

BY-LAWS OF
FRANGISTA BEACH HOMEOWNERS' ASSOCIATION, INC.

ARTICLE 1. GENERAL PROVISIONS

Section 1.01 Purpose. These are the By-Laws of Frangista Beach Homeowners' Association, Inc., a corporation not for profit, incorporated under Chapter 617 of the Florida Statutes. The Frangista Beach Owners' Association, Inc., hereinafter referred to as the "Association" has been organized for the purpose of administering the operation and management of the Frangista Beach Community, hereinafter referred to as the "Property", established by Declarant according to the Declaration of Covenants, Conditions and Restrictions of Frangista Beach Community (the "Declaration").

Section 1.02 Definitions. All definitions set forth in the Declaration are hereby adopted by reference as though set forth herein.

Section 1.03 Applicability. All owners, tenants and occupants, their agents, servants, invitees, licensees and employees that use the Property, or any part thereof, are subject to these By-Laws, the Articles, the Declaration, and the Rules and Regulations as promulgated from time to time.

Section 1.04 Office. The office of the Association shall be at 36468 Emerald Coast Parkway, Suite 1201, Destin, Florida 32541, or at any other place designated by the Association.

Section 1.05 Fiscal Year. The fiscal year of the Association shall be the calendar year.

Section 1.06 Corporate Seal. The seal of the corporation shall bear the name of the Association, the word "Florida," the words "Corporation not-for-profit," and the year of incorporation.

Section 1.07 Transition Date. Transition date is the earlier of the date on which the Declarant ceases to be a Class B member pursuant to Section 6.02 or the date required by Florida Statute 617.307(1)(1999).

ARTICLE 2. MEMBERSHIP AND VOTING

Section 2.01 Membership. The members of the Frangista Beach Homeowners' Association, Inc. shall consist of the Owners of Lots. The membership of each owner shall terminate when he or she ceases to be an owner of a Lot. Upon the sale, transfer or other disposition of his or her ownership interest in a Lot, membership in the Association shall automatically be transferred to the new Lot owner. The Association may issue certificates evidencing membership.

Section 2.02 Multiple Ownership.

(a) Designated Voter. If a Lot is owned by one(1) person or entity, the right to vote on behalf of such Lot shall be established by the record title to the Lot. If the Lot is owned by more than one (1) person, the person or entity entitled to cast the vote for the Lot shall be the voting Member designated by a voting certificate signed by all of the record owners of the Lot and filed with the Secretary of the Association. If a Lot is owned by a corporation, the person entitled to cast the vote for the Lot shall be designated by a certificate signed by the President or Vice-President and attested by the Secretary or Assistant Secretary of the corporation and filed with the Secretary of the Association. Such certificates shall be valid until revoked or until superseded by a subsequent certificate or a change in the ownership of the Lot concerned. A certificate designating a person entitled to cast the vote of the Lot may be revoked by any Owner of the Lot. If such a certificate is not on file, the vote of such Owner shall not be considered in determining the requirement for a quorum nor for any other purpose.

1. Husband and Wife. Notwithstanding the provisions of the preceding paragraph, whenever any Lot is owned by a husband and wife they may, but shall not be required to, designate a Voting Member. In the event a voting certificate designating a Voting Member is not filed by the husband and wife, the following provisions shall govern their right to vote:

i. Where both husband and wife are present at the meeting, each shall be regarded as the agent and proxy of the other for the purposes of casting the vote for each Lot owned by them. In the event they are unable to concur in their decision upon any subject requiring a vote, they shall lose their right to vote on that subject at that meeting.

ii. Where only one (1) spouse is present at a meeting, the spouse present may cast their vote without establishing the concurrence of the other spouse, absent any prior written notice to the contrary to the Association by the other spouse. In the event of prior written notice to the contrary, their vote shall not be considered.

iii. Where neither spouse is present, the person designated in a proxy or voting certificate signed by either spouse may cast the voting interest, absent any prior written notice to the contrary to the Association by the other spouse or the designation of a different voting member by the other spouse, in which case the vote shall not be considered.

Section 2.03 Membership Classes. The Association shall have two classes of membership, whose members shall be entitled to cast their votes as provided in the Declaration.

Section 2.04 Proxies. With the exception of voting to elect Directors, votes may be cast by Members in person or by proxy. All proxies shall be in writing, dated, signed by the Member entitled to vote, shall state the date, time and place of the meeting for which it is to be used, shall be filed with the Secretary of the Association prior to, or at, the meeting at which they are to be used, and shall be valid only for the particular meeting designated thereon and any lawfully adjourned meetings thereof. In no event shall any proxy be valid for a period longer than ninety (90) days after the date of the first meeting for which it was given. Every proxy shall be revocable at any time at the pleasure of the person executing it. Holders of proxies need not be Owners.

