14.10 Blanket Coverage. For so long as Developer retains a legal or equitable interest in any Condominium Unit(s) or Fractional Interest(s), the insurance required by this Article XIV may be obtained under such blanket insurance policies as may be available to Developer from time to time, unless prohibited by law. The procurement of such coverage shall be deemed to constitute full compliance with the insurance requirements contained herein, provided that the coverage afforded the Association by the blanket insurance policy includes protection against each of the perils enumerated herein, with limits which are at least as high as would otherwise be required hereunder. The blanket insurance policy premium shall be allocated between the Association and Developer upon a reasonable basis. The Association may terminate its coverage under the blanket policy in the event that it determines that the insurance coverage required herein may be obtained from a reputable and established insurance company with assets that are sufficient to enable it to honor all foreseeable claims, at an aggregate premium that is less than the amount paid by the Association as its share of the cost of the blanket insurance policy, if the Association has first secured a written commitment from such insurance company for the provision of such insurance and Developer consents to the termination of such blanket coverage, which consent shall not be unreasonably withheld.

14.11 Inspection of Policies. A copy of each policy of insurance in effect shall be made available for inspection during normal business hours by Owners and their authorized agents at the office of the Manager.

ARTICLE XV

MORTGAGEE PROTECTION

15.1 Priority of Lien. The Association's lien upon any Condominium Unit or Fractional Interest for delinquent Assessments (other than Personal Charges) shall be subordinate to the lien of any Mortgagee of Record upon such Condominium Unit or Fractional Interest made in good faith and for value; provided, however, that a lien may be created after the foreclosure of any such mortgage on the interest of the Person acquiring a Condominium Unit or Fractional Interest at such foreclosure sale to secure all amounts assessed to such Person, as an Owner, after the date of such acquisition.

15.2 Status of Liens. In the event a Mortgagee of Record forecloses upon a Condominium Unit or Fractional Interest, the purchaser at such foreclosure sale, together with its successors and assigns, shall be liable for any Assessments levied by the Association upon such Condominium Unit or Fractional Interest prior to such acquisition of title. Notwithstanding the foregoing, if the Mortgagee of Record itself is the purchaser at such foreclosure sale, then it shall not be liable for any Assessments levied by the Association upon such Condominium Unit or Fractional Interest prior to such acquisition of title, except as otherwise provided in Section 7.1(e) hereof. The unpaid share of Assessments shall be a Common Expense or Fractional Expense, as appropriate, that may be collected proportionately from all of the Owners (or just the Fractional Owners, as appropriate), including such Mortgagee of Record. The Association shall remain

entitled to recover any unpaid Assessments from the Owner whose Condominium Unit or Fractional Interest was foreclosed upon.

ARTICLE XVI

THIRD PARTY LIENS

16.1 Limitation on Scope of Liens. Any liens against an Owner's interest in the Resort shall be limited to the interest of such Owner in his Condominium Unit or Fractional Interest only, and shall not entitle any lienholder to assert any claim against the Condominium Unit or Fractional Interest of any other Owner, all or any portion of the Common Elements, or any Common Furnishings.

16.2 Notice of Liens. Each Owner shall give written notice to the Association of every lien upon his Condominium Unit or Fractional Interest, other than liens for the non-payment of Assessments held by the Association, within seven (7) days after the Owner receives notice thereof.

16.3 Removal of Liens. All liens against a Condominium Unit or Fractional Interest, other than for mortgages, taxes not yet payable, or Assessments (other than Personal Charges), shall be satisfied or otherwise removed within thirty (30) days from the date of the attachment of such lien. In the event of a threatened sale of the Resort or any portion thereof or the Condominium Unit(s) or Fractional Interest(s) of any Owner, or should the use and enjoyment of any portion of the Resort by any Owner be threatened by reason of any lien, claim, or charge, including a mechanics' lien, against the Condominium Unit(s) or Fractional Interest(s) of any other Owner, or should proceedings be instituted to effect any such sale or interference, any Owner, acting on his own behalf or through the Association, or the Association, acting on behalf of any one (1) or more Owners, may, but shall not be required to, pay or compromise the lien, claim, or charge without inquiry into the proper amount or validity thereof and, in such event, the Owner whose interest was subjected to the lien, claim, or charge shall forthwith pay the amount so paid or expended to the Owner or the Association, whomsoever shall have paid or compromised the lien, claim, or charge, together with such reasonable attorneys' fees and related costs as he or it may have incurred.

