

BYLAWS
OF
EMERALD GRANDE EAST CONDOMINIUM ASSOCIATION, INC.

a nonprofit corporation
under the laws of the State of Florida

All terms used in these Bylaws of Emerald Grande East Condominium Association, Inc. ("**Bylaws**") will have the same meaning as the identical terms used in the Declaration of Condominium of Emerald Grande East Condominium ("**Declaration**"), unless the context otherwise requires. In the event of a conflict between these Bylaws and the Declaration, the Declaration will prevail.

I. IDENTITY

These are the Bylaws of Emerald Grande East Condominium Association, Inc., a nonprofit corporation under the laws of the State of Florida ("**Association**"), and under the Articles of Incorporation ("**Articles of Incorporation**") which have been filed in the office of the Florida Secretary of State. The Association has been organized for the purpose of administering a condominium upon certain lands in Okaloosa County, Florida, known as Emerald Grande East Condominium ("**Condominium**"), in accordance with the Declaration.

1. The principal office of the Association is at 10 Harbor Boulevard, Destin, Florida 32541, or at such other place as may be designated by the Board from time to time.
2. The fiscal year of the Association is the calendar year.
3. The seal of the corporation will bear the name of the corporation, the word "Florida," the words "Not-for-profit Corporation," and the year of incorporation.

II. MEMBERS' MEETINGS

1. The annual members' meeting will be held during the first week of November, or at such time, place, and date as may be designated by the Board, for the purpose of electing directors and of transacting any other business authorized to be transacted by the members or the Condominium Documents.
2. Special members' meetings will be held whenever called by the president or vice-president or by a majority of the Board, at such time, place and date as may be designated by the Board, and must be called by such officers upon receipt of a written request from forty percent (40%) of the voting interests except as provided for in Article III and Article VI below.
3. Notice of all members' meetings stating the time and place and the agenda for which the meeting is called will be mailed to each member, unless waived in writing. Such notice will be sent in writing to each member at his address as it appears on the books of the Association and will be sent by mail to each member not less than fourteen (14) days nor more than sixty (60) days prior to the date of the meeting. An affidavit executed by the secretary attesting to the mailing or the post office certificate of mailing will be retained in the records of the Association as proof of such mailing. In addition, a notice of the meeting will be posted at a conspicuous place on the Condominium Property, which location will be duly adopted by rule by the Board, upon notice to the Owners, at least fourteen (14) continuous days prior to said meeting. An affidavit executed by the secretary attesting to the posting of the notice on the Condominium Property, which affidavit may be the same affidavit attesting to the mailing of notices, will be retained in the records of the Association as proof of such posting. Members may waive notice of specific meetings and may take action by written agreement without meetings for those matters which are

specifically provided for in the Condominium Documents or by statute. Any member's attendance at a meeting will constitute a waiver of the notice of that meeting. Mortgagees, as that term is defined in the Declaration, will, upon prior written request, be entitled to receive notice of all members' meetings. Failure to provide such notice does not invalidate any action taken at an otherwise properly noticed meeting. Where assessments against members are to be considered for any reason at a members' meeting, the notice will contain a statement that assessments will be considered and will specify the nature of any such assessment.

4. The presence in person or by proxy of members representing thirty percent (30%) of the total voting interests eligible to vote constitutes a quorum, and except as otherwise provided in these Bylaws, approvals or actions given or taken by the Owners shall be given or taken in accordance with Section 9.7 of the Declaration. Notwithstanding anything in these Bylaws to the contrary, the provisions of this Section 4 shall only be amended by the vote of sixty-seven percent (67%) of all of the voting interests of the Association.

5. All Owners are members of the Association, and no other persons or entities are entitled to membership. There shall be three (3) classes of membership. Each Owner of a residential Unit is a Class A Member and is entitled to one (1) vote for each residential Unit owned at Association meetings. Each Owner of a Fractional Interest in the Condominium is a Class B Member and is entitled to one-eighth ($1/8^{\text{th}}$) vote for each Fractional Interest owned at Association meetings. Each Owner of a Fractional Interest in a condominium other than the Condominium is a Class C Member and is entitled to one-eighth ($1/8^{\text{th}}$) vote for each Fractional Interest owned at Association meetings. Class A Members and Class B Members shall be entitled to vote on matters solely impacting the Condominium. Class B members and Class C Members shall be entitled to vote on matters solely impacting the Fractional Real Estate Ownership Plan. Matters impacting both the Condominium and the Fractional Real Estate Ownership Plan are entitled to be voted on by all classes of membership. The Board shall determine whether a matter that is being voted on impacts the Condominium, the Fractional Real Estate Ownership Plan, or both, in its discretion.