ARTICLE 3. MEETINGS OF MEMBERSHIP

Section 3.01 Rules. The meetings of the membership shall be held in accordance with the provisions of the Declaration and subject to the Declaration, in accordance with these By-Laws. Except where in conflict with the Declaration, Roberts Rules of Order, as amended, shall govern the conduct of all membership meetings.

Section 3.02 Quorum. At least thirty percent (30%) of the Members of each class of membership shall constitute a quorum at any Members' meeting. Members present in person, by telephone conference, or by proxy shall be counted toward a quorum. The joinder of a Member in the action of a meeting by signing and concurring in the minutes thereof, or by signing an attendance list if written minutes are not available, shall constitute the presence of such person for the purpose of determining a quorum. The acts approved by a majority of the voting interests present at a meeting at which a quorum is present shall constitute the act of the Members, except when approval by a greater voting interest is required by the Declaration, the Articles, or these By-Laws.

Section 3.03 Adjourned Meetings. If any Members' meeting cannot be convened because a quorum is not present, the Member who is present, may adjourn the meeting from time to time until a quorum is present, provided notice of the newly schedule meeting is given in the manner required for the giving of notice of a meeting. Except as required above, proxies given for the adjourned meeting shall be valid for the newly scheduled meeting unless revoked for reasons other than the new date of the meeting.

Section 3.04 Annual Meeting. The Annual Members Meeting of the Association shall be held between October 1 and December 31 of each year on a date and at a time and place set by the Board of Directors. The purpose of the meeting shall be, without limitation, to elect Directors and to transact any other business authorized to be transacted by the Members.

Section 3.05 Special Meetings. Special Members' Meetings shall be held at such places as provided herein for annual meetings, and may be called by the President or by a majority of the Board of Directors of the Association, and must be called by the President or Secretary upon receipt of a written request from a majority of the Class A Members of the Association. The business conducted at a special meeting shall be limited to that stated in the notice of meeting.

Section 3.06 Notice of Meeting. Notice of all Members' meetings, regular or special, shall be given by the President, Vice-President, or Secretary of the Association to each member and voting representative. The notice shall state the time, place and purpose of the meeting, and shall be mailed or personally delivered to each Member and voting representative not less than thirty (30) nor more than sixty (60) days prior to the meeting, except in an emergency, in which case the Board shall give such notice as is reasonable under the circumstances. If hand delivered, confirmation of delivery to the Member and voting representative shall be signed by the person delivering such notice. Unless a Member or voting representative waives in writing the right to receive notice of the meeting by mail, the notice shall be sent by mail to each Member and voting representative at their post office address as it appears on the records of the Association. Proof of such mailing shall be given by the affidavit of the person giving the notice.

In addition to the written notice, except in an emergency, when such notice requirement shall be waived, written notice shall be posted at a conspicuous place on the Property not less than forty-eight (48) hours prior to any special meeting and not less than fourteen (14) days prior to the annual

meeting.

Section 3.07 Waiver of Notice. Notwithstanding anything to the contrary contained in the Articles, Declaration or these By-Laws, notice of any regular or special meeting of the Members may be waived by any Member and voting representative before, during or after any such meeting, which waiver shall be in writing and shall be deemed to be that Member's and voting representative's receipt of notice of such meeting.

Section 3.08 Meeting Chairperson. The President or, in his absence, the Vice-President, shall preside at Members' meetings. In the absence of both such officers the Board shall select a meeting chairperson.

Section 3.09 Parliamentary Rules, Roberts Rules of Order. Parliamentary Rules, Roberts Rules of Order (latest edition) shall govern the conduct of the Association proceedings when not in conflict with the Declaration, the Articles, the By-Laws, or the Statutes of the State of Florida.

Section 3.10 Order of Business. The order of business at Annual Members' Meetings and, as far as practical, at any other Members' meetings, shall be:

- (a) Call to order by President or chairperson
- (b) Appointment of chairperson of the meeting
- (c) Call of the roll and certifying of proxies
- (d) Proof of notice of meeting or waiver of notice
- (e) Reading and disposal of any unapproved minutes
- (f) Reports of officers
- (g) Reports of committees
- (h) Appointment of Election Committee members by chairperson
- (i) Election of Directors
- (j) Unfinished business
- (k) New business
- (l) Adjournment

Section 3.11 Action Without a Meeting or Vote. Anything to the contrary herein notwithstanding, any action required to be taken by vote or assent of the members at any meeting of the Members, or any action which may be taken at any meeting of the Members, may be taken without a meeting, without prior notice and without a vote if a consent in writing, setting for the action so taken, shall be signed by the Members having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting of Members at which a quorum was present and voted. Within ten (10) days after obtaining such authorization by written consent, notice must be given to Members who have not consented in writing. The notice shall fairly summarize the material features of the authorized action. Any action so approved shall have the same effect as though taken at a meeting of the members, and such approval shall be duly filed in the minutes book of the Association.

