

BYLAWS
OF
GRAND CEDARS RESERVE HOMEOWNERS' ASSOCIATION, INC.

ARTICLE I

**Name, Registered Office, and
Registered Agent**

Section 1. Name. The name of this corporation is GRAND CEDARS RESERVE HOMEOWNERS' ASSOCIATION, INC., hereinafter the "Association."

Section 2. Registered Office and Registered Agent. The address of the Association's registered office and the name of the Association's Registered Agent and his address is Stephen R. Moorhead, 4300 Bayou Blvd., Suite 13, Pensacola, FL 32503.

ARTICLE II

Definitions

The terms used in these Bylaws shall have the same definitions and meanings as those set forth in that certain Declaration of Covenants, Conditions, Easements and Restrictions recorded at Official Records Book 4673 at Page 1433 (the "Declaration") in the Public Records of Escambia County, Florida, and in that certain First Amendment to the Declaration of Covenants, Conditions, Easements and Restrictions recorded at Official Records Book 4701 at Page 0047 in the Public Records of Escambia County, Florida, and in the Articles of Incorporation of Grand Cedars Reserve Homeowners' Association, Inc. unless herein provided to the contrary, or unless the context otherwise requires.

ARTICLE III

Meetings of Members

Section 1. Place of Meetings. Meetings of the Members shall be held at such place (within or without the State of Florida) as the Board of Directors or Members may from time to time select.

Section 2. Annual Meeting. An annual meeting of the Members shall be held on the first Tuesday in May of each year, if not a legal holiday, and if a legal holiday, then on the next secular day following that which is not a legal holiday, at such designated time as the officers may choose, and the Members shall elect a Board of Directors and transact other business. If an annual meeting has not been called and held within six months after the time designated for it, any Member may call it.

Section 3. Special Meetings. Special meetings of the Members may be called by the President, by a majority of the Board of Directors, or by the holders of one-fourth or more of the outstanding votes. Business conducted at a special meeting is limited to the purposes described in the notice of the meeting.

Section 4. Notice of Meetings. A written or printed notice of Members' meetings, stating the place, day and hour of the meeting, and in case of a special meeting the purpose or purposes of the meeting shall be given by the Secretary of the Association, or by the person authorized to call the meeting, to each Member of record entitled to vote at the meeting. This notice shall be sent to each Member (as of thirty (30) days prior to the date of mailing such notice) at least ten (10) days and not more than sixty (60) days before the date named for the meeting (unless a greater period of notice is required by law in a particular case) by United States mail, or by telegram, charges prepaid, to his address appearing on the books of the Association. Notice must also be posted in a conspicuous place in the community at least 48 hours in advance of a meeting

Section 5. Waiver of Notice. A Member, either before or after a Members' meeting, may waive notice of the meeting, which waiver of notice must be in writing, and his waiver shall be deemed the equivalent of giving notice. Neither the affairs transacted nor the purpose of the meeting need be specified in the waiver. Attendance at a Members' meeting, either in person or by proxy of a person entitled to notice, shall constitute a waiver of notice and waiver of any and all objections to the place of the meeting, the time of the meeting or the manner in which it has been called or convened, unless the Member attends the meeting solely for the purpose of stating, at the beginning of the meeting, any such objection or objections to the transaction of affairs.

Section 6. Voting Rights. Subject to the provisions of the laws of the State of Florida and to the Articles of Incorporation, each Member shall be entitled at each Members' meeting to one vote per Lot owned.

Section 7. Proxies. A Member entitled to vote may vote in person or by a proxy executed in writing by the Member or his attorney in fact. To be valid, a proxy must be dated, must state the date, time, and place of the meeting for which it was given, and must be signed by the authorized person who executed the proxy and filed with the Secretary. A proxy is effective only for the specific meeting for which it was originally given, as the meeting may lawfully be adjourned and reconvened from time to time, and automatically expires ninety (90) days after the date of the meeting for which it was originally given. A proxy is revocable at any time at the pleasure of the person who executed it. If the proxy form expressly so provides, any proxy holder may appoint, in writing, a substitute to act in his place.