The vote of the Owner must be cast by its voting representative. Voting representatives for Units or Fractional Interests owned by more than one person or by a corporation or other entity must be cast by the voting representative named in a voting certificate signed or accepted by all of the Owners of that Unit and filed with the secretary of the Association. Each voting certificate will be valid until revoked by a subsequently executed and filed voting certificate. Notwithstanding anything in these Bylaws to the contrary, the number of votes allocated to each Owner as set forth in this Section 5, is an appurtenance to the Owner's Unit. Consequently no changes or amendments may be made to the number of votes allocated to each Owner without the unanimous approval of all of the Owners.

6. Votes may be cast in person or by proxy in accordance with §718.112(2)(b)2., *Florida Statutes*. Any proxy given is effective only for the specific meeting for which originally given and any lawfully adjourned meetings of such meetings and must be filed with the secretary at or before the appointed time of the meeting. Each proxy must specifically set forth the name of the person voting by proxy, the name of the person authorized to vote the proxy, and the date the proxy was given. Each proxy must contain the date, time and place of the meeting for which the proxy is given, and if a limited proxy, set forth those items which the holder of the proxy may vote and the manner in which the vote is cast. In no event will any proxy be valid for a period of longer than ninety (90) days after the date of the first meeting for which the proxy was given. Every proxy is revocable at any time at the pleasure of the member executing it. If a proxy expressly provides, any proxy holder may appoint, in writing, a substitute to act in the member's place. If such provision is not made, substitution is not authorized.

7. Approval or disapproval of a member upon any matter, whether or not the subject of an Association meeting, must be by the same person, corporation or other entity who would cast the vote of such member if in an Association meeting.

8. If any meeting of members cannot be organized because a quorum has not been achieved, the members who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum is present.

9. Unless modified by the Board or the members, the order of business at annual members' meetings and, as far as practicable at all other members' meetings, is as follows:

- A. Collection of Ballots
- B. Call to order.
- C. Election of chairman of the meeting.
- D. Calling of the roll and certifying of proxies.
- E. Proof of notice of meeting or waiver of notice.
- F. Reading and disposal of any unapproved minutes.
- G. Report of officers.
- H. Report of committees.
- I. Election of directors.
- J. Unfinished business.
- K. New business.
- L. Adjournment.

Notwithstanding the foregoing, if any item listed above is not relevant to a particular meeting, as determined by the Board in the Board's sole and absolute judgment, such item will not be required to be addressed at that particular meeting.

10. For so long as the Developer holds Units for sale or lease in the ordinary course of business, none of the following actions may be taken without the prior approval in writing by the Developer:

- A. Assessment of the Developer as the Owner of Units for capital improvements;
- B. Any action by the Association that would be detrimental to the sale or lease of Units by the Developer;
- C. Any other action by the Association for which the Condominium Documents require the prior written approval of the Developer.

III. DIRECTORS

1. The affairs of the Association are managed by a board of directors who will be members of the Association, excepting that directors appointed by the Developer and to fill Developer seats on the Board and the first Board and their successors appointed by the remaining directors (in the event of vacancies occurring before the first election of a majority of directors by members) need not be members. The initial Board will consist of five (5) directors, and thereafter the membership of the Board will consist of five (5) directors. Where Units are owned by corporations, the officers, directors, employees or other appointed representatives of said corporations are eligible to serve on the Board on behalf of the corporation. Notwithstanding anything in these Bylaws to the contrary, the provisions of this Section 1 may only be amended by a vote of sixty-seven percent (67%) of all of the voting interests of the Association.