No Owner shall permit his interest in any funds from time to time in possession of the Association to be subjected to any attachment, lien, claim, charge, or other legal process, except as to the lien or other interest of a Mortgagee of Record. An Owner shall promptly restore any funds held by the Association with respect to his Condominium Unit(s) or Fractional Interest(s) to the extent depleted by any such attachment, lien, claim, charge, or other legal process, and shall reimburse the Association for all reasonable attorneys' fees and other costs incurred with respect thereto. All taxes and Assessments upon a Condominium Unit or Fractional Interest shall be paid before becoming delinquent. The Association may, at its election, pay any such delinquent sums, which shall then constitute a Personal Charge against the responsible Owner.

ARTICLE XVII
TERMINATION

17.1 Consent of Owners and Mortgagees of Record. The Resort may be terminated and removed from the provisions of this Declaration and Chapter 718, Florida Statutes, upon the affirmative vote to do so of Owners casting seventy-five percent (75%) or more of the total votes eligible to be cast by all of the members of the Association, and upon the written consent of the Mortgagee of Record holding mortgages on the greatest number of Condominium Units and/or Fractional Interests within the Resort. Such termination shall be effective upon the recording of an instrument, signed and acknowledged by any two (2) Officers of the Association, in the Public Records of Walton County, Florida, certifying that the aforescribed vote has been taken and that the Owners and their respective Mortgagees of Record have elected to terminate the Resort. The Association shall notify the Florida Bureau of Standards and Registrations within thirty (30) working days following the date of recordation of the aforescribed instrument that the Resort has been terminated, the date upon which such instrument was recorded, the county in which it was recorded, and the applicable book and page number of the public records in which such instrument was recorded.

17.2 Other Grounds for Termination. The Resort may also be terminated and removed from the provisions of this Declaration and Chapter 718, Florida Statutes, upon its substantial damage or destruction or upon its obsolescence, as provided in Article XIII above, or upon the total condemnation of the Resort, as provided in Article XII above.

17.3 Effect of Termination. Upon the termination of the Resort in the manner provided in this Article XVII, the provisions of Section 718.117, Florida Statutes, as amended from time to time, shall govern the winding up of the Association's affairs, the liquidation of all assets comprising the Resort, and the disposition of the proceeds thereof to Owners, their respective Mortgagees of Record, and all other appropriate Persons.

ARTICLE XVIII
AMENDMENT OF DECLARATION

18.1 By Owners. Except as otherwise provided by law or herein, this Declaration may be amended at any regular or special Association meeting, called and convened in accordance with the provisions of the Bylaws, by the affirmative vote of Owners (including Developer as to any Condominium Unit[s] or Fractional Interest[s] of which it is deemed the Owner, pursuant to the provisions hereof), casting sixty-six and two-thirds percent (66-2/3%) of the total votes eligible to be cast by all of the members of the Association; provided, however, that no specific provision hereof may be amended by a vote that is less than the prescribed percentage of affirmative votes or written assents required for action to be taken pursuant to that provision.

In addition to complying in all respects with Section 718.110, Florida Statutes, as amended from time to time, each such amendment of this Declaration shall be evidenced by an instrument in writing, signed and acknowledged by any two (2) Officers of the Association, setting forth in full the text of such amendment, the appropriate recording data of this Declaration, and certifying that such amendment has been approved by the affirmative vote of Owners casting sixty-six and two-thirds percent (66-2/3%) of the total votes eligible to be cast by all of the members of the Association. Said amendment shall become effective upon the recording of said instrument in the Public Records of Walton County, Florida.

The Owners shall not amend this Declaration in such manner as materially to change the configuration or size of any Unit or materially to alter or modify the appurtenances to any Unit, change the undivided interest which each Owner has in the Common Elements and Common Surplus, or change the proportion or percentage by which the Owner of a Condominium Unit or a Fractional Interest shares the Common Expenses or Fractional Expenses without the affirmative unanimous vote to do so of all Owners and Mortgagees of Record directly affected thereby. Furthermore, the Owners shall have no power to enact an amendment to this Declaration which materially and adversely affects the rights or security interests of any Mortgagee of Record without first obtaining the written consent of such affected Mortgagee of Record. No amendment that materially affects the rights and privileges of Developer shall become effective unless and until approved, in writing, by Developer.