ARTICLE 4. BOARD OF DIRECTORS

Section 4.01 Management of Association. The affairs of the Association shall be governed by a Board of Directors, hereinafter referred to as the "Board."

Section 4.02 Number of Directors. The Board shall consist of not less than three (3) persons and not more than seven (7) persons. The initial Board shall contain three (3) Directors designed by the Declarant. The Declarant, at its sole discretion, may increase or decrease the number of Directors prior to the Transition Date.

Section 4.03 Qualifications. After termination of the Class B membership, each Director shall be an Owner or the spouse of an Owner (or, if an Owner is a corporation, partnership, or trust, a Director may be an officer, partner or beneficiary of such Owner). If a Director no longer meets such qualifications during his or her term, he or she shall cease to be a director and his or her place on the Board shall be deemed vacant.

Section 4.04 Election of Directors. Election of Directors, other than those designated by the Declarant shall be conducted in the following manner:

(a) Election of Directors shall be held at the Annual Membership Meeting, except in the event of a vacancy.

(b) The first Board shall consist of three (3) persons designated by the Declarant, who shall serve until the Transition Date.

(c) At least thirty (30) days prior to the Transition Date, and thereafter thirty (30) days prior to each Annual Meeting, a Nominating Committee shall be chosen by the Board of Directors. The Nominating Committee shall consist of a chairperson, who shall be a member of the Board, and two or more Members of the Association. Nominations for election of Directors shall be made by the Nominating Committee prior to each Annual Meeting and additional nominations shall be taken from the floor at the Annual Meeting. The Nominating Committee shall nominate as many candidates for the Board as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. They shall be no commutative voting. Staggered terms shall be set by the Board based upon the general guideline that one-third (1/3) of the Directors shall be elected annually.

(d) Election to the Board shall be by secret written ballot. At each election the Members may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected.

Section 4.05 Removal. The Declarant shall have the absolute right at any time in its sole discretion, to remove any Director designed by the Declarant and replace any such person or persons with another person or persons. The removal and replacement of any Director shall be effective immediately upon notice by the Declarant to any officer of the Association. At any time after a majority of the Board is elected by Members other than the Declarant, at any duly convened Annual or Special Meeting of the Members at which a quorum is present, any one or more of the Directors elected by Members may be removed, with or without cause, by the affirmative vote of Members casting not less than a majority of the total votes of the membership of the Association. A successor may then and there be elected to fill any vacancy created. Should the Members fail to elect a

successor the Board may fill the vacancy in the manner provided below.

Section 4.06 Vacancy. If the office of any Director becomes vacant by reason of death, resignation, retirement, disqualification, removal from office or otherwise, a majority of the remaining Directors, though less than a quorum, shall choose a successor who shall hold office for the balance of the unexpired term of his or her predecessor. The election held for the purpose of filling said vacancy may be held at any Regular or Special Meeting of the Board. Any Director may resign at any time by sending a written notice of such resignation to the office of the Association, addressed to the President or Secretary. Unless otherwise specified therein, such resignation shall take effect upon receipt thereof by the Secretary.

Section 4.07 Meetings. The organizational meeting of a newly elected Board shall be held within ten (10) days of their election, at such time and at such place as shall be fixed by the Directors at the meeting at which they were elected, and no notice of the organizational meeting shall be necessary. Regular meetings of the Board at such time and place as shall be determined from time to time by a majority of the Directors. Special meetings of the Board may be called at any time by the President, and must be called by the Secretary at the written request of one-fourth (1/4) of the Directors.

(a) An annual meeting of the Board shall be held immediately following the annual meeting of the membership and at the same place. Special meetings of the Board shall be held upon call by the President or a majority of the Board on not less than forty-eight (48) hours notice in writing to each director, unless the Board determines an emergency to exist, in which event the Board shall give such notice as is reasonable under the circumstances. All meetings of the Board shall be open to all members and, except in an emergency as provided above, notices of all meetings shall be posted in a conspicuous place on the Property at least forty-eight (48) hours prior to the meeting. However, members shall not be entitled to vote or participate in any other way at the meeting.