2. Election of directors will be conducted in the following manner:

A. Members of the Board are elected by written ballot or voting machine. Votes may be cast in person or by proxy in accordance with controlling law, including, but not limited to, Chapter 721 and Chapter 718 when it does not conflict with Chapter 721. Not less than sixty (60) days before a scheduled election, the Association will mail or deliver, whether by separate Association mailing or included in another Association mailing or delivery including regularly published newsletters, to each Owner entitled to vote, a first notice of the date of the election. Any Owner or other eligible person desiring to be a candidate for the Board must give written notice to the Association not less than forty (40) days before a scheduled election. Not less than fourteen (14) days and no more than thirty-four (34) days before the election, the Association will mail or deliver a second notice of the election to all Owners entitled to vote in the election, together with a ballot listing all candidates. Upon request of a candidate, the Association will include an information sheet, no larger than 8 ½ inches by 11 inches, which must be furnished by the candidate not less than thirty five (35) days before the election, to be included with the mailing of the ballot, with costs of mailing and copying to be borne by the Association. However, the Association has no liability for the contents of the information sheets prepared by the candidates. Elections are decided by a plurality of

those ballots cast. There is no quorum requirement; however, at least twenty percent (20%) of the eligible voters must cast a ballot in order to have a valid election of members of the Board. There is no cumulative voting.

B. Vacancies on the Board may be filled by the remaining directors subject to the provisions of Paragraphs 2(C) and 12 of this Article. A director appointed to fill a vacancy in office will serve the remainder of the term of the office to which he is appointed.

C. The initial directors will be appointed by the Developer and will serve until the first election of directors.

Unless applicable law is subsequently amended to permit a longer period of control of the Board by the Developer (in which case such applicable law will govern at the option of the Developer and the Developer may amend these Bylaws to provide for such longer period):

(1) When Owners other than the Developer own fifteen percent (15%) or more of the Units in the Condominium that will be operated ultimately by the Association, the Owners other than the Developer shall be entitled to elect no less than one-third (1/3) of the members of the Board.

(2) Owners other than the Developer are entitled to elect not less than a majority of the members of the Board:

(a) three (3) years after fifty percent (50%) of the Units that will be operated ultimately by the Association have been conveyed to purchasers;

(b) three (3) months after ninety percent (90%) of the Units that will be operated ultimately by the Association have been conveyed to purchasers;

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

(d) when some of the Units have been conveyed to purchasers and none of the others are being constructed or offered for sale by the Developer in the ordinary course of business; or

(e) seven (7) years after recordation of the Declaration, whichever occurs first.

(3) The Developer is entitled to elect at least one (1) member of the Board as long as the Developer holds for sale in the ordinary course of business at least five percent (5%) of the Units that will ultimately be operated by the Association, if such number of Units is less than 500. Following the time the Developer relinquishes control of the Association, the Developer may exercise the right to vote any Developer-owned Units in the same manner as any other Owner except for purposes of reacquiring control of the Association or selecting the majority of members of the Board.

(4) As to the election of directors pursuant to Subparagraphs (1), (2), and (3) above, within seventy-five (75) days after Owners other than the Developer are entitled to elect members of the Board, the Association will call and give not less than sixty (60) days' notice of an election for the members of the Board. The election will proceed pursuant to Article III, Section 2, above.

(6) Nothing in this Paragraph C should be construed so as to preclude the Developer from relinquishing control of the Board at any earlier time the Developer may so elect.

(7) Except as otherwise permitted in this Paragraph C, the provisions of Subparagraphs (1), (2), and (3) above may only be amended by the vote of sixty-seven percent (67%) of all of the voting interests of the Association.

3. Members of the Board who are elected by Owners other than the Developer at the annual meeting of members serve for one (1) year until the next annual meeting of the members and thereafter until a successor is duly elected or qualified or until the director is removed in the manner elsewhere provided.

4. The organizational meeting of a newly elected Board will be held within ten (10) days of the election at such place and time as will be fixed by the Board at the meeting at which the directors were elected, and no further notice of the organizational meeting will be necessary provided that a quorum is present.

