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EXHIBIT E TO THE DECLARATION OF CONDOMINIUM OF
TRANQUIL HARBOUR, A Condominium

By-Laws of Tranquil Harbour Owners Association, Inc.

Tranquil Harbour
BY-LAWS
OF

TRANQUIL HARBOUR OWNERS ASSOCIATION, INC.

a corporation not-for-profit
under the laws of the State of Florida

1. Purpose. These are the By-Laws of Tranquil Harbour Owners Association, Inc., a corporation not-for-profit under the laws of the State of Florida (the "Association"). The Association has been organized for the purpose of providing for the operation, management, maintenance, control and administration of Tranquil Harbour, a Condominium, and with regard to such condominium, the legal entity created pursuant to Chapter 718, Florida Statutes, 2006 (the "Condominium Act").

2. Office. The initial office of the Association shall be at a location designated by the Association Board of Directors.

3. Fiscal Year. The fiscal year of the Association shall be the calendar year; provided, however, the initial budget of the Association may run for a period that coincides with the beginning of the Association's fiscal activity, the exact timing of which can only be estimated in advance, and ends December 31 of the same year. For subsequent years, the Association budget will run from January 1 through December 31.

4. Seal. The seal of the corporation shall bear the name of the Association, the word "Florida" and the words "corporation not-for-profit," and the year of incorporation, "2006" an impression of which is as follows:

5. Members Meetings. The annual Members meeting shall be held each year at the office of the corporation on a date during the months of September, October, November, or December as from time to time determined by the Board of Directors. The Members may transact at the annual members meeting any business authorized to be transacted by the Members.

6. Special Meetings. Special meetings shall be held whenever allowed by the Condominium Act or called by the President or Vice President, and must be called by such officers upon receipt of a written request from members holding ten percent (10%) of the voting interests of the entire membership.

7. Notice. Notice of all members meetings stating the time and place and identifying each agenda item for which the meeting is called shall be given by the President or Vice President or Secretary unless waived in writing. Such notice shall be posted at a conspicuous place designated by the Board of

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Directors on the condominium property at least fourteen (14) continuous days preceding the meeting and shall be in writing to each member at his address as it appears on the books of the Association and shall be mailed or hand delivered not less than fourteen (14) days prior to the date of the meeting. An officer of the Association shall provide an affidavit, to be included in the official records of the Association, affirming that notices of the Association meeting were mailed or hand delivered in accordance with this provision, to each Unit Owner at the address last furnished to the Association. Notice of meeting may be waived before the meetings.

8. Quorum. A quorum of members meetings shall consist of persons holding one-third of the voting interests of the entire membership. 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 of Condominium of the condominium operated by the Association, the Articles of Incorporation of the Association or these By-Laws. In determining whether a quorum is present, proxies may be counted as voting interests present.

9. Members Vote. At any meeting of the members, the voting interest of each Unit shall be entitled to cast one (1) vote for each unit he owns, which shall not be cumulative.

10. Approval or Disapproval of Matters. Whenever the decision of a unit owner is required upon any matter, whether or not the subject of an Association meeting, such decision may be expressed by written agreement as well as by duly recorded vote and shall, in either event, be expressed by the same person who would cast the vote of the unit owner if in an Association meeting, unless the joinder of record unit owners is specifically required by the Declaration.

11. Multiple Ownership.

a. If a Unit is owned by one (1) person or entity, the right to vote on behalf of such Unit shall be established by the record title to the Unit. If a Unit is owned by more than one (1) person, the person or entity entitled to cast the vote for the Unit shall be designated by a voting certificate signed by all of the record owners of the Unit and filed with the Secretary of the Association. If a Unit is owned by a corporation or other entity, the person entitled to cast the vote for the Unit shall be designated by a certificate signed by the President or Vice President and attested by the Secretary or Assistant Secretary of the corporation, or signed by a majority in interest of the ownership interests in the entity if other than a 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 Unit concerned. A certificate designating a person entitled to cast the vote of a Unit may be revoked by any owner of a Unit. 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.

b. Notwithstanding the provisions of subparagraph a. above of this paragraph entitled "Multiple Ownership", whenever any Unit 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.

(1) Where both husband and wife are present at a meeting, each shall be regarded as the agent and proxy of the other for purposes of casting the vote for each Unit owned by them. In the event they are unable to concur in

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their decision upon any subject requiring a vote, they shall lose their right to vote on that subject at that meeting.

(2) Where only one (1) spouse is present at a meeting, the spouse present may cast their Voting Interest 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 to the Association by the other spouse, their Voting Interest shall not be considered.

(3) 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 the event of prior written notice to the contrary to the Association or the designation of a different Voting Member by the other spouse, the Voting Interest shall not be considered.

12. Proxies. Votes may be cast in person or by proxy subject to the following provisions. A proxy may be made or revoked by any person entitled to vote and shall be valid only for the particular meeting designated in the proxy and must be filed with the Secretary before the appointed time of the meeting or any adjournment of the meeting, provided that in no event shall a proxy be valid for a period longer than ninety (90) days after the date of the first meeting for which it was given.

a. Unit Owners may not vote by general proxy, but shall vote by limited proxy in the following instances:

- (1) to waive or reduce reserves,
- (2) to amend the Declaration, Articles of Incorporation or the By-Laws, and
- (3) for any other matter which requires a vote of the Unit Owners.

b. Unit Owners may not vote by limited or general proxy in the election of members of the Board of Directors, except that in recall elections, limited proxies are permissible.

c. General proxies may be used for other matters for which limited proxies are not required and may also be used in voting for non-substantial changes to items for which a limited proxy is required and given.