(b) Notice of Meeting. Notice of each Regular or Special Meeting of the Board or any committee of the Association, stating the time, place and purpose thereof, shall be given by or on behalf of the President, or on behalf of the Secretary, or by or on behalf of two (2) members of the Board, to each member of the Board or in the case of a committee, to each member of the committee by that committee chairperson, not less than forty-eight (48) hours prior to the scheduled date of the special meeting. Notices of Board meetings and committee meetings shall be posted in a conspicuous place on the Association property at least forty-eight (48) hours in advance, except in an emergency. Meetings of the Board and all committees shall be open to all Members, provided that Members need not be permitted to participate and need not be recognized at any such meeting. Any director or committee member, as the case may be, may waive notice of any meeting by signing a written Waiver of Notice before, during or after any such meeting. Attendance by a director or committee member at a Regular or Special Meeting shall be deemed to constitute that Director's or committee member's waiver of notice of such meeting. Notice of any Board meeting at which assessments against Lots are to be established shall specifically contain a statement that assessments shall be considered and a statement of the nature of such assessments.

(c) Waiver. Any director or owner may waive notice of a meeting or consent to the holding of a meeting without notice or consent to any action of the Board without a

meeting. Such waiver or consent may be executed prior to, at, or subsequent to the meeting or Board action to which the waiver or consent relates.

(d) Quorum. A quorum for the transaction of business shall consist of at least half of the directors, who may be present in person, by proxy, or by telephone conference. The acts of the Board approved by a majority of the votes present at a meeting at which a quorum is present shall constitute the acts of the Board except as specifically otherwise provided for in the Articles, these By-Laws, or the Declaration.

(e) Adjourned Meetings. 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. At any adjourned meeting, any business that might have been transacted at the meeting as originally called may be transacted without further notice.

(f) Joinder in Meeting by Approval of Minutes or Consent. The joinder or consent of a Director in the action of a meeting by signing and concurring in the minutes of that meeting, by signing an attendance list if written minutes are not available, or by executing a consent to a proposal, shall constitute the presence of that Director for the purpose of determining a quorum and/or voting on a proposal.

(g) Presiding Officer. The presiding officer of Directors Meetings shall be the President or in his or her absence, a Vice President. In the absence of the presiding officer, the Directors present shall designate one of their number to preside.

(h) Order of Business. The order of business at Directors' meetings shall be:

1. Calling of the roll
2. Proof of due notice of meeting
3. Reading and disposal of any unapproved minutes
4. Reports of officers and committees
5. Election of officers
6. Unfinished business
7. New business
8. Adjournment

(i) Minutes of Meetings. The minutes of all meetings of the Board of Directors shall be kept in a book available for inspection by Directors, Owners, and Members or their authorized representative at any reasonable time at the principal office of the Association. Copies may be purchased at a reasonable cost. The Association shall retain these minutes for at least seven (7) years.

Section 4.08 Compensation. Directors shall receive no compensation for their services unless expressly provided for in resolutions duly adopted by the Owners. The compensation of all

employees of the Association shall be fixed by the Directors.

Section 4.09 Powers and Duties. All of the powers and duties of the Association shall be exercised by the Board, including those existing under the common law and statutes, the Articles, these By-Laws, and the Declaration. The board is authorized to delegate to a management firm or manager any and all of the powers or duties of the Association. Those so delegated shall be specified in any such agreement between the parties. Without limiting the generality of the foregoing, the Board shall have the power to:

- (a) Make, levy, and collect Assessments against Members and Lots to defray the costs of maintenance of Common Area and to use the proceeds of said Assessments in the exercise of the powers and duties granted to the Association;
- (b) Maintain, repair, replace, operate, improve, and manage the Common Area wherever required by the Association for the benefit of its Members;
- (c) Repair, add to, reconstruction, improve, or alter, the Common Area, in accordance with the provisions of the Declaration, after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings, or otherwise;
- (d) Make and amend Rules and Regulations and By-Laws governing the use of the Common Area, so long as such Rules and Regulations or amendments thereto do not conflict with the rights, privileges, restrictions and limitations which may be placed upon the use of such property under the terms of the Articles and Declaration;
- (e) Acquire, operate, lease, manage, and otherwise trade and deal with property, real and personal, including improved or unimproved Lots, and as may be necessary or convenient in the operation and management of the Common Area and in accomplishing the purposes set forth in the Declaration;
- (f) Exercise and enforce by legal means the provisions of the Articles and By-Laws, the Declaration, and the Rules and Regulations hereinafter promulgated governing use of the Common Area, and all powers incidental thereto;
- (g) Pay all taxes and assessments which are liens against any part of the Property other than Lots and to assess the same against the Members and their respective Lots subject to such liens;
- (h) Carry insurance for the protection of the Members and Association against casualty and liability, as deemed necessary by the Board;
- (i) Pay all costs of power, water, sewer, and other utility services rendered to the Association and not billed to Owners of the separate Lots;
- (j) Employ and supervise personnel and contract for services for reasonable compensation to perform the services required for proper administration of the purposes of the Association, including, but not limited to, accountants, attorneys, contractors, and other professionals;
- (k) Enter into a contract with and supervise any firm, person, or corporation for the management, maintenance and repair of the Common Area and such other property for which the Association has responsibility'