5. Regular meetings of the Board may be held at such time and place as will be determined from time to time by a majority of the directors. Notice of regular meetings will be given to each director, personally, by facsimile upon confirmation of receipt, by mail, telephone or telegraph at least three (3) days prior to the date named for such meeting unless such notice is waived. Notice of all meetings of the Board will be continuously posted in a conspicuous place on the Condominium Property for the benefit of members at least forty-eight (48) hours in advance of such meeting, except in an emergency. An affidavit executed by the secretary attesting to the delivery of notice to each director and the posting of notice on the Condominium Property will be retained in the records of the Association as proof of such mailing. Any item not included on the notice may be taken up on an emergency basis by at least a majority plus one of the members of the Board. Such emergency action will be noticed and ratified at the next regular meeting of the Board. Notwithstanding anything in this Section to the contrary, if a meeting of the Board at which nonemergency special assessments, or at which amendment to rules regarding Unit use will be considered is called, notice will be mailed or delivered to the Owners and posted conspicuously on the Condominium Property not less than fourteen (14) days prior to the meeting. Upon notice to the Owners, the Board will by duly adopted rule designate a specific location on the Condominium Property or Association Property upon which all notices of Board meetings will be posted. All meetings of the Board are open to all members of the Association. The Board may adopt reasonable rules governing the frequency, duration, and manner of Owner statements.

6. Special meetings of the Board may be called by the chairperson of the Board or the president and must be called by the secretary at the written request of one-third (1/3) of the votes of the Board. Not less than three (3) days' notice of the meeting will be given to the directors personally or by mail, telephone or telegraph, which notice will state the time, place and purpose of the meeting.

7. Any director may waive notice of a meeting before or after the meeting, and such waiver will be deemed equivalent to the giving of notice. Any director's attendance at a meeting constitutes a waiver of the notice of that meeting.

8. A quorum at Board meetings consists of the directors entitled to cast a majority of the votes of the entire Board. The acts of the Board approved by a majority of votes present constitute the acts of the Board except as specifically otherwise provided in the Declaration. If at any meeting of the Board there is less than a quorum present, the majority of those present may adjourn the meeting from time to time until a quorum is present. Once a quorum is present, the meeting may resume and any business which might have been transacted at the meeting as originally called may be transacted without further notice.

9. The presiding officer of Board meetings is the president of the Association. In the absence of the president the vice-president presides unless the Board votes otherwise.

10. Directors' fees, if any, will be determined by the members of the Association, and no director will receive a fee prior to the election of a majority of the members of the Board by Owners other than the Developer.

11. Owner directors may be removed from the Board pursuant to §718.112(2)(j), *Florida Statutes*.

12. Any vacancies in office occurring prior to an election will be filled by the remaining directors (even if the remaining directors constitute less than a quorum); provided, however, that any director who is appointed by the Developer may be removed by the Developer at any time. Upon such removal of a director

appointed by the Developer, or upon the resignation of a director appointed by the Developer, the Developer will immediately appoint a replacement director and notify the remaining directors, if any, of such removal/resignation and appointment.

13. If a vacancy or vacancies on the Board results in an inability to obtain a quorum of directors in accordance with these Bylaws, any Owner may apply to the Circuit Court within whose jurisdiction the Condominium lies for the appointment of a receiver to manage the affairs of the Association. At least thirty (30) days prior to applying to the Circuit Court, the Owner shall mail to the Association and post in a conspicuous place on the Condominium Property a notice describing the intended action and giving the Association an opportunity to fill the vacancy(ies) in accordance with these Bylaws. If, during such time, the Association fails to fill the vacancy(ies), the Owner may proceed with the petition. If a receiver is appointed, the Association shall be responsible for the salary of the receiver, court costs and attorneys' fees. The receiver shall have all powers and duties of a duly constituted Board, and shall serve until the Association fills the vacancy(ies) on the Board sufficient to constitute a quorum in accordance with these Bylaws.

IV. POWERS AND DUTIES OF THE BOARD

All of the powers and duties of the Association will be exercised by the Board including those existing under the common law, statutes, the Condominium Documents and the Fractional Plan Documents (as defined in the Fractional Declaration), except as otherwise provided in these Bylaws, statutes, and the Condominium Documents. Such powers and duties of the Board will be exercised in accordance with the provisions of the Declaration and Fractional Declaration, and will include, but not be limited to, the following:

1. To adopt a budget and to make and collect assessments against Owners to defray the costs of operating the Condominium and the Fractional Real Estate Ownership Plan.
2. To use the proceeds of assessments in the exercise of its powers and duties.
3. To maintain, manage, repair, replace and operate the Condominium Property, including but not limited to, obtaining and maintaining adequate insurance to protect the Association and the Condominium Property.
4. To reconstruct improvements after casualty and to construct further improvements to the Condominium Property.
5. To promulgate and amend the Condominium Rules and Regulations respecting the use of Condominium Property. Such rules and regulations may be promulgated by the Board at any duly noticed meeting of the Board or of the members.
6. To enforce by legal means the provisions of the Condominium Documents and Fractional Plan Documents (as defined in the Fractional Declaration).
7. To contract for management of the Condominium and to delegate to such contractor all powers and duties of the Association except such as are specifically required by the Condominium Documents or Fractional Plan Documents (as defined in the Fractional Declaration) to have approval of the Board or members of the Association. Notwithstanding any provisions contained in these Bylaws to the contrary, it is the intent of these Bylaws that the contract for the management of the Condominium may only be terminated by a vote of the Owners in accordance with Section 721.14(i), *Florida Statutes*.
8. To pay taxes and assessments which are liens against any part of the Condominium, and to assess the same against the Owner subject to such liens.
9. To pay the cost of all power, water, sewer, and other utility services rendered to the Condominium and not billed directly to an Owner.

10. To employ personnel for reasonable compensation to perform the services required for proper administration of the purposes of the Association, including, but not limited to, accountants and attorneys.

11. To bond any or all employees, officers, and directors of the Association, for which the Association will bear the costs.

12. To maintain, manage, repair, replace, and operate the property of the single condominium resulting from a merger of this Condominium with another independent and separate condominium pursuant to the merger provisions of the Declaration.

13. To maintain all books and records concerning the Condominium and Fractional Real Estate Ownership Plan including, but not limited to, the maintenance of a complete list of the names and addresses of all Owners, a copy of which will be provided to the Division of Florida Land Sales, Condominiums and Mobile Homes upon request.

14. To lease non-Condominium Property for the Association as lessee, and Condominium Property, including Common Elements, for the Association as lessor, in accordance with the Declaration and Fractional Declaration.

15. To convey a portion of the Common Elements to a condemning authority for the purpose of providing utility easements, right-of-way expansion, or other public purposes, whether negotiated or as a result of eminent domain proceedings.

16. To respond in writing to an Owner who has filed a written inquiry by certified mail with the Board within thirty (30) days of receipt of the inquiry in accordance with §718.112(2)(a)2., *Florida Statutes*.

17. To accept a certificate of compliance from a licensed electrical contractor or electrician as evidence of compliance of the Units with the applicable fire and life safety code.

18. To contract for the purchase, lease, or rental of materials or equipment or the provision of services for the Condominium. Any contract which is not fully performed within one (1) year from the making thereof, for the purchase, lease, or rental of materials or equipment to be used by the Association in accomplishing its purposes, and all contracts for the provision of services, shall be in writing. Where a contract for purchase, lease, or rental of materials or equipment, or for the provision of services, requires payment by the Association on behalf of the Condominium in the aggregate exceeding \$5,000, the Board shall obtain competitive bids for the materials, equipment, or services. Nothing contained herein shall be construed to require the Board to accept the lowest bid. Notwithstanding the foregoing, contracts with employees of the Association and contracts for attorney, accountant, architect, community association manager, engineering, and landscape architect services shall not be subject to the provisions hereof. Further, nothing contained herein is intended to limit the ability of the Association to obtain needed products and services in an emergency; nor shall the provisions hereof apply if the business entity with which the Association desires to contract is the only source of supply within Okaloosa County.

19. To manage and operate any Fractional Real Estate Ownership Plan for which the Association is the designated managing entity; to determine the interior color scheme, décor and furnishings of Fractional Condominium Units in such Fractional Real Estate Ownership Plans as well as the proper time for redecorating and renovating such Fractional Condominium Units and their contents, including, but not be limited to, the right to alter, remove or replace any furnishings, appliances, personal property or décor in a Fractional Condominium Unit without the approval of any Owner, provided however, that no such change shall be made without the approval of the Developer so long as it owns a Fractional Interest in such Fractional Condominium Unit; and to operate and manage any reservation system for such Fractional Real Estate Ownership Plan.

20. To borrow money in furtherance of its rights and obligations and in accordance with the condominium documents, and applicable Timeshare Instrument and applicable law.

21. To acquire title to and hold, convey or mortgage non-Condominium Property and condominium property in accordance with the Declaration and any applicable Fractional Instrument.