13. Lack of Quorum. If any meeting of members cannot be organized because a quorum is not present, the voting interests who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum is present.

14. Order of Business. The order of business at annual meetings and as far as practical at other members meetings shall be:

- a. Collection of election ballots.
- b. Election of chairman at 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. Report of officers.
- g. Report of committees.
- h. Election of inspectors of an election.
- i. Election of directors.
- j. Unfinished business.

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- k. New business.
- l. Adjournment.

15. Reservation of Control by Developer. Until required by the Condominium Act including Section 718.301 thereof, or until the Developer or any subsequent developer elects to terminate their control of the Association and the condominiums operated by it, whichever occurs first, the proceedings of all meetings of members of the Association shall have no effect unless approved by the Board of Directors. During the time the majority of the directors serving on the Board of Directors are appointees of the Developer, the Developer reserves the right to chair or designate a representative to chair meeting(s) of members and meetings of the directors.

Section 718.301 of the Condominium Act provides as follows:
 "718.301 Transfer of Association control."

(1) When unit owners other than the developer own 15 percent or more of the units in a condominium that will be operated ultimately by an association, the unit owners other than the developer shall be entitled to elect no less than one-third of the members of the board of administration of the association. Unit owners other than the developer are entitled to elect not less than a majority of the members of the board of administration of an association:

(a) Three years after 50 percent of the units that will be operated ultimately by the association have been conveyed to purchasers;

(b) Three months after 90 percent 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 some 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 some of the others are being constructed or offered for sale by the developer in the ordinary course of business; or

(e) Seven years after recordation of the declaration of condominium; or, in the case of an association which may ultimately operate more than one condominium, 7 years after recordation of the declaration for the first condominium it operates; or, in the case of an association operating a phase condominium created pursuant to s. 718.403, 7 years after recordation of the declaration creating the initial phase, whichever occurs first. The developer is entitled to elect at least one member of the board of administration of an association as long as the developer holds for sale in the ordinary course of business at least 5 percent, in condominiums

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with fewer than 500 units, and 2 percent, in condominiums with more than 500 units, of the units in a condominium operated by the association. 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 unit owner except for purposes of reacquiring control of the association or selecting the majority members of the board of administration."

16. Number of Directors. The affairs of the Association shall be managed by a Board of not less than three (3) nor more than five (5) directors, the exact number to be determined by the Board of Directors prior to the election which accomplishes transfer of control of the Association. Such determination shall continue as to the number of directors until these Bylaws are amended to fix the number of directors at a different number than previously fixed by the Board of Directors prior to transfer of control. Directors must be owners of at least a 15% interest in a Unit or owners of at least a 15% interest in the entity that owns a Unit, as shown by evidence satisfactory to the Board of Directors, and if there is not a 15% owner in a particular instance, then the owners of the Unit or entity, as the case may be, may designate a the Voting Member for the Unit on a duly filed voting certificate and such Voting Member shall be considered qualified to be a nominee for director of the Association.

17. Board Vacancy. Unless otherwise provided in the by-laws, any vacancy occurring on the board before the expiration of a term may be filled by the affirmative vote of the majority of the remaining directors, even if the remaining directors constitute less than a quorum, or by the sole remaining director. In the alternative, a board may hold an election to fill the vacancy, in which case the election procedure must conform to the requirements in the paragraph below entitled, "Election of Directors", unless the association has opted out of the statutory election process, in which case the bylaws of the association control. Unless otherwise provided in the bylaws, a board member appointed or elected under this section shall fill the vacancy for the unexpired term of the seat being filled. Filling vacancies created by recall is governed by subparagraph e., in the paragraph entitled "Election of Directors", below and rules adopted by the division.

18. Election of Directors. Election of directors shall be conducted in the following manner:

a. Election of directors shall be held at the annual members meeting.

b. In order to be eligible for board membership a person must meet the requirements set forth in the Declaration and in these By-Laws.

c. The election shall be by secret ballot or voting machine and by a plurality of the voting interests, except that in recall elections, limited proxies are permissible. The owner of each Unit shall be entitled to cast a vote for each of as many candidates as there are vacancies to be filled. There shall be no cumulative voting. General proxies shall in no event be used in electing the Board of Directors, either in general elections or elections to fill vacancies caused by recall, resignation or otherwise.

d. Not less than sixty (60) days before a scheduled election, the Association shall mail or deliver, whether by separate association mailing or included in another association mailing or delivery including regularly published

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newsletters, to each Unit Owner entitled to a vote, a first notice of the date of the election. Any Unit Owner or other eligible person desiring to be a candidate for the Board of Directors shall give written notice to the Association not less than 40 days before a scheduled election. Together with the written notice and agenda as set forth in the paragraph above, entitled "Notice", the Association shall then mail or deliver a second notice of the election meeting to all Unit Owners entitled to vote therein, together with a ballot which shall list all candidates. Upon request of a candidate, the Association shall include an information sheet, no larger than 8 1/2 inches by 11 inches which must be furnished by the candidate not less than 35 days before the election, to be included with the mailing of the ballot, with the costs of mailing or delivery 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. In order to reduce costs, the Association may print or duplicate the information sheets on both sides of the paper. Elections shall be decided by a plurality of those ballots cast. There shall be no quorum requirement; however, at least 20 percent of the eligible voters must cast a ballot in order to have a valid election of members of the Board of Directors. No Unit Owner shall permit any other person to vote his ballot, and any such ballots improperly cast shall be deemed invalid. A Unit Owner who needs assistance in casting the ballot for the reasons stated in Section 101.051, Florida Statutes, may obtain assistance in casting the ballot. Any Unit Owner violating this provision may be fined by the Association in accordance with Section 718.303, Florida Statutes. The regular election shall occur on the date of the annual meeting. Notwithstanding the provisions of this Subparagraph, an election and balloting are not required unless more candidates file notices of intent to run or are nominated than vacancies exist on the Board of Directors.