(l) Enforce obligations of the Owners, and taking such other actions as shall be deemed necessary and proper for the sound management of the Association;

(m) Organize corporations and appoint persons to act as designees of the Association in acquiring title to or leasing Lots or other property;

(n) Levy fines against Owners for violations of the Rules and Regulations established by the Association to govern the conduct of Owners;

(o) Maintain bank accounts on behalf of the Association and designate the required signatories;

(p) Impose a lawful fee in connection with the approval of plans and specifications submitted to the Architectural Review Committee pursuant to the provisions of the Declaration;

(q) Enter into and upon Lots and dwelling units when necessary and with as little inconvenience to the Owner as possible in connection with the maintenance, care, and preservation of the Property;

(r) Collect delinquent Assessments by suit or otherwise, abate nuisances, and enjoin or seek damages from the Owners for violations of these By-Laws, the Articles, the Rules and Regulations, and the Declaration;

(s) Suspend the right to use of the Common Area of a Member during any period in which such Member is in default in the payment of any assessment levied by the Association or, after a hearing in accordance with these By-Laws, has violated provisions contained in the Declaration, the By-Laws, or the published Rules and Regulations; and

(t) Declare the office of a member of the Board to be vacant in the event that a Director shall be absent from three (3) consecutive regular meetings of the Board.

Section 4.10 Proviso. Notwithstanding anything contained to the contrary herein, the directors shall not have the right or authority to do any act or take any action wherein the same would limit, modify, or abridge the rights, privileges and immunities of the Declarant, Declarant's affiliates, shareholders, their designees, successors, and assigns, as set forth in the Declaration, the Articles, or these By-Laws.

ARTICLE 5. OFFICERS

Section 5.01 Officers. Subject to the provisions of the Declaration and the Articles of Incorporation, at each meeting of the Board immediately following the Annual Membership Meeting, the Board shall elect from the membership of the Association the following officers of the Association:

(a) A President, who shall be a Director, shall preside over the meetings of the Board and of the Association, and shall be the chief executive officer of the Association. In the recess of the Board, the President shall have general control and management of the business and affairs of the Association;

(b) A Vice-President, who shall in the absence or disability of the President,

perform the duties and exercise the powers of the President;

(c) A Secretary, who shall record the votes and keep the minutes of all meetings of the Board and of the membership, serve all notices of meetings of the Board and general membership, keep the corporate seal and affix it on all papers requiring said seal, keep appropriate current records showing the members of the Association together with their addresses, and perform all the duties generally incident to the office of Secretary;

(d) A Treasurer, who shall receive and deposit in appropriate bank accounts all monies of the Association, disburse such funds as directed by the Board, sign all checks and promissory notes of the Association, keep proper books of account, cause an audit of the Association's books to be made if directed by the Board, and prepare an annual budget and a statement of income and expenditures to be presented to the membership; and

(e) Such additional officers as the Board shall see fit to elect. An individual may hold more than one position.

Section 5.02 Powers. The officers shall have the general powers usually vested in such officers of a not-for-profit corporation, provided that the Board may delegate any specific powers to any other officer or impose such limitations or restrictions upon the powers of any officer as the Board may deem necessary.

Section 5.03 Term. Each officer shall hold office for the term of one year and until his successor shall have been elected and qualified. Any officer may be peremptorily removed by a majority vote of the Directors at any meeting.

Section 5.04 Vacancy. Vacancies in any office shall be filled by the Board at a Special Meeting. Any officer may be removed at any time, with or without cause, by the affirmative vote of a majority of the whole Board. Any officer may resign his or her post at any time by written resignation, which shall take effect upon its receipt by the President or Secretary unless a later date is specified in the resignation. The acceptance of a resignation shall not be required to make it effective.

Section 5.05 Compensation. Officers shall receive no compensation for their services, unless expressly provided for in a resolution duly adopted by the Owners.

ARTICLE 6. COMMITTEES

Section 6.01 Committees. The Board may, by resolution, create committees and appoint persons to such committees and invest in such committees such powers and responsibilities as the Board shall deem advisable. Any committee created by the Board shall not have the power to (a) determine the general expenses required for the affairs of the Association, (b) adopt or amend any Rules and Regulations relating to operation and use of the Common Area, or (c) take any action which would substantially affect the property rights of any Owner with regard to his or her Lot, with the exception of any covenant enforcement committee, which shall have all those rights and powers conferred upon it by Florida law, the Declaration, the Articles, or the By-Laws.