22. To grant, modify, or move easements from time to time over the Common Elements or Association Property.

V. OFFICERS

1. The executive officers of the Association will be a president, a vice-president, a secretary, and a treasurer, all of whom will be directors of the Association and who will be elected annually by the Board at any meeting. Officers will serve without compensation at the pleasure of the Board. The same person may hold two offices, the duties of which are not incompatible; provided, however, that the president cannot be the vice-president, secretary or treasurer, or assistant secretary or assistant treasurer. The Board will from time to time elect such other officers and designate their powers and duties as the Board determines necessary to manage the affairs of the Association.

2. The president is the chief executive of the Association. The president will have all of the powers and duties which are usually vested in the office of president including, but not limited to, the power of appointing committees from among the members from time to time, as the president may in the president's discretion determine appropriate, to assist in the conduct of the affairs of the Association. In addition, the president will be the sole representative of the Association with regard to matters of the Community Declaration Property, including, but not limited to, voting on behalf of all Owners with respect to the HarborWalk Village Owners' Association, Inc.

3. The vice-president will in the absence of or disability of the president exercise the powers and duties of the president. The vice president will also generally assist the president and exercise such other powers and perform such other duties as may be prescribed by the Board.

4. The secretary will keep the minutes of the proceedings of the Board and the members in a book available for inspection by the Board or members, or their authorized representatives, at any reasonable time. The Association will retain these minutes for a period of not less than seven (7) years. The secretary will attend to the giving and serving of all notices required by law. The secretary will have custody of the seal of the Association and affix the same to instruments requiring a seal when duly signed.

5. The treasurer will have custody of all property of the Association, including financial records, funds, securities and evidences of indebtedness. The treasurer will keep the financial records of the Association and will keep the assessment rolls, the accounts of the members, and the books of the Association in accordance with generally accepted accounting practices. The treasurer will perform all other duties incident to the office of the treasurer of an Association and as may be required by the Board or the president.

6. The compensation of all employees of the Association will be fixed by the Board. This provision does not preclude the Board from employing a director or officer as an employee of the Association nor preclude the contracting with a director for the management of the Condominium.

VI. FISCAL MANAGEMENT

The provisions for fiscal management of the Association set forth in the Declaration and the Articles are supplemented by the following provisions:

1. Assessments.

A. The Board will fix and determine, from time to time, the sum or sums necessary and adequate for the Condominium Common Expenses of the Condominium and the Fractional Plan Common Expense (as defined in the Fractional Declaration) of the Fractional Real Estate Ownership Plan. The Board is specifically empowered, on behalf of the Association, to make and collect assessments and to lease, maintain, repair and replace the Common Elements and Limited Common Elements of the Condominium. The Board has the power,

on behalf of the Association, to lease Common Elements of the Condominium in accordance with the provisions of the Declaration. Funds for the payment of Common Expenses will be assessed against the members in proportion to their respective obligations for Common Expenses, as provided in the Declaration and the Fractional Declaration. Assessments for Units will become due and payable as determined by the Board from time to time, and will be considered delinquent if payment has not been received on or before the first (1st) day of each month, unless otherwise ordered by the Board. [Payment monthly or annually?] Special assessments, should such be required by the Board, will be levied in the same manner as provided for regular assessments, and will be payable in the manner determined by the Board. If a member is in default in the payment of any assessment due on his interest, the Association will have all collection rights available to it under Chapter 718 and Chapter 721. If any unpaid share of Common Expenses or assessments is extinguished by foreclosure of a superior lien or by a deed in lieu of foreclosure of a superior lien, the unpaid share of Common Expenses or assessments will be Common Expenses collectible from all the Owners.

B. The assessment roll will be maintained in a set of accounting books or records in which there will be an account for each Unit. Such an account will designate the name and address of the members or member, the dates and amounts in which the assessments come due, the amounts paid upon the account and the balance due upon assessments. Assessments will be made against members in an amount not less than required to provide funds in advance for payment of all of the anticipated current operating expenses and for all of the unpaid operating expenses previously incurred. In the absence of a determination by the Board as to the frequency of assessments, assessments will be due and payable monthly. The personal liability of a member for assessments survives the termination of such member's membership in the Association.

C. Any member will have the right to require from the Association a certificate showing the amount of unpaid assessments against him with respect to his Unit. The holder of a mortgage or other lien will have the same right as to any Unit upon which such holder has a lien. Any person (other than the Unit Owner) who relies upon such certificate will be protected.