e. Subject to the provisions of Section 718.301, Florida Statutes, any member of the Board of Directors may be recalled and removed from office with or without cause by the vote or agreement in writing by a majority of all the voting interests. A special meeting of the Unit Owners to recall a member or members of the Board of Directors may be called by ten (10%) percent of the voting interest giving notice of the meeting as required for a meeting of Unit Owners, and the notice shall state the purpose of the meeting.

(1) If the recall is approved by a majority of all voting interests by a vote at a meeting, the recall shall be effective as provided herein. The Board of Directors shall duly notice and hold a Board of Directors meeting within 5 full business days of the adjournment of the Unit Owner meeting to recall one or more Board of Directors members. At the meeting, the Board of Directors shall either certify the recall, in which case such member or members shall be recalled effective immediately and shall turn over to the Board of Directors within 5 full business days any and all records and property of the Association in their possession, or shall proceed as set forth in subparagraph (3) below.

(2) If the proposed recall is by an agreement in writing by a majority of all voting interests, the agreement in writing or a copy thereof shall be served on the Association by certified mail or by personal service in the manner authorized by chapter 48 of the Florida Rules of Civil Procedure. The Board of Directors shall duly notice and hold a meeting of the Board of Directors within 5 full business days after receipt of the agreement in writing. At the meeting, the Board of Directors shall either certify the written agreement to recall a member or members of the Board of Directors, in which case such member or members shall be recalled effective immediately and shall turn over to the Board of Directors within 5 full business days any and all records and property of the Association in their possession, or proceed as described in subparagraph (3) below.

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(3) If the Board of Directors determines not to certify the written agreement to recall a member or members of the Board of Directors, or does not certify the recall by a vote at a meeting, the Board of Directors shall, within 5 business days after the meeting, file with the division a petition for arbitration pursuant to the procedures of Section 718.1255. For purposes of this section, the Unit Owners who voted at the meeting or who executed the agreement in writing shall constitute one party under the petition for arbitration. If the arbitrator certifies the recall as to any member or members of the Board of Directors, the recall will be effective upon mailing of the final order of arbitration upon the Association. If the Association fails to comply with the order of the arbitrator, the division may take action pursuant to s. 718.501. Any member or members so recalled shall deliver to the Board of Directors any and all records of the Association in their possession within 5 full business days of the effective date of the recall.

f. Provided, however, that notwithstanding the provision in these By-Laws for the election of directors and the provision for directors terms, these provisions shall not serve to eliminate the Developer's reserved right to retain control of the Association pursuant to 718.301.

19. Director's Term. If five (5) directors are being elected, the three (3) directors receiving the greatest number of votes during the first election in which unit owners other than the Developer elect a majority of the Board of Directors shall serve a term of two (2) years and the other two (2) directors elected at that election shall serve a term of one (1) year. In subsequent elections, directors shall be elected to serve a term of two (2) years. The terms of each director's service shall extend until his successor is duly elected and qualified or until he is removed in the manner elsewhere provided.

20. Director's Organizational Meeting. The organizational meeting of the newly elected Board of Directors may be held at the location of and immediately after the conclusion of the Unit Owners meeting at which the Owners for the first time elect a majority of the Board of Directors (hereafter sometimes referred to as the "transfer of control" or "transfer of control meeting") or at such other time and place as considered convenient, after proper notice. If the organizational meeting is planned to follow the transfer of control meeting, a notice of this organizational meeting shall be included in the meeting notice for the transfer of control meeting and a copy of it shall be duly posted as elsewhere provided herein. If because of the lateness of the hour or other considerations it seems inconvenient to hold the organizational meeting as planned, the meeting may be canceled and rescheduled for the earliest date reasonably convenient on proper notice.

21. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time, by a majority of the directors. Notice of regular meetings shall be given to each director, personally or by mail, telephone or telegraph, at least three (3) days prior to the day named for such meeting.

22. Special Meeting. Special meetings of the directors may be called by the President and must be called by the Secretary at the written request of one-fourth (1/4) of the directors. Not less than three (3) days notice of the meeting shall be given personally or by mail, telephone or telegraph, which notice shall state the time, place and purpose of the meeting.

23. Notice of Meetings of the Board of Directors. Adequate notice of all meetings, which notice shall specifically incorporate an identification of agenda items, shall be posted conspicuously on the condominium property at least 48

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continuous hours preceding the meeting except in an emergency. Written notice of any meeting at which non-emergency special assessments, or at which an amendment to rules regarding use of Units will be proposed, discussed or approved, shall be mailed or delivered to the Unit Owners and posted conspicuously on the condominium property not less than 14 days prior to the meeting. Evidence of compliance with this 14-day notice shall be made by an affidavit executed by the secretary and filed among the official records of the Association. Notice of any meeting in which regular assessments against Unit Owners are to be considered for any reason shall specifically contain a statement that assessments will be considered and the nature of any such assessment.

24. Open Meetings and Records. Meetings of the Board of Directors shall be open to all Unit Owners. Minutes of all meetings of the members or the Board of Directors shall be kept in a book available for inspection by unit owners or their authorized representatives, and Board members at any reasonable time. Said minutes shall be retained for a period of not less than seven (7) years.