Notwithstanding any provision hereof to the contrary, the Board expressly reserves the right to amend this Declaration to correct any scrivener's error or erroneous legal description contained herein, which legal description or descriptions may have been incorrect by reason of a scrivener's or surveyor's error.

18.2 By Developer. Developer reserves the right, prior to the recording of the first Warranty Deed conveying a Condominium Unit or a Fractional Interest from Developer to an Owner, and thereafter (to the extent not prohibited by law), unilaterally to amend this Declaration as may be required by any lending institution, title insurance company, or public body, or as may be necessary to conform the same to the requirements of law, or to facilitate the operation and management of the Resort or the sale, or resale of Condominium Units and/or Fractional Interests therein. Developer further reserves the right, as long as it is deemed the Owner of Condominium Units and/or Fractional Interests representing an aggregate undivided ownership interest of at least ten percent (10%) of the Common Elements submitted to this Declaration, to change the interior design and/or arrangement of the Units, the Common Elements, and the Common Furnishings, to change the number of Units within the Resort, to add Common Elements (including recreational facilities) or enlarge Common Elements already submitted hereto, to provide for biennial use (i.e., to create Fractional Interests in the Resort which provide for the use of Assigned Units on a recurring every other calendar year basis) and to unilaterally effectuate any such amendments to this Declaration, the Articles of Incorporation, and/or the Bylaws as Developer, in its sole discretion, determines to be reasonably necessary or desirable in connection with the exercise of said reserved right; provided, however, that no such amendment shall increase the proportion

of Common Expenses or Fractional Expenses to be borne by Owners, decrease an Owner's voting rights, or decrease the size of an Owner's percentage interest in the Common Elements. Any such amendments to this Declaration shall become effective upon the recording in the Public Records of Walton County, Florida, of an instrument executed solely by Developer, without the need for the Association's, any other Owner's, or any Mortgagee of Record's consent thereto, setting forth the text of such amendment in full, together with the appropriate recording data of this Declaration. No amendment of this Declaration not hereby expressly permitted to be unilaterally made by Developer shall be permitted if such amendment would prejudice or impair to any material adverse extent the rights of any Owner or Mortgagee of Record.

18.3 Approval by Mortgagees of Record. Notwithstanding any provision of this Article XVIII or any other term or provision of this Declaration to the contrary, no amendment to Article XV or XVII hereof shall be effective unless and until the Mortgagee of Record holding mortgages on the greatest number of Condominium Units and/or Fractional Interests within the Resort consents in writing to such amendment; provided, however, that such consent shall not be unreasonably withheld.

ARTICLE XIX

COMMUNITY ASSOCIATION

19.1 Membership. Each Unit Owner and Fractional Owner, including Developer (so long as Developer is deemed the Owner of any Condominium Unit(s) or Fractional Interest(s), pursuant to the provisions hereof), shall automatically be a member of the Community Association until he ceases to be an Owner.

19.2 Transfer of Membership. The membership of each Owner in the Community Association is appurtenant to and inseparable from his ownership of a Condominium Unit or Fractional Interest and shall automatically terminate upon any valid transfer or conveyance of his Condominium Unit or Fractional Interest to any transferee or grantee, whether voluntary or by operation of law, except to the extent that such transferor retains an interest in any other Condominium Unit or Fractional Interest. Subject to the provisions of the Community Instruments, the transferee of a Condominium Unit or Fractional Interest shall, immediately and automatically upon the valid transfer of his Condominium Unit or Fractional Interest as provided herein, become a member of the Community Association. If title to a Condominium Unit or Fractional Interest is vested in more than one (1) Person, then all of the Persons having title to such Condominium Unit or Fractional Interest shall be members of the Community Association.

19.3 Voting. Owners' voting rights in connection with the Community Association may only be exercised on such Owners' behalves by the Resort's Neighborhood Representative, as such term is defined in the Community Declaration. Such Neighborhood Representatives shall be appointed in the manner prescribed in the Bylaws. Except as otherwise expressly provided in the Community Declaration or the Community

Association's By-Laws to the contrary, Owners shall have no right to vote directly on matters pending before the Community Association.