Section 6.02 Architectural Review Committee. The Board does hereby recognize the establishment of the Architectural Review Committee in accordance with the Declaration. The

Architectural Review Committee shall act in conjunction with the Board and shall be governed by the Declaration in the performance of its functions and duties.

ARTICLE 7. FISCAL MANAGEMENT

Provisions for fiscal management of the Association as set forth in the Declaration and the Articles of Incorporation shall be supplemented by the following provisions:

Section 7.01 Budget. The Board shall adopt a budget for each fiscal year that shall include the estimated funds required to defray the common expenses and to provide and maintain funds according to good accounting practices by account and expense classifications as the Board deems appropriate. Alternately, the Board may propose a budget to the Lot Owners at a meeting of the Members or in writing, and if the budget or proposed budget is approved by the voting interests at the meeting or by a majority of all voting interests in writing, the budget shall be adopted. If a meeting of the Lot Owners has been called and a quorum is not attained or a substitute budget is not adopted by the Lot Owners, the budget adopted by the Board shall go into effect as scheduled.

Section 7.02 Adoption of Budget. A copy of the proposed annual budget shall be mailed to the Lot Owners not less than fourteen (14) days prior to the meeting at which the budget will be considered, together with a notice of that meeting. The Lot Owner shall be given written notice of the time and place at which such meetings of the Board to consider the budget shall be held, and such meeting shall be open to the Lot Owners.

Section 7.03 Assessments. The Board shall make assessments against each Lot for its share of the items of the budget in an amount not less than required to provide funds in advance for payment of all the anticipated current operating expenses and for all of the unpaid operating expenses previously incurred. The assessments shall be made for the fiscal year annually in advance and shall be due in equal, monthly, quarterly or other installment basis as the Board may determine. The Board will send written notice of each assessment to every owner subject thereto at least thirty (30) days in advance of each annual assessment period. If an annual assessment is not made as required, an assessment shall be presumed to have been made in the amount of the last prior assessment. In the event the annual assessment shall be insufficient in the judgment of the Board, the Board shall amend the budget and shall make amended assessments for the balance of the year in sufficient amounts to meet the expenses for the year.

Section 7.04 Acceleration of Assessment Installments upon Default. If a Lot Owner shall be in default in the payment of an installment upon an assessment, the Board may accelerate the remaining installments of the assessments upon notice to the Lot Owner, and then the unpaid balance of the assessment shall come due upon the date stated in the notice, but not less than ten (10) days after delivery of the notice to the Lot Owner, or not less than twenty (20) days after the mailing of such notice to him by registered or certified mail, whichever shall occur first.

Section 7.05 Special Assessments. Assessments for common expenses not included in the annual assessment shall be made only after written notice of the specific purpose for such is sent or delivered to each Lot Owner. After such notice and upon approval at a duly called meeting, the assessment shall become effective, and shall be paid in such a manner as the Board may require in the notice of assessment. The funds collected pursuant to a special assessment shall be used only

for the specific purpose or purposes set forth in such notice, or returned to the Lot Owners. However, upon completion of such purpose, any excess funds shall be considered common surplus.

Section 7.06 Certificates. The Board shall issue, or cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment.

Section 7.07 Annual Financial Report. Within sixty (60) days following the end of the fiscal year, the Board shall mail or furnish by person delivery to each Lot Owner a financial report of actual receipts and expenditures for the previous twelve (12) months.

Section 7.08 Fines. Fines may be levied as provided in the Declaration and shall become a lien, subject to foreclosure, against the Lot of the Owner against whom the fine is levied.

Section 7.09 Transfer Fee. No fee shall be charged by the association in connection with a transfer, lease, sale or sublease of a Lot which is subject to approval by the Association or the Board in excess of the expenditures reasonably required for the transfer or sale or a maximum of \$50. No charge shall be made in connection with an extension or renewal of a lease.

ARTICLE 8. RECORDS

Section 8.01 Ownership Roster. Each Owner shall file with the Association a copy of the deed or other document showing his or her ownership. The Association shall maintain such information. The Association may rely upon the accuracy of such information for all purposes until notified in writing of changes therein.

Section 8.02 Accounting. The Board shall maintain accounting records according to generally accepted accounting practices, which records shall be open to inspection by owners at reasonable times and upon reasonable notice. These accounting records shall include a record of receipts and expenditures and a separate account for each owner showing the assessments charged to and paid by such owner. Within ninety (90) days after the end of each year covered by an annual budget, the Board shall cause to be furnished to each owner a statement for such year showing the receipts and expenditures and such other information as the Board may deem desirable. Upon reasonable notice to the Board, any owner shall be furnished a statement of his account setting forth the amount of any unpaid assessments or other charges due and owing from him.