25. Waiver of Notice. Any director may waive notice of a meeting before or after the meeting and such waiver shall be deemed equivalent to the giving of notice.

26. Quorum. A quorum at director's meetings shall consist of a majority of the entire Board of Directors. The acts approved by a majority of those present at a meeting at which a quorum is present shall constitute the acts of the Board of Directors, except when approval by a greater number of directors as required by the Declaration of Condominium of the condominium operated by the Association, the Articles of Incorporation of the Association and these By-Laws.

27. Adjourned Meetings. If at any meeting of the Board of Directors 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 and after notice has been provided. At any adjourned meeting any business that might have been transacted at the meeting as originally called may be transacted without further notice.

28. Director Action.

a. Registering Position. A member of the Board of Directors or a committee may submit in writing his or her agreement or disagreement with any action taken at a meeting that the member did not attend. This agreement or disagreement may not be used as a vote for or against the action taken and may not be used for the purposes of creating a quorum.

b. Presumption of Consent. A director of the Association who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken, unless he votes against such action or abstains from voting in respect thereto because of an asserted conflict of interest. Directors may not vote by proxy or by secret ballot at Board of Directors meetings. A vote or abstention for each member present shall be recorded in the minutes.

29. Presiding Officers. The presiding officer at directors meetings shall be the chairman of the Board of Directors if such an officer has been elected; and if none, the President shall preside. In the absence of the presiding officer, the directors present shall designate one of their number to preside.

30. Order of Business. The order of business at a directors meeting shall be:

- a. Calling of roll.

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- b. Proof of due notice of meeting.
- c. Reading and disposal of any unapproved minutes.
- d. Report of officers and committees.
- e. Election of officers.
- f. Unfinished business.
- g. New business.
- h. Adjournment.

31. Directors Compensation. Directors fees or other compensation, if any, shall be determined by a majority of the voting interests.

32. Powers and Duties of the Board of Directors. All of the powers and duties of the Association existing under the Condominium Act, the Declaration of Condominium of the condominium operated by the Association, the Articles of Incorporation of the Association and these By-Laws shall be exercised exclusively by the Board of Directors, its agents, contractors or employees subject only to the approval by the voting interests when such approval is specifically required.

33. Officers. The executive officers of the Association shall be a President, who shall be a director, a Vice President, who shall be director, a Treasurer, a Secretary, and an Assistant Secretary, all of whom shall be elected annually by the Board of Directors and who may be peremptorily removed by vote of the directors at any meeting. Any person may hold two (2) or more offices except that the President shall not also be the Secretary or an Assistant Secretary. The Board of Directors from time to time shall elect such other officers and designate their powers and duties as the Board of Directors shall find to be necessary or convenient to manage the affairs of the Association.

34. President. The President shall be the chief executive officer of the Association. He shall have all of the powers and duties usually vested in the office of President of an Association, including but not limited to the power to appoint committees from among the members from time to time, as he in his discretion may determine appropriate, to assist in the conduct of the affairs of the Association. After transfer of control of the Association to Unit Owners other than the Developer has occurred, the President shall appoint standing budget committees for each development included in Tranquil Harbour, a condominium, the majority of the membership of which shall be comprised of owners of Units in the development for the particular budget committee. The President, on behalf of the Board of Directors, shall provide each budget committee a copy of the annual budget (or any amendment thereto or any special assessment proposal made in addition to the annual budget) proposed or to be proposed for adoption and shall solicit the budget committee's comments and recommendations regarding the budget; such comments and recommendations shall be submitted for consideration along with the budget itself to the Board of Directors or membership, as the case may be, when the budget is voted on for approval.

35. Vice President. The Vice President in the absence or disability of the President shall exercise the powers and perform the duties of the President. He also shall assist the President generally and exercise such other powers and perform such other duties as shall be prescribed by the directors.

36. Secretary. The Secretary shall keep the minutes of all proceedings of the directors and the members in a businesslike manner and available for inspection by unit owners and directors at all reasonable times. He shall attend to the giving and serving of all notices to the members and directors and other notices required by law. He shall have custody of the seal of the Association and affix it to instruments requiring a seal when duly signed. He shall keep the records of the Association, except those of the Treasurer, and shall perform all

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other duties incident to the office of Secretary of an Association and as may be required by the directors or the President. The Assistant Secretary shall perform the duties of the Secretary when the Secretary is absent.

37. Treasurer. The Treasurer shall have custody of all property of the Association, including funds, securities and evidence of indebtedness. He shall keep the books of the Association in accordance with good accounting practices; he shall submit treasurer's reports to the Board of Directors at reasonable intervals; he shall make the treasurer's records available for inspection by directors or members at reasonable times; and he shall perform all other duties incident to the office of treasurer.

38. Officer Compensation. The compensation of all officers and employees of the Association shall be fixed by the Board of Directors. The provision that directors fees shall be determined by voting interests shall not preclude the Board of Directors from employing a director as an employee of the Association nor preclude the contracting with a director for the management of the condominium operated by the Association, the Association or any portions of the property thereof.