Section 8. Quorum. The presence in person or by proxy at a meeting of Members entitled to cast thirty percent (30%) of the votes of the membership shall constitute a quorum at Members'

meetings for any action except as otherwise provided in the Articles of Incorporation, the Declaration, or these Bylaws. At a duly organized meeting, Members present can continue to do business until adjournment even though enough Members withdraw to leave less than a quorum. Decisions that require a vote of the Members must be made by the concurrence of at least two-thirds majority of voting interests present, in person or by proxy, at a meeting at which a quorum has been attained, except for a vote for election to the Board of Directors.

Section 9. Adjournments. Any meeting of Members may be adjourned. Adjournment of an annual or special meeting to a different date, time, or place must be announced at that meeting before an adjournment is taken, or notice must be given of the new date, time, or place in compliance with Article III, Section 4 except that such notice must be given to new Members as of the new record date who were not Members as of the previous record date. At an adjourned meeting at which a quorum is present, any business may be transacted which could have been transacted at the meeting originally called.

Section 10. Informal Action by Members. Any action that may be taken at a Members' meeting may be taken without a meeting if a consent in writing, setting forth the action, shall be signed by the holders of not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted, and filed with the Secretary of the Association, except the election of the Board of Directors must be held at an annual meeting. Within ten (10) days after obtaining such authorization by written consent, notice must be given to those Members who have not consented in writing to such action taken. The notice must fairly summarize the material features of the authorized action.

Section 11. Voting Lists. The Secretary of the Association shall make, at least ten (10) days before each meeting of Members, a complete list of the Members entitled to vote at such meeting or any adjournment thereof. Such list shall be kept on file at the registered office of the Association, for a period of ten (10) days prior to such meeting, and shall be subject to inspection by any Member at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any Member at any time during the meeting.

ARTICLE IV

Board of Directors

Section 1. Number, Qualification and Term. The business and affairs of the Association shall be managed by a board of at least three (3) Directors, who need not be Members of the Association. Each Director, except one appointed to fill a vacancy, shall serve his or her term as follows: The initial Board of Directors named in the Articles of Incorporation shall hold office until their successors are elected at the initial annual meeting of the Members. Thereafter, the election of Directors must be held at the annual meeting with each Director to serve a term which expires after the next election of Directors at the annual meeting of Members in the following year. The numbers of Directors may be increased or decreased by a vote of the Members which must be made by a concurrence of at least two-thirds majority of voting interests present, in person or by proxy at a meeting at which a quorum has been attained.

Section 2. Vacancies. Any vacancy occurring in the Board of Directors, including any vacancy created by reason of an increase in the number of Directors, shall be filled by the affirmative vote of a two-thirds majority of the remaining Directors. A Director elected to fill a vacancy shall

hold office until the next election of Directors. This provision shall not apply to any vacancy occurring as a result of removal.

Section 3. Compensation. Directors shall not receive a salary for their services but, by resolution of the Board. A Director may serve the Association in a capacity other than Director and receive compensation for the services rendered in that other capacity.

Section 4. Removal. Any Director may be removed from office with or without cause by the vote or agreement in writing by a majority of all votes of the membership. The notice of a meeting of the Members to recall a Director shall state the specific Director(s) sought to be removed. A proposed removal of a Director at a meeting shall require a separate vote for each Director sought to be removed. Where removal is sought by written agreement, a separate agreement is required for each Director to be removed. If removal is effected at a meeting, any vacancies created thereby shall be filled by the Members at the same meeting. Any Director who is removed from the Board shall not be eligible to stand for reelection until the next annual meeting of the Members. Any Director removed from office shall turn over to the Board of Directors within 72 hours any and all records of the Association in his possession.

Section 5. Place of Meetings. The Board of Directors may hold annual or special meetings at any place (within or without the State of Florida) that a majority of Directors may by resolution appoint.

Section 6. Annual Meeting. The Board of Directors shall meet each year immediately after the annual meeting of the Members at the place that meeting has been held to elect officers and consider other business. Special meetings of the Board of Directors may be called by the Chairman of the Board or by the President.