Section 8.03 Meetings. The Board shall keep a record of all meetings, both of the Board and of the Association. For each action taken, the record shall state the vote and a description of the action approved, and, where applicable, the reasons why the action was considered necessary and a summary of the information on which the decision was based. The record shall be available for inspection by any Member.

Section 8.04 Inspection. The books, records, and papers of the Association shall at all times during reasonable business hours, be subject to inspection by any Member. The Declaration, the Articles, and the By-Laws of the Association as they may be amended from time to time shall be available for inspection by any Member at the principal office of the Association, where copies may be purchased at a reasonable cost.

ARTICLE 9. AMENDMENT

Section 9.01 Amendment Procedures.

(a) Resolution. A resolution adopting a proposed amendment may be proposed by either the Board acting upon a vote of the majority of the Directors, or by a majority of the Members of the Association, whether meeting as Members or by instrument in writing signed by them.

(b) Notice. Upon any amendment or amendments to the By-Laws being proposed by the Board or the Members, such proposed amendment or amendments shall be transmitted to the President of the Association or other officer of the Association in the absence of the President, who shall thereupon call a Special Meeting of the Members. Not less than ten (10) days before the date set for the Special Meeting, the Secretary shall mail to each Member written notice of such Special Meeting, stating the time and place thereof, and reciting the proposed amendment or amendments in reasonably detailed form. Such notice shall also be posted in a conspicuous place on the Common area not less than ten (10) days prior to the date set for the meeting. If mailed, the notice shall be deemed to be properly given when deposited in the United States Mail, addressed to the Member at the post office address which appears on the records of the Association. Any Member may, by written waiver of notice signed by such Member, waive such notice, and such waiver, when filed in the records of the Association, whether before or after the meeting, shall be deemed equivalent to the giving of notice to that Member.

(c) Approval and Certificate. At such meeting the amendment or amendments proposed must be approved by an affirmative vote of two-thirds (2/3) of the Members to become effective. Thereupon, the amendment or amendments shall be transcribed and certified by the President and Secretary of the Association with the same formalities as a deed and with specific reference to the recording data identifying the Declaration. The original or executed copy of such amendment or amendments shall be recorded in the Public Records of Walton County within ten (10) days of being approved. Thereafter, a recorded copy of said amendment or amendments shall be delivered to all Owners, but delivery of a copy shall not be a condition precedent to the effectiveness of the amendment or amendments.

Section 9.02 Declarant Amendments. In addition to the manner herein provided for the amendment of these By-Laws, the provisions of these By-Laws may be amended, changed or added to at any time and from time to time (including, without limitation, in order to meet any requirements, standards or guidelines of FNMA, FHLMC, or FHA) upon the execution and recording of an instrument executed by the Declarant alone, for so long as it holds title to any Lot as a Class B Member.

Section 9.03 Declarant Rights. Notwithstanding anything to the contrary contained herein, no amendment of these By-Laws which shall abridge, modify, eliminate, prejudice, limit, amend or alter the rights of the Declarant, Declarant's affiliates, their designees, successors, and assigns, as set forth in the Declaration, may be adopted or become effective without the prior written consent of the Declarant. No amendment shall be made that is in conflict with the Articles or the Declaration. Notwithstanding anything to the contrary contained herein, until Declarant has

transferred control of the Association as provided in the Declaration, no amendment to these By-Laws shall be effective unless the Declarant shall consent to and join in the execution of the amendment.

ARTICLE 10. RULES AND REGULATIONS

Section 10.01 Common Property. The Board may, from time to time, adopt or amend previously adopted Rules and Regulations governing the details of the operation, use, maintenance, management and control of the Common Area and any facilities or services made available to Owners.

Section 10.02 Lots. The Board may, from time to time, adopt or amend previously adopted Rules and Regulations governing and restricting the use and maintenance of Lots provided, however, that copies of such Rules and Regulations are furnished to each Owner prior to the time the same become effective.

Section 10.03 Declarant Rights. At no time may any rule or regulation be adopted which would prejudice the rights reserved to the Declarant.

ARTICLE 11. CONSTRUCTION

Whenever the masculine or singular form of the pronoun is used in these By-Laws, it shall be construed to mean the masculine, feminine, or neuter, singular, or plural, wherever the context so requires.

Should any of the covenants herein imposed be void or be or become unenforceable at law or in equity, the remaining provisions of this instrument shall, nevertheless, be and remain in full force and effect.

ARTICLE 12. CONFLICT

If there are conflicts between Florida law, the Declaration, the Articles, and the By-Laws, then Florida law, the Declaration, the Articles and the By-Laws (in that order) shall prevail.

