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DECLARATION OF COVENANTS AND RESTRICTIONS

OF

98 11746 MAGNOLIA POINTE LAKEFRONT

THIS DECLARATION is made this 15th day of January 1998, by MAGNOLIA POINTE DEVELOPMENT, INC., a Florida corporation, which declares hereby that "The Properties" described in Article II of this Declaration are and shall be held, transferred, sold, conveyed, and occupied subject to the covenants, restrictions, easements, charges, and liens hereinafter set forth.

ARTICLE I

DEFINITIONS

The following words, when used in this Declaration (unless the context shall otherwise provide), shall have the following meanings:

(a) "Articles" shall mean and refer to this MAGNOLIA POINTE LAKEFRONT Declaration of Covenants and Restrictions.

(b) "Association" shall mean and refer to MAGNOLIA POINTE LAKEFRONT Homeowners Association, Inc., a Florida corporation not for profit, which is to be incorporated.

(c) "Bylaws" shall mean and refer to the Bylaws of the Association as amended from time to time.

(d) "Common Areas" shall mean and refer to those tracts of land which are deeded to the Association and designated in the deed as "Common Property" and such improvements thereon as are specifically conveyed to the Association. The term "Common Property" shall also include any personal property acquired by the Association as well as all easements, common streets and roads, the surface water management system and such other portions of the properties as are conveyed to the Association and as further defined in Section 2 of Article II hereof. All Common Property is to be devoted to and intended for the common use and enjoyment of the Owners and their guests, leasees or invitees subject to any rules adopted by the Association and subject to any use rights made or reserved by Developer prior to conveyance of such Common Property.

(e) "Common Streets and Roads" shall mean and be defined as the rights of way of all streets and roads within the properties

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as the same are described in and depicted on the Lakefront section of the Plat of Magnolia Pointe and all paving, curbs and other improvements, facilities and appurtenances located therein, including street lights and utility lines, which are conveyed by the Developer to the Association as Common Property pursuant to the provisions of this Declaration, but specifically not including, however, such utility lines as are located within such rights of way as may be owned by private or public utility companies or governmental agencies from time to time providing utility services to Lakefront section of the Plat of Magnolia Pointe, including without limitation, water lines, sewer lines, electric power lines, telephone lines and lines for cable television.

(f) "Declaration" shall mean and refer to this MAGNOLIA POINTE LAKEFRONT Declaration of Covenants and Restrictions.

(g) "Developer" shall mean and refer to Magnolia Pointe Development, Inc., a Florida corporation.

(h) "The Properties" shall mean and refer to that certain real property described in Exhibit "A" together with improvements thereon (Except such improvements the title of which are reserved by the Developer or its assignees) and such additions to The Properties as may hereafter be brought within the jurisdiction of the Association by annexation.

(i) "Addition to The Properties" shall mean and refer to real property other than The Properties which become subject to this Declaration or any Supplemental Declaration under the provisions of Article II hereof. There shall be no restriction on the number of additions to The Properties nor shall there be any restriction as to the number of lots contained within each addition to The Properties.

(j) "Lot" shall mean and refer to any plot of land together with the improvements thereon shown upon any recorded subdivision plat of The Properties, but shall not include any Common Property.

(k) "Member" shall mean and refer to those persons entitled to Class "A" and "B" membership in the Association as provided in the Declaration and Articles.

(l) "Owner" shall mean and refer to the record owner, whether one or more persons or entities, or the fee simple title to any Lot situated upon The Properties.

(m) "Unit" shall mean and refer to the individual residence

constructed on the Lot.

(n) "Surface Water or Stormwater Management System" means a system which is designed and constructed or implemented to control discharges which are necessitated by rainfall events, incorporating methods to collect, convey, store, absorb, inhibit, treat, use or reuse water to prevent or reduce flooding, overdrainage, environmental degradation, and water pollution or otherwise affect the quantity and quality of discharges from the system, as permitted pursuant to Chapters 40C-4, or 40C-42, F.A.C.

ARTICLE II

PROPERTY SUBJECT TO THIS DECLARATION:
ADDITIONS THERETO

Section 1. Legal Description. The real property which, initially is and shall be held, transferred, sold, conveyed, and occupied subject to this Declaration is located in Lake County, Florida, and is more particularly described in Exhibit "A", which is attached hereto and made a part hereof. All of which real property, and all additions thereto, is herein referred to collectively as "The Properties."

Section 2. Common Property. Common Property shall include the Lakefront Wall and Gate, the portions of Tract F which are South AND East of the Lakefront Wall and Gate, and Tracts J and L shown on the Magnolia Pointe Plat and designated in this Declaration for use as street and road rights of way, gates and entry features, landscape areas, water retention areas, and buffer walls and fences, the surface water management system and its appurtenant easements and facilities, including drainage retention areas, utility system, which are hereinafter to be conveyed by the Developer to the Association. See Exhibit A for the Official Plat Book and Page of the Magnolia Pointe Plat. THE ABOVE DESCRIBED COMMON PROPERTY SHALL BE DEEDED TO THE MAGNOLIA POINTE MASTER HOMEOWNERS' ASSOCIATION, INC. FOR THE EXCLUSIVE USE AND BENEFIT OF THE MAGNOLIA POINTE LAKEFRONT HOMEOWNERS' ASSOCIATION AND MEMBERS. ALL ROAD MAINTENANCE ON ALL PORTIONS OF TRACT F SHALL BE PAID FOR AND PERFORMED BY THE MAGNOLIA POINTE MASTER HOMEOWNERS' ASSOCIATION, INC.

Section 3. Additions to Properties. The Developer, from time to time, may in its sole discretion, cause additional lands to become subject to the Declaration which additional lands have been hereinabove defined as additions to The Properties, but under no circumstances shall Developer be required to make such additions. Such additions to The Properties shall be of such size as the Developer determines and the number of such additions to The Properties shall be at the sole discretion of the

Developer. Additions to The Properties, if any, shall be developed and platted in such a manner which in the opinion of the Developer provides for the preservation of the values and amenities of The Properties. The additions authorized under this Article shall be made by the Developer (and the owner of such additional properties if not owned by Developer) executing and filing of record a Supplemental Declaration of Covenants and Restrictions with respect to the additions to The Properties, extending the scheme of the Covenants and Restrictions of this Declaration to such Property; and such Supplementary Declaration may contain such complimentary additions as may be necessary to reflect the different character, if any, of the additions to The Properties and as are not inconsistent with the scheme of this Declaration. Such Supplementary Declaration shall not require the joinder, consent or approval of any owner or other parties whatsoever. In no event, however, shall such Supplementary Declaration revoke, modify or add to the Covenants established by this Declaration within The Properties.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS IN THE ASSOCIATION

Section 1. Membership. Every person or entity who is a record Owner of a fee or undivided fee interest in any Lot shall be a Member of the Association. Notwithstanding anything else to the contrary set forth in this Section 1, any such person or entity who holds such interest merely as