Section 7. Notice of Meetings. All meetings of the Board of Directors must be open to all Members except for meetings between the Board and its attorney with respect to proposed or pending litigation where the contents of the discussion would otherwise be governed by the attorney-client privilege. Notices of all Board meetings must be posted in a conspicuous place in the community at least 48 hours in advance of a meeting, except in an emergency. In the alternative, if notice is not posted in a conspicuous place in the community, notice of each Board meeting must be mailed or delivered to each Member at least seven (7) days before the meeting, except in an emergency.

Section 8. Waiver of Notice. A Director may waive in writing notice of a special meeting or annual meeting of the board either before or after the meeting, and his waiver shall be deemed the equivalent of giving notice. Attendance of a Director at any meeting shall constitute waiver of notice of that meeting, unless he attends for the express purpose of objecting to the transaction of business because the meeting has not been lawfully called or convened.

Section 9. Quorum. Unless otherwise provided for in the Articles of Incorporation, at any meeting of the Board of Directors a majority of the Directors in office shall be necessary to constitute a quorum for the transaction of business. If a quorum is present when a vote is taken, the affirmative vote of a majority of the Directors in attendance shall be the acts of the Board. Directors shall be deemed present at any meeting if a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other is used.

Section 10. Adjournment. A meeting of the Board of Directors may be adjourned. Notice of the adjourned meeting or of the business to be transacted there, other than by announcement at the meeting at which the adjournment is taken, shall not be necessary. At an adjourned meeting at which

a quorum is present, any business may be transacted which could have been transacted at the meeting originally called.

ARTICLE V

Nomination and Election of Directors

Section 1. Nomination. All nominations for election to the Board of Directors shall be taken from the floor at the annual meeting and such nominations may be made from among Members or non-members. However, all Members of the Association shall be eligible to serve on the Board of Directors, and any Member may nominate himself or herself as a candidate for the Board at the meeting where the election is to be held.

Section 2. Election. Election to the Board of Directors shall be by voice vote or a show of hands, unless objected to by thirty percent (30%) of the Members present at that meeting, in which case, the election shall be by written ballot. The persons receiving the largest number of votes shall be elected (i.e., the Board of Directors must be elected by a plurality of the votes cast by eligible voters). Cumulative voting is prohibited.

ARTICLE VI

Powers and Duties of Board of Directors

Section 1. Powers. The Board of Directors shall have the power to:

- (a) Adopt and publish rules and regulations governing the use of the Common Area;
- (b) Suspend the rights of a Member or a Member's tenant(s), guest(s) and/or invitee(s) to use Common Areas and facilities and levy reasonable fines, not to exceed \$100 per violation, against any Member or any tenant, guest or invitee. Such fine or suspension may not be imposed without notice of at least 14 days to the person sought to be fined or suspended and an opportunity for a hearing before a committee of at least three Members appointed by the board who are not Officers, Directors, or employees of the association, or the spouse, parent, child, brother, or sister of an Officer,

Director, or employee. If the committee, by majority vote, does not approve a proposed fine or suspension, it may not be imposed; and

- (c) Suspend or fine any Member because of the failure of the Member to pay assessments or other charges when due; and
- (d) Declare the office of a Director to be vacant in the event such Director shall be absent from three (3) consecutive regular meetings of the Board of Directors; and
- (e) Employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties; and
- (f) Exercise for the Association all powers, duties and authority vested in or delegated to this Association by these Bylaws, or the Articles of Incorporation, and which are not reserved to the membership by other provisions of these Bylaws, or the Articles of Incorporation.

Section 2. Duties. It shall be the duty of the Board of Directors to:

- (a) Cause to be kept a complete record of all its acts and Association affairs and to present a statement thereof to the Members at the annual meeting of the Members, or at any special meeting when such statement is requested in writing by one-fourth of the owners.
- (b) Supervise all Officers, agents and employees of this Association, and to see that their duties are properly performed;
- (c) With respect to assessments, to mail written notice of each assessment to every Owner subject thereto at least thirty (30) days in advance of its due date;
- (d) Issue, or to cause an appropriate office to issue, upon demand by any person, a sealed certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If the certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;
- (e) Procure and maintain adequate liability and hazard insurance on property owned by the Association if the Directors, in their discretion, deem such insurance necessary;
- (f) Cause all Officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate; and

(g) Cause the Common Areas to be improved and maintained.