39. Fiscal Management. Provisions for fiscal management of the Association as set forth in the Declaration of Condominium of the condominium operated by the Association, the Articles of Incorporation and the Condominium Act shall be supplemented by the following provisions:

a. Budget. The Board of Directors 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 accounts and expense classifications including, if applicable, but not limited to the following:

- (1) Administration of the Association
- (2) Management fee
- (3) Maintenance
- (4) Rent for recreational and other common facilities.
- (5) Taxes upon Association Property
- (6) Taxes upon leased area
- (7) Insurance
- (8) Security provisions
- (9) Other expenses
- (10) Operating Capital
- (11) Reserves - In addition to annual operating expenses, the

budget shall include reserve accounts for capital expenditures and deferred maintenance. These accounts shall include, but not be limited to, roof replacement, building painting and pavement resurfacing regardless of the amount of deferred maintenance expense or replacement cost exceeds Ten thousand Dollars (\$10,000). The amount to be reserved shall be computed by means of a formula which is based upon estimated remaining useful life and estimated replacement cost or deferred maintenance reserve assessments annually to take into account any changes in estimates or extension of the useful life of a reserve item caused by deferred maintenance. This subsection shall not apply to budgets in which the members of the Association have, by a majority vote at a duly called meeting of the Association, determined for a fiscal year to provide no reserves or reserves less adequate than required by this subsection. However, prior to transfer of control of the Association by the Developer to Unit Owners other than the Developer pursuant to Section 718.301 of the Condominium Act, the Developer

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may vote to waive the reserves or reduce the funding of reserves for the first two years of the operation of the Association, after which time reserves may only be waived or reduced upon vote of a majority of the non-developer voting interests present at a duly called meeting of the Association. If a meeting of the Unit Owners has been called to determine to provide no reserves or reserves less adequate than required, and no such result is attained or a quorum is not attained, the reserves as included in the budget shall go into effect.

Reserve funds and any interest accruing thereon shall remain in the reserve account or accounts, and shall be used only for authorized reserve expenditures, unless their use for other purposes is approved in advance by a vote of the majority of the voting interests, voting in person or by limited proxy at a duly called meeting of the Association. Prior to turnover of control of the Association by the Developer to Unit Owners other than the Developer under Section 718.301, the Developer-controlled Association shall not vote to use reserves for purposes other than that for which they were intended without the approval of a majority of all non-developer voting interests, voting in person or by limited proxy at a duly called meeting of the Association.

(12) Fees payable to Division

(13) Betterments (Betterments shall include the funds to be used for capital expenditures for additional improvements or additional personal property that will be a part of the common elements of the condominium or the property of the Association.)

(14) Operations (Operations shall include the gross revenues, if any, from the use of the common elements or other property owned by the Association and only the additional direct expense required by the revenue producing operation. Any surplus from such operations shall be used to reduce the assessments in the year following the year in which the surplus is realized. Any losses from such operation shall be met by assessments in the year following the year in which the loss is realized, unless funds cannot be adequately and timely raised in such fashion, in which event the required funds shall be provided by special assessment.) Notwithstanding the foregoing, after transfer of control of the Association from the Developer to Unit Owners other than the Developer, any of the expenses listed above that are not applicable need not be listed.

b. Adoption of Budget. A copy of the proposed annual budget of common expenses shall be mailed or hand delivered to the 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 owner shall be given written notice of the time and place at which such meeting of the Board of Directors to consider the budget shall be held, and such meeting shall be open to the owners. If an adopted budget requires assessment against the unit owners in any fiscal or calendar year exceeding 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 to the Board received by the Board within twenty-one (21) days after adoption of the annual budget, shall call a special meeting of the owners within sixty (60) days, upon not less than fourteen (14) days written notice to each owner. At the special meeting, owners shall consider and may enact a substitute budget upon vote of a majority of all voting interests.

If the substitute 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 unit owners has been called and a quorum is not attained or a substitute budget is not adopted by the unit owners, the budget adopted by the board of directors shall go into effect as scheduled.

In determining whether assessments exceed One Hundred-fifteen percent (115%) of similar assessments in prior years, any authorized provisions for

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reasonable reserves for repair or replacement of the condominium property, anticipated expenses by the condominium Association which are not anticipated to be incurred on a regular or annual basis, or assessments for betterments to the condominium property shall be excluded from the computation. However, as long as the Developer is in control of the Association, the Board shall not impose an assessment for any year greater than One Hundred-fifteen percent (115%) of the prior fiscal or calendar year's assessment without approval of a majority of all voting interests.

c. Assessments. The Board of Directors shall make assessments against each unit for its share of the items of the budget in an amount no 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 quarterly in advance and shall be due quarterly on the first day of each quarter for which the assessments are made. If a quarterly assessment is not made as required, an assessment shall be presumed to have been made in the amount of the last prior assessment and such quarterly assessment shall be due on the first day of each quarter until changed by an amended assessment. In the event the annual assessment shall be insufficient in the judgment of the Board of Directors, the Board of Directors shall amend the budget and shall make amended assessments for the balance of the year in sufficient amounts to meet the expenses for the balance of the year; provided, however, that any account of the amended budget that exceeds the limit upon increases shall be subject to approval of membership of the Association as previously required in these By-Laws.

d. Reserves. If a meeting of the unit owners has been called to determine to provide no reserves or reserves less adequate than required, and such result is not attained or a quorum is not attained, the reserves, as included in the budget, shall go into effect.

e. Commingling. All funds collected by the Association shall be maintained separately in the Association's name. For investment purposes only, reserve funds may be commingled with operating funds of the Association. Commingled operating and reserve funds shall be accounted for separately and a commingled account shall not at any time be less than the amount identified as reserve funds. When operating and reserve assessments are collected as a single payment, such shall not be considered commingling of funds provided the reserve portion of the payment is transferred to a separate reserve account, or accounts, within 30 calendar days from the date such funds were deposited.