D. Notice of any meeting, whether a meeting of the Board or of the members of the Association, at which assessments against members are to be considered for any reason must specifically contain a statement that assessments will be considered and the nature of such assessments.

2. Budget.

A. The Board will adopt a budget for each calendar year which will contain estimates of the cost of performing the functions of the Association and estimates of the income of the Association. The proposed annual budget of Common Expenses will be detailed and will show the amounts budgeted by accounts and expense classifications. In addition to annual operating expenses, the budget will include reserve accounts for capital expenditures and deferred maintenance. These accounts will include, but not be limited to, roof replacement, building painting and pavement resurfacing. The amount to be reserved will be computed by means of a formula which is based upon estimated remaining useful life, taking into account deferred maintenance, and estimated replacement cost of each reserve item. The funding of these reserve accounts may be waived, or less adequate reserves may be established only as permitted by §718.112(2)(f)2., *Florida Statutes*. The budget will include, but not be limited to, the following items, as applicable:

- (1) Common Expense Budget
 - i. Administration of the Association.
 - ii. Management fees.
 - iii. Maintenance.
 - iv. Rent for facilities.
 - v. Taxes upon Condominium Property.

- vi. Taxes upon leased areas.
- vii. Insurance.
- viii. Security provisions.
- ix. Operating capital.
- x. Reserves.
- xi. Fees payable to the Division of Florida Land Sales, Condominiums and Mobile Homes.
- xii. The costs and expenses in connection with the Community Declaration Property that are attributable to the Condominium each calendar year, and are not assessed directly against Owners.
- xiii. Other expenses.

(2) Proposed assessments against each member, together with an annual total of assessments.

B. Copies of the proposed budget and proposed assessments will be hand delivered or mailed to each member at least fourteen (14) days prior to the meeting at which the budget is to be considered, together with a notice of the meeting which will state the time and place of the meeting. The meeting will be open to all members. If the budget is subsequently amended before the assessments are made, a copy of the amended budget will be furnished each member. If an adopted budget requires assessment against the members in any fiscal or calendar year in excess of one hundred fifteen percent (115%) of the assessments for the preceding year, the Board, upon written application of ten percent (10%) of the voting interests of the Association received by the Board within twenty-one (21) days after adoption of the budget, will call a special meeting of the members of the Association within sixty (60) days upon not less than fourteen (14) days' hand delivered or mailed notice to each member of the Association. At the special meeting, members will consider and enact a budget. The adoption of the budget at such a special meeting will require the vote of a majority of all of the voting interests of the Association. The Board may propose a budget which exceeds one hundred fifteen percent (115%) of the assessments for the preceding year to the members at a meeting of the members or in writing, and if the budget or proposed budget is approved at the meeting or by a majority of all of the voting interests of the Association in writing, the budget will be adopted. In determining whether assessments exceed one hundred fifteen percent (115%) of similar assessments in prior years, any authorized provisions for reasonable reserves for repair or replacements of the Condominium Property, expenses by the Association which are not anticipated to be incurred on a regular or annual basis, or assessments for capital improvements to the Condominium Property will be excluded from the computation. However, as long as the Developer is in control of the Board, the Board may 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 vote of a majority of all of the voting interests of the Association.

3. The depository of the Association will be such bank or other institution as permitted by applicable Florida law, as will be designated from time to time by the Board and from which the monies in such accounts will be withdrawn only by checks signed by such persons as are authorized by the Board.

4. Annually on or before June 1, the Board will prepare and complete, or cause to be prepared and completed by a third party, a financial report for the preceding fiscal year. Within twenty one (21) days after the financial report is completed or received by the Board from the third party, the Board will mail to each Owner at the address last furnished to the Association by the Owner, or hand deliver to each Owner, a copy of the financial report or a notice that a copy of the financial report will be mailed or hand delivered to the Owner, without charge, upon receipt of a written request from the Owner. The financial report will comply with §718.111(13), *Florida Statutes*, and the rules promulgated by the Division of Florida Land Sales, Condominiums and Mobile

Homes. Financial reports will be based upon the Association's total annual revenues and prepared in accordance with §718.111(13), *Florida Statutes*, and as follows:

A. If the Association has total annual revenues of \$100,000 or more, but less than \$200,000, the Association will prepare compiled financial statements.