Section 3. Delegation. The Board of Directors shall have the authority to delegate and constitute committees for purposes beneficial to the advancement of the interests of the Association.

ARTICLE VII

Officers, Agents and Employees

Section 1. Officers. The executive Officers of the Association shall be chosen by the Board of Directors and shall consist of a President, Vice-President, Secretary and Treasurer. Other Officers, assistant officers, agents or employees that the Board of Directors from time to time may deem necessary may be elected by the Board or be appointed in a manner prescribed. Any two or more offices may be held by the same person. Officers shall hold office until their successors are chosen and have qualified, unless they are sooner removed from office as provided in these bylaws.

Section 2. Vacancies. When a vacancy occurs in one of the executive offices by death, resignation or otherwise, it shall be filled by the Board of Directors. The Officer so selected shall hold office until his successor is chosen and qualified.

Section 3. Removal of Officers and Agents. An Officer or agent of the Association may be removed by a unanimous vote of the Board of Directors, whenever in their judgment the best interests of the Association will be served by the removal. The removal shall be without prejudice to the contract rights, if any, of the persons so removed.

Section 4. President: Powers and Duties. The President shall be the chief executive officer of the Association and shall have general supervision of the business of the Association. He shall preside at all meetings of Members and Directors and discharge the duties of a presiding Officer, shall

present at each annual meeting of the Members a report of the business of the Association for the preceding fiscal year, and shall perform whatever other duties the Board of Directors may from time to time prescribe.

Section 5. Vice-President: Powers and Duties. The Vice-President shall, in the absence or disability of the President, perform the duties and exercise the powers of the President. He shall also perform whatever duties and have whatever powers the Board of Directors may from time to time assign.

Section 6. Secretary: Powers and Duties. The Secretary shall attend all meetings of the Directors and of the Members and shall keep or cause to be kept a true and complete record of the proceedings of those meetings. He shall keep the corporate seal of the Association and when directed by the Board of Directors shall affix it to any instrument requiring it. He shall give, or cause to be given, notice of all meetings to the Directors or to the Members and shall perform whatever additional duties the Board of Directors and the President may from time to time prescribe.

Section 7. Treasurer: Powers and Duties. The Treasurer shall have custody of corporate funds and securities. He shall keep full and accurate accounts of receipts and disbursements and shall deposit all corporate monies and other valuable effects in the name and to the credit of the Association in a depository or depositories designated by the Board of Directors. He shall disburse the funds of the Association and shall render to the President or the Board of Directors, whenever they may require it, an account of his transactions as Treasurer and of the financial condition of the Association.

Section 8. Delegation of Duties. Whenever an Officer is absent or whenever for any reason the Board of Directors may deem it desirable, the Board may delegate the powers and duties of an officer to any other Officer or Officers or to any Director or Directors.

ARTICLE VIII

Special Corporate Acts

Section 1. Execution of Written Instrument. Unless otherwise specifically determined by the Board of Directors or otherwise required by law, formal contracts of the Association, promissory notes, deeds, mortgages, assignments, satisfactions and other evidences of indebtedness of the Association, and other corporate instruments or documents, shall be executed, signed or endorsed by the President or any Vice President or chief executive officer and sealed with the common or corporate seal of the Association.

Section 2. Signing of Checks and Notes. Checks, notes, drafts and demands for money shall be signed by the Officer or Officers from time to time designated by the Board of Directors.

ARTICLE IX

Amendments

The power to amend or repeal the Bylaws or to adopt a new code of bylaws is reserved to the Members of the Association. These Bylaws shall be amended only by the affirmative vote of two-thirds of the voting interests of the Association.