ARTICLE 13. CAPTIONS

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

ARTICLE 14. SELF DEALING, VALIDITY OF AGREEMENT, AND WAIVER OF CLAIMS.

Section 14.01 Self-Dealing. No contract, agreement or undertaking of any sort between or among the Association, Directors, Officers, Members or the Declarant shall be invalidated or affected by reason that any of them hold the same or similar positions with another property owners association within the Property or that they are financially interested in the transaction or that they are employed by the Declarant or Declarant's affiliates or designees.

Section 14.02 Validity of Agreement. No contract, agreement or undertaking of any sort between the Association and any entity or individual shall be invalidated or affected by reason that the Association, its Directors, Officers, Members, the Declarant, its shareholders, affiliates, agents or employees hold a financial interest in or with the individual or entity.

Section 14.03 Waiver of Claims. By acquisition of a Lot within the Property, or any interest therein, each and every individual or entity, of whatsoever kind or nature, thereby waives any claim for damages or other relief grounded in tort, contract, equity or otherwise arising out of the negotiation, execution, performance and enforcement of contracts, agreements or undertakings described above, that may accrue at the time of purchase or thereafter against the Declarant, Association, their respective Directors, officers, agents and employees, and Members.

ARTICLE 15. COMPLIANCE AND ENFORCEMENT

Section 15.01 Compliance by Owners. Every Owner and his or her tenants, guests, invitees, officers, employees, contractors, subcontractors and agents shall comply with any and all rules and regulations adopted by the Board as well as the covenants, conditions and restrictions of the Declaration, as they may be amended from time to time.

Section 15.02 Enforcement. Failure to comply with the Declaration, these By-Laws, and/or any of the Rules and Regulations shall be grounds for immediate action by the Association which may include, without limitation, an action to recover sums due for damages, injunctive relief or any combination thereof. The Association shall also have the right to suspend rights to use the Common Area as specified herein.

Section 15.03 Fines. In addition to all other remedies, and to the maximum extent lawful, in the sole discretion of the Covenant Enforcement Committee (as hereinafter defined), a fine or fines may be imposed upon an Owner for failure or any of the other parties described above, to comply with their obligations under the Declaration, these By-Laws or with any rule or regulation of the Association, provided the following procedures are adhered to:

(a) Notice. The Association shall notify the Owner of the infraction or infractions. Included in the notice shall be the date and time of a meeting of the Covenant Enforcement Committee of at least three (3) 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 of the Association, at which time the Owner shall present reasons why fines should not be imposed. At least fourteen (14) days written notice of the meeting shall be given.

(b) Hearing. The non-compliance shall be presented to the Covenant Enforcement Committee, after which the committee shall hear reasons why a fine should not be imposed. A written decision of the Covenant Enforcement Committee shall be mailed

to the Owner no later than ten (10) days after the meeting. The Owner shall have a right to be represented by counsel and to cross-examine witnesses, although the proceeding shall not be subject to the Florida Rules of Evidence and the Florida Rules of Civil Procedure;

(c) Amounts of Fines. The Board shall from time to time prescribe the amounts of fines in their reasonable discretion and shall establish a schedule of fines for first non-compliance or violation; second non-compliance or violation; and third and subsequent non-compliances or violations. This schedule shall be part of the Rules and Regulations of the Association as they may be amended from time to time by the Board.

(d) Payment of Fines. Fines shall be paid no later than five (5) days after notice of the imposition or assessment of the penalties

(e) Collection of Fines. As to Owners, the Association may take any available legal or equitable action necessary to collect fines

(f) Application of Fines. All monies received from fines shall only be expended for the improvement or beautification of Common Area as directed by the Board

(g) Non-Exclusive Remedy. Fines as provided herein shall not be construed to be an exclusive remedy of the Association, and shall exist in addition to all other rights and remedies to which the Association may otherwise be legally entitled

Adopted this 28th day of August, 2001, by the undersigned Board of Directors of Frangista Beach Homeowners' Association, Inc.

FRANGISTA BEACH HOMEOWNERS' ASSOCIATION, INC.

[corporate seal]



William N. Wilson, Jr., Director


Curtis H. Gwin, Director


Howard Ray Shoultz, Director

STATE OF FLORIDA
COUNTY OF OKALOOSA

I HEREBY CERTIFY that on this day, before me, an officer duly authorized in the State of Florida to take acknowledgments, personally appeared William N. Wilson, Jr., Curtis H. Gwin, and Howard Ray Shoultz who are personally known to me and who executed the foregoing before me.


Notary Public, State of Florida

My Commission expires: 3/11/05



W. C. HART
My Commission Expires
MARCH 11, 2005
006880

THIS IS THE LAST PAGE OF THE PROSPECTUS