ARTICLE XX

MISCELLANEOUS PROVISIONS

20.1 Compliance With Resort Instruments and Community Instruments. Each Owner and any other Person who in any way uses the Resort shall comply strictly with the provisions of the Resort Instruments, as amended from time to time, as well as the decisions and resolutions of the Board and the Association adopted pursuant thereto, and hereby acknowledges that time is of the essence with respect to his compliance with each of the provisions of the Resort Instruments.

20.2 No Right to Participate in Profits. Neither the Resort Instruments nor any other document shall be deemed to evidence a joint venture, partnership, or any other similar arrangement, and no Person shall have the right to participate in the individual profits, if any, of any other Person arising out of the development or operation of the Resort.

20.3 Captions. The captions used in this Declaration and in the Exhibits hereto are inserted solely as a matter of convenience and shall not be relied upon and/or used in construing the effect or meaning of any of the provisions hereof.

20.4 Number and Gender. Whenever the context so requires, the use of any gender in the this Declaration and in the Exhibits hereto shall be deemed to include both genders, and the use of the singular shall be deemed to include the plural, and the plural shall include the singular.

20.5 Interpretation. The provisions of this Declaration, of the other Resort Instruments, and of the Community Instruments shall be liberally construed to effectuate the purpose of ensuring that the Resort shall at all times be operated and maintained in a manner so as to optimize and maximize its enjoyment and utilization by each Owner, members of his family, his guests, licensees, and invitees, as a vacation Resort.

20.6 Severability. The provisions hereof shall be deemed to be independent and severable, and the invalidity or partial invalidity or unenforceability of any one provision shall not affect the validity or enforceability of any other provision hereof.

20.7 Waiver. No restriction, condition, obligation, or provision contained herein or in any of the other Resort Instruments shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches thereof that may occur. Failure to enforce any violation of this Declaration or of the other Resort Instruments shall not give rise to any liability on the part of Developer, the Association, the Board, or the Manager with respect to Persons aggrieved by such failure.

20.8 Binding Effect. Except to the extent inconsistent with any applicable provision of law, the provisions of this Declaration, of the other Resort Instruments, and of the Community Instruments shall be binding upon all parties having or acquiring any Condominium Unit(s) or Fractional Interest(s) or any right, title, or interest therein, and shall be for the benefit of each Owner, his heirs, legal representatives, successors, and assigns. Each Owner (including Developer) shall be fully discharged and relieved of liability on the covenants contained herein and therein, in his capacity as an Owner, upon ceasing to own such Condominium Unit(s) or Fractional Interest(s) and upon paying all sums and performing all obligations thereunder, up to the time his ownership interest terminates, as provided herein.

20.9 Latent Conditions. Neither Developer, the Manager, nor the Association shall be liable for injury or damage caused by any latent condition existing at the Resort.

20.10 Choice of Law. This Declaration shall be governed by and construed in accordance with the laws of the State of Florida.

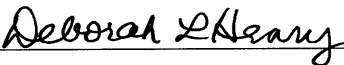
20.11 Rule Against Perpetuities. If any of the covenants, conditions, or restrictions of this Declaration are deemed void, voidable, or unlawful for violating the rule against perpetuities, then such provision shall remain in effect only until twenty-one (21) years following the death of the last survivor of the now living descendants of Elizabeth II, Queen of England.

IN WITNESS WHEREOF, Developer has executed this Declaration of Condominium for WaterColor Private Residence Club, A Condominium, this 30th day of September, 2004.

WITNESSES:

ST. JOE HOME BUILDING, L.P.,
a Delaware limited partnership

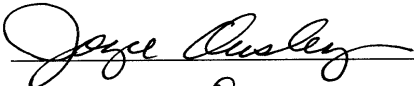
By: St. Joe West Florida Contracting, Inc.,
a Florida corporation,
its general partner



DEBORAH L. HENRY
Printed Name

By: 
Signature of Authorized Representative

Roderick T. Wilson
Printed Name of Authorized Representative



Joyce Osley
Printed Name

STATE OF FLORIDA)
) SS.
COUNTY OF WALTON)

The foregoing instrument was acknowledged before me this 30th day of September, 2004, by RODERICK T. WILSON VICE PRESIDENT of ST. JOE WEST FLORIDA CONTRACTING, INC., a Florida corporation, on behalf of ST. JOE HOME BUILDING, L.P. He/she is personally known to me or has produced _____ as identification.