40. Special Assessments. Assessments for common expenses that cannot be paid from the annual assessment for common expenses shall be made only after notice of the need for such is given to the unit owners concerned. After such notice, Special Assessments may be made in one of two ways, depending on the purpose of the Special Assessment. When the purpose of the Special Assessment is limited to the payment of costs of reconstruction and repair where the loss is occasioned by natural disaster or other casualty, it may be made by the Board of Directors, without approval of the unit owners or their mortgagees, upon a 2/3's vote of the directors, a quorum being present. Such assessment shall be effective and paid as determined by the Board of Directors and indicated in the notice of assessment. All other Special Assessments must be approved in writing by persons entitled to cast more than three-fourths (3/4) of the Voting Interests, and thereupon the assessment shall become effective, and shall be paid in such manner as the Board of Directors of the Association may require in the notice of assessment.

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41. Depository. The depository of the Association shall be such bank or banks as shall be designated from time to time by the directors and in which the monies from such accounts shall be withdrawn only by checks signed by such persons as are authorized by the directors.

42. Parliamentary Rules. Roberts' Rules of Order (latest edition) shall govern the conduct of Association meetings when not in conflict with the Declaration of Condominium, Articles of Incorporation or these By-Laws.

43. Official Records:
 a. From the inception of the Association, the Association shall maintain a copy of each of the following, where applicable, which shall constitute the official records of the Association:
 (1) The plans, permits, warranties, and other items provided by the Developer pursuant to Section 710.301(4);
 (2) A photocopy of the recorded Declaration of each condominium operated by the Association and all amendments thereto;
 (3) A photocopy of the recorded By-Laws of the Association and all amendments thereto;
 (4) A certified copy of the Articles of Incorporation of the Association or other documents creating the Association and all amendments thereto;
 (5) A copy of the current rules of the Association;
 (6) A book or books containing the minutes of all meetings of the Association, of the Board of Directors, and of Unit Owners, which minutes shall be retained for a period of not less than seven (7) years;
 (7) A current roster of all Unit Owners, their mailing addresses, Unit identifications, voting certifications and if known, telephone numbers;
 (8) All current insurance policies of the Association and condominiums operated by the Association;
 (9) A current copy of any management agreement, lease, or other contract to which the Association is a party or under which the Association or the Unit Owners have an obligation or responsibility;
 (10) Bills of sale or transfer for all property owned by the Association;
 (11) Accounting records for the Association and separate accounting records for each condominium it operates. All accounting records shall be maintained for a period of not less than seven (7) years. The accounting records shall include, but are not limited to:
 (i) Accurate, itemized, and detailed records of all receipts and expenditures.
 (ii) A current account and a monthly, bimonthly, or quarterly statement of the account for each Unit designating the name of the Unit Owner, the due date and amount of each assessment, the amount paid upon the account, and the balance due.
 (iii) All audits, reviews, accounting statements, and financial reports of the Association or condominium.
 (iv) All contracts for work to be performed. Bids for work to be performed shall also be considered official records and shall be maintained for a period of one (1) year.
 (12) Ballots, sign-in sheets, voting proxies, and all other papers relating to elections, which shall be maintained for a period of one (1) year from the date of the election, vote, or meeting to which the document relates.
 (13) All rental records when the Association is acting as agent for the rental of condominium Units.

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(14) A copy of the current Question and Answer Sheet as described in §718.504, Florida Statutes.

(15) All other records of the Association not specifically included in the foregoing which are related to the operation of the Association.

b. The official records of the Association shall be maintained in the county in which the condominium is located or within twenty-five (25) miles of the property if maintained in another county.

c. The official records of the Association are open to inspection by any Association member or the authorized representative of such member at all reasonable times. The right to inspect the records includes the right to make or obtain copies at the reasonable expense, if any of the Association member. The Association may adopt reasonable rules regarding the frequency, time, location, notice and manner of record inspection and copying. The failure of an Association to provide the records within ten (10) working days after receipt of a written request shall create a rebuttable presumption that the Association willfully failed to comply with this paragraph. A Unit Owner who is denied access to official records is entitled to the actual damages or minimum damages for the Association's willful failure to comply with this paragraph. The minimum damages shall be \$50 per calendar day up to ten (10) days, the calculation to begin on the eleventh working day after receipt of the written request. Failure to permit inspection of the Association records as provided herein entitles any person prevailing in an enforcement action to recover reasonable attorneys' fees from the person in control of the records who, directly or indirectly, knowingly denied access to the records for inspection. The Association shall maintain an adequate number of copies of the Declaration, Articles of Incorporation, By-Laws, and rules, and all amendments to each of the foregoing, as well as the Question and Answer Sheet provided for in §718.504, Florida Statutes and year end financial information required by the Condominium Act, on the condominium property to ensure their availability to Unit Owners and prospective purchasers, and may charge its actual costs for preparing and furnishing these documents to those requesting the same. Notwithstanding the provisions of the foregoing paragraphs, the following records shall not be accessible to Unit Owners:

(1) Any record protected by the lawyer-client privilege as described in Section 90.502, Florida Statutes, and any record protected by the work-product privilege including any record prepared by an Association attorney or prepared at the attorney's express direction, which reflects a mental impression, conclusion, litigation strategy, or legal theory of the attorney or the association, and which was prepared exclusively for civil or criminal litigation or for adversarial administrative proceedings, or which was prepared in anticipation of imminent civil or criminal litigation or imminent adversarial administrative proceedings until the conclusion of the litigation or adversarial administrative proceedings.

(2) Information obtained by the Association in connection with the approval of the lease, sale, or other transfer of a Unit.