B. If the Association has total annual revenues of at least \$200,000, but less than \$400,000, the Association will prepare reviewed financial statements.

C. If the Association has total annual revenues of \$400,000 or more, the Association will prepare audited financial statements.

D. If the Association has total annual revenues of less than \$100,000, the Association will prepare a report of cash receipts and expenditures.

E. During any period when the Association operates less than fifty (50) Units, regardless of the Association's annual revenues, the Association will prepare a report of cash receipts and expenditures in lieu of financial statements required by this Paragraph.

5. The Board must obtain fidelity bonding of all officers and directors who control or disburse funds of the Association, as required by Chapter 718. The amount of such bonds will be determined in accordance with Chapter 718. The premiums on such bonds will be paid by the Association as a Common Expense.

VII. PARLIAMENTARY RULES

Robert's Rules of Order (latest edition) govern the conduct of the Association proceedings when not in conflict with the Articles and Bylaws or with the statutes of the state of Florida.

VIII. AMENDMENTS

Amendments to the Bylaws will be proposed and adopted in the following manner:

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

2. An amendment may be proposed by either the Board or by the membership of the Association. The Bylaws may be amended by not less than three-fifths (3/5) of all the directors and by not less than a vote of a majority of all of the voting interests of the Association at a duly called meeting of the Association. Directors and members not present at the meeting considering the amendment may express their approval or disapproval in writing within ten (10) days after such meeting; however, this shall not be used as a vote and may not be used for purposes of establishing a quorum.

3. An amendment when adopted becomes effective only after being recorded in the Public Records of Okaloosa County, Florida.

4. The Developer shall have the right to unilaterally amend these Bylaws as it may deem appropriate in its sole discretion; as may be required by any lending institution, title insurance company, or public body; as may be necessary to conform the Articles of Incorporation to the requirements of law; to facilitate the operation and management of the Condominium or a Fractional Real Estate Ownership Plan; or to facilitate the sale of Units or Fractional Interests. No amendment to these Bylaws permitted to be unilaterally made by Developer shall be permitted if such amendment would prejudice or impair to any material extent the rights of the Owners as a whole or Mortgagees of record.

5. No bylaw may be revised or amended by reference to its title or number only. Proposals to amend existing bylaws must contain the full text of the bylaws to be amended; new words will be inserted in the text underlined, and words to be deleted will be lined through with hyphens. However, if the proposed change is so extensive that this procedure would hinder rather than assist the understanding of the proposed amendment, it is not necessary to use underlining and hyphens as indicators of words added or deleted, but, instead, a notation must be inserted immediately preceding the proposed amendment in substantially the following language "Substantial rewording of Bylaw. See Bylaw . . . for present text." Nonmaterial errors or omissions in the bylaw amendment process will not invalidate an otherwise properly promulgated amendment.

IX. SEVERABILITY AND CONFORMITY TO STATE LAW

These Bylaws are to be governed by and construed according to the laws of the State of Florida. If it should appear that any of the provisions of these Bylaws are in conflict with the Declaration or any rule of law or statutory provision of the state of Florida, then such provisions of these Bylaws will be deemed inoperative and null and void insofar as they may be in conflict with the Declaration or any rule or such rule of law, and will be deemed modified to conform to the Declaration or such rule of law.

X. MANDATORY NON-BINDING ARBITRATION

Internal disputes arising from the operation of the Condominium among the Association, the Owners, their respective agents and assigns, or any or all of them, must be submitted first for resolution through non-binding arbitration pursuant to §718.1255, *Florida Statutes*.

XI. INCORPORATION OF PROVISIONS OF FLORIDA STATUTES

Except as specifically provided otherwise in these Bylaws as permitted by Chapter 718, all provisions of Section 718.112(a) through (m), *Florida Statutes*, are deemed to be included in these Bylaws.

CERTIFICATE

The undersigned hereby certifies that he is the duly elected and acting secretary of the Association named herein and that the foregoing is a true copy of the Bylaws of said Association duly adopted by action of the Board dated _____, 200____, and hereby further certifies that such Bylaws have not been amended or rescinded and remain in full force and effect at the date hereof.

DATED this _____ day of _____, 200____.

Secretary