WITNESS, my hand and official seal this 30th day of September 2004.



Deborah L Henry
Notary Public, State of Florida

DEBORAH. L. HENRY
Printed Name

My Commission Expires:

EXHIBIT "A"

Legal Description of Condominium Property

DESCRIPTION:

COMMENCE AT THE EASTERN MOST CORNER OF PARK ROW AT WATERCOLOR AS RECORDED IN PLAT BOOK 14, PAGES 52 AND 52A OF THE PUBLIC RECORDS OF WALTON COUNTY, FLORIDA, SAID POINT ALSO LYING ON THE SOUTHERLY RIGHT-OF-WAY LINE OF WALTON COUNTY ROAD 30A (100' RIGHT-OF-WAY); THENCE GO SOUTH 31 DEGREES 34 MINUTES 16 SECONDS EAST ALONG SAID RIGHT-OF-WAY LINE A DISTANCE OF 475.21 FEET TO A POINT OF CURVATURE OF A CURVE CONCAVE NORTHEASTERLY AND HAVING A RADIUS OF 1960.34 FEET; THENCE GO ALONG SAID CURVE TO THE LEFT AN ARC DISTANCE OF 69.73 FEET THROUGH A CENTRAL ANGLE OF 02 DEGREES 02 MINUTES 17 SECONDS (CB=SOUTH 32'35'25" EAST, CHORD=69.73') TO THE POINT OF BEGINNING OF THE PARCEL OF LAND HEREIN DESCRIBED; THENCE DEPARTING SAID SOUTHWESTERLY RIGHT-OF-WAY LINE GO SOUTH 55 DEGREES 46 MINUTES 29 SECONDS WEST A DISTANCE OF 184.86 FEET; THENCE GO SOUTH 34 DEGREES 13 MINUTES 13 SECONDS WEST, A DISTANCE OF 12.46 FEET TO A POINT LYING ON THE NORTHERLY RIGHT-OF-WAY LINE OF GOLDENROD CIRCLE (RIGHT-OF-WAY VARIES); THENCE GO SOUTH 34 DEGREES 18 MINUTES 33 SECONDS EAST ALONG SAID RIGHT-OF-WAY LINE A DISTANCE OF 66.43 FEET TO A POINT OF CURVATURE OF A CURVE CONCAVE NORTHEASTERLY AND HAVING A RADIUS OF 240.00 FEET; THENCE CONTINUE ALONG SAID CURVE TO THE LEFT AN ARC DISTANCE OF 28.86 FEET THROUGH A CENTRAL ANGLE OF 06 DEGREES 53 MINUTES 21 SECONDS (CB=SOUTH 37'45'13" EAST, CHORD=28.84") TO A POINT OF TANGENCY; THENCE GO SOUTH 41 DEGREES 11 MINUTES 53 SECONDS EAST, A DISTANCE OF 14.51 FEET; THENCE DEPARTING SAID RIGHT-OF-WAY LINE GO NORTH 55 DEGREES 46 MINUTES 29 SECONDS EAST A DISTANCE OF 194.91 FEET TO A POINT OF CURVATURE OF A CURVE CONCAVE NORTHEASTERLY, HAVING A RADIUS OF 1960.34 FEET AND LYING ON THE AFOREMENTIONED SOUTHERLY RIGHT-OF-WAY LINE OF WALTON COUNTY ROAD 30A; THENCE GO ALONG SAID CURVE TO THE RIGHT AN ARC DISTANCE OF 114.23 FEET THROUGH A CENTRAL ANGLE OF 03 DEGREES 20 MINUTES 19 SECONDS (CHORD BEARING=NORTH 35'16'43" WEST, CHORD=114.22 FEET) TO THE POINT OF BEGINNING. SAID PARCEL OF LAND CONTAINING 0.51± ACRES MORE OR LESS.