ARTICLE X

Assessments

As more fully provided in the Declaration, each Member is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the property against

which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the highest legal rate together with costs and reasonable attorneys' fees. Therefore, the Association or an Owner (on behalf of the Association) may bring an action at law against the Owner personally obligated to pay the same and foreclose the lien against the property. If the party initiating such action prevails, it shall be entitled to recover reasonable legal fees from the defendant and any such amounts so awarded shall be added to the amount of such assessment. No Owner may waive or otherwise avoid liability for the assessments provided for herein by virtue of non-use of the Common Areas or abandonment of his Lot.

ARTICLE XI

Loans

No loans shall be contracted on behalf of the Association, and no evidences of indebtedness shall be issued in its name, unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

ARTICLE XII

Books and Records

Section 1. Books and Records. This Association shall keep correct and complete books and records of account and shall keep minutes of the proceedings of its Members, Board of Directors and committees. It shall keep at its registered office or principal place of business a record of its Members, giving the names and addresses of all Members.

Section 2. Members' Inspection Rights. Any Member, upon written demand stating the purpose thereof, shall have the right to examine, in person or by agent or attorney, at any reasonable

time or times, for any proper purpose, its relevant books and records of accounts, minutes and records of Members, and to make extracts therefrom.

Section 3. Financial Information. Not later than sixty (60) days after the close of each fiscal year, this Association shall prepare an annual financial report showing in reasonable detail the financial condition of the Association as of the close of its fiscal year, and a statement of sources and uses of funds.

ARTICLE XIII

Deadlock

A. Should deadlock, dispute or controversy arise among the Members or Directors of the Association in regard to matters of management and company policy and should the Members, by using their legal power and influence as Members, be unable to resolve such deadlock, dispute or controversy, the matter shall be submitted by the Members to arbitration.

B. Should the Members or Directors be unable to agree as to the scope of this provision or the application of this provision to the deadlock, dispute or controversy at issue, the scope and applicability of this provision shall be determined by the arbitrator.

Notice shall be given at such objecting or dissenting Member that such deadlock exists within fifteen (15) days of such deadlock, by certified mail, postage prepaid, addressed to the remaining Member at the addresses listed on the Association books.

C. The Members shall then select an arbitrator within sixty (60) days of the receipt of such notice of deadlock, upon a unanimous vote of the shares of stock outstanding and entitled to vote. The Members shall reserve the right to replace the arbitrator by unanimous vote of the owners entitled to vote.

D. Should the Members be unable to select an arbitrator or a successor arbitrator, the deadlock, dispute or controversy shall be resolved in accordance with the Florida Arbitration Code, Section 682 of the Florida Statutes.

E. The decision of the arbitrator shall be final and binding upon all Members. The Members shall vote their shares as the arbitrator shall direct.

F. To enforce these provisions, the arbitrator may obtain an injunction from a court having jurisdiction to direct the Members to vote as the arbitrator has determined.

ARTICLE XIV

Interested Directors or Officers

A. No contract or other transaction between the Association and one or more of its Directors or Officers, or between a Association and any other corporation, partnership, firm, association or other organization in which one or more of its Directors or Officers are directors or officers, or are financially interested, shall either be invalid, void or voidable for this reason alone or by reason alone that such Director(s) or Officer(s) are present at, or participated in, the meeting of the Board of Directors, or of a committee thereof, which approves such contract or transaction, or solely because his or their votes are counted for such purposes:

1. If the fact of such common directorship, officership or financial interest is disclosed or known to the Board or committee, and the Board or committee approves such contract or transaction by vote sufficient for such purpose without counting the vote or votes of such interested Director(s) or Officer(s); or

2. If such common directorship, officership or financial interest is disclosed or known to the Members entitled to vote thereon, and such contract or transaction is approved by vote of the Members; or

3. If the contract or transaction is fair and reasonable as to the Association at the time it is approved by the Board, a committee or the Members.

B. Common or interested Directors may be counted in determining the presence of a quorum at a meeting of the Board or of a committee which approves such contract or transaction.

DATED this the ____ day of _____, 2001.

GRAND CEDARS RESERVE HOMEOWNERS'
ASSOCIATION, INC.

BY: _____
Donald S. Brantley, its president

ATTEST:

Secretary

corporat\Grand Cedars\bylaws