(3) Medical records of Unit Owners.

d. The Association shall prepare a Question and Answer Sheet as described in §718.504, Florida Statutes, and shall update it annually.

44. Annual Financial Report. Within 90 days after the end of the fiscal year, or annually on a date provided in the Bylaws, the Association shall prepare and complete, or cause to be prepared and completed by a third party, a financial report for the preceding fiscal year. Within 21 days after the financial report is completed or received by the association from the third party, the Association shall mail to each unit owner at the address last furnished to the Association by the unit owner, or hand deliver to each unit

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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 unit owner, without charge, upon receipt of a written request from the unit owner.

45. Fidelity Bonds. The Association shall obtain and maintain adequate insurance or fidelity bonding of all persons who control or disburse funds of the Association. The insurance policy or fidelity bond shall cover the maximum funds that will be in the custody of the Association or its management agent at one time. As used in this paragraph, the term "persons who control or disburse funds of the association" includes, but is not limited to, those individuals authorized to sign checks and the president, secretary, and treasurer of the Association. The Association shall bear the cost of bonding. However, in the case of a person providing management services to the Association and required to be licensed pursuant to §468.432, Florida Statute, the cost of bonding may be reimbursed by the Association; all such persons providing management services to an Association shall provide the Association with a certificate of insurance evidencing compliance with this paragraph.

46. Fines. The Association may levy reasonable fines against a Unit Owner for the failure of the Owner of the Unit, or its occupant, licensee, or invitee, to comply with any provision of the Declaration, Bylaws, or Regulations of the Association. No fine will become a lien against a Unit. No fine may exceed \$100 per violation. However, a fine may be levied on the basis of each day of a continuing violation, with a single notice and opportunity for hearing, provided that no such fine shall in the aggregate exceed \$1,000.00. No fine may be levied except after giving reasonable notice and opportunity for a hearing to the unit Owner and, if applicable, its licensee or invitee. A 10 calendar day notice is presumed to be reasonable notice for all purposes. The hearing must be held before a committee of other Unit Owners appointed by the Board of Directors, which need not be a standing committee, but rather may be a committee appointed from time to time, as needed. A Unit Owner against whom a fine is proposed to be levied may attend such hearing in person or by telephone, and if the Unit Owner elects not to attend at all, but rather elects to submit a defense in writing, the committee may conduct the hearing in the Unit Owner's absence. If the committee does not agree with the fine, the fine may not be levied. The provisions of this subsection do not apply to unoccupied Units.

The following procedure shall be followed with respect to imposing fines:

a. The Board of Directors may propose a fine upon its determination that the Owner of a Unit, or its occupant, licensee, or invitee, has failed to comply with any provision of the Declaration, Bylaws, or Regulations of the Association. The Board shall identify the provision of the Declaration, Bylaws or Regulations that has been violated and shall state the amount of the fine proposed in a letter to the committee it has appointed to consider fines.

b. The committee appointed by the Board to consider fines shall have the power de novo to either impose the fine or not, and to determine the final amount of the fine that is to be imposed. It is the hearing before the committee that the Unit Owner, and if applicable, its licensee or invitee, shall be notified he has the opportunity to attend and present his side of the matter. When the committee has reached a decision, the committee chairperson shall be responsible for notifying the Board of the its decision, which shall be made a report item at the next Board of Directors meeting.

47. Transfer Fee. No fee shall be charged by the Association in connection with a transfer, lease, sale or sublease of a Unit, which is subject to approval of the Board of Directors, which is in excess of the expenditures

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reasonably required for the transfer or sale, and this expense shall not exceed \$100.00. Until changed by an amendment to these Bylaws, the transfer, lease, sale or sublease of a Unit is not subject to approval of the Board of Directors and, therefore, no transfer fee is authorized. No charge shall be made in connection with an extension or renewal of a lease.

49. Alternate Dispute Resolution: Voluntary Mediation; Mandatory Nonbinding Arbitration, Voluntary Arbitration.

a. Definitions. As used in this section, the term "dispute" means any disagreement between two or more parties that involves:

- (1) The authority of the Board of Directors, under any law or association document to:
 - (i) Require any owner to take any action, or not to take any action, involving that owner's Unit.
 - (ii) Alter or add to a common area or element.
- (2) The failure of a governing body, when required by law or an association document to:
 - (i) Properly conduct elections.
 - (ii) Give adequate notice of meetings or other actions.
 - (iii) Properly conduct meetings.
 - (iv) Allow inspection of books and records.

"Dispute" does not include any disagreement that primarily involves title to any unit or common element; the interpretation or enforcement of any warranty; or the levy of a fee or assessment, or the collection of any assessment levied against a party.

b. Voluntary Mediation. Voluntary mediation through Citizen Dispute Settlement Centers as provided for in s. 44.261 is encouraged.

c. Mandatory Nonbinding Arbitration Of Disputes. The Division of Florida Lead Sales, Condominiums, and Mobile Homes of the Department of Business and Professional Regulation has made provision for conducting arbitration hearings under the Florida Condominium Act. The department has promulgated rules of procedure to govern such arbitration hearings. The decision of an arbitrator shall be final; however, such a decision shall not be deemed final agency action. Nothing in this provision shall be construed to foreclose parties from proceeding in a trial de novo. If such judicial proceedings are initiated, the final decision of the arbitrator shall be admissible in evidence.

(1) Prior to the institution of court litigation, the parties to a dispute shall petition the division for non-binding arbitration. Arbitration shall be conducted according to rules promulgated by the division. The filing of a petition for arbitration shall toll the applicable statute of limitations.

(2) Parties to an arbitration proceeding may avail themselves of the use of subpoenas and court orders for the attendance of witnesses and the production of books, records, documents, and other evidence, to the extent provided by law and applicable regulation; subpoenas shall be served and shall be enforceable in the manner provided by law.

(3) The arbitration decision shall be presented to the parties in writing. An arbitration decision shall be final if a complaint for a trial de novo is not filed in a court of competent jurisdiction within 30 days. The right to file for a trial de novo entitles the parties to file a complaint

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in the appropriate trial court for a judicial resolution of the dispute. The prevailing party may be awarded reasonable attorney's fees.

(4) The party who files a complaint for a trial de novo shall be assessed the other party's arbitration costs, court costs, and other reasonable costs, including attorney's fees, investigation expenses, and expenses for expert or other testimony or evidence incurred after the arbitration hearing for the judgment upon the trial de novo is not more favorable than the arbitration decision. If the judgment is more favorable, the party who filed a complaint for trial de novo shall be awarded reasonable court costs and attorney's fees.

(5) Any party to an arbitration proceeding may enforce an arbitration award by filing a petition in the circuit court for the circuit in which the arbitration took place. A petition may not be granted unless the time for appeal by the filing of complaint for trial de novo has expired. If a complaint for trial de novo has been filed, a petition may not be granted with respect to an arbitration award that has been stayed.

49. Mediation of Other Disputes.

a. Definition. For purposes of this section, the term "other disputes" means any disagreement between two or more parties, including the Association, Unit Owners or non-Unit Owners, other than any disagreement that primarily involves title to any unit or common element, the levy of a fee or assessment, or the collection of any assessment levied against a party or "disputes", as defined in paragraph 49. Alternate Dispute Resolution; Voluntary Mediation; Mandatory Nonbinding Arbitration; Voluntary Arbitration.

b. Mediation. The purpose of this section is to facilitate the Association's resolution of other disputes with a minimum expenditure of time and resources. To prevent excessive and unanticipated legal cost, prior to the institution of court litigation to resolve other disputes, the Association must attempt in good faith to resolve all other disputes through a mediation process.

(i) Procedure. Any party to a controversy subject to mediation hereunder may institute mediation proceedings upon written notice delivered to the other parties in person or by certified mail, which shall reasonably identify the subject of the controversy. Within fifteen (15) days from receipt of such notice, the parties shall select a mediator or in the event the parties cannot agree on a mediator, each party shall name and appoint one mediator. If any party fails to appoint a mediator within such period, the mediator shall be the mediator appointed by the party having timely made such appointment. The two appointed mediators shall then appoint a mediator who will mediate the controversy between the parties. The mediator shall select the time and place for hearing the controversy and shall notify the parties of such time and place by written notice delivered in person or by certified mail at least five (5) days prior to the proceeding. The proceeding shall be conducted by the mediator and conducted according to the mediation rules of the American Arbitration Association, except where they are specifically overridden by or contradict the laws of the State of Florida.

(ii) Decision. Any resolution resolved by mediation shall be in writing, signed by all parties and shall be binding

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on all parties and enforceable in any court of competent jurisdiction. The fees for the mediator and costs and expenses incurred by the mediator shall be paid equally by the parties. Each party shall be responsible for its own attorney's fees and costs.

50. Condemnation. The Association has the limited power 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.

51. Certificates of Compliance. A certificate of compliance from a licensed electrical contractor or electrician may be accepted by the Association's Board of Directors as evidence of compliance of the condominium units with the applicable fire and life safety code.

52. Amendments. In addition to any other method provided under the Declaration or Articles of Incorporation, these By-Laws may be amended in the following manner:

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

b. A resolution adopting a proposed amendment may be proposed by either the Board of Directors of the Association or by the voting interests of the Association. Directors and voting interests not present in person or by proxy at the meeting considering the amendment may express their approval in writing, providing such approval is delivered to the Secretary at or prior to the meeting. Except as elsewhere provided, such approvals must be either by:

(1) Not less than two-thirds (2/3) of the voting interests of the entire membership of the Association.

(2) Until the transfer of control from the Developer to Unit Owners other than the Developer, by two-thirds (2/3) of the directors.

c. No By-Law shall be revised or amended by reference to its title or number only. Proposals to amend existing By-Laws shall contain the full text of the By-Laws to be amended; new words shall be inserted in the text underlined, and the words to be deleted shall 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 By-Law. See By-Law _____ for present text."

Non-material errors or omissions in the By-Law process shall not invalidate an otherwise promulgated amendment.

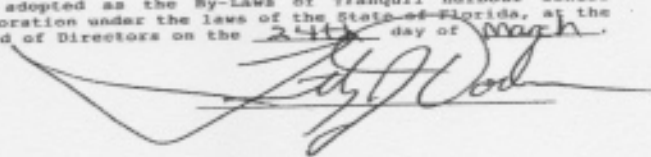
53. Execution and Recording. A copy of each amendment shall be attached to or incorporated in a certificate certifying that the amendment was duly adopted as an amendment of the Declaration and By-Laws, which certificate shall be executed by the officers of the Association with the formalities of a deed.

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The amendment shall be valid and effective when such certificate, with a copy of the amendment attached thereto or incorporated therein, is recorded in the public records of Bay County, Florida.

The foregoing was adopted as the By-Laws of Tranquil Harbour Owners Association, Inc., a corporation under the laws of the State of Florida, at the first meeting of the Board of Directors on the 24th day of May, 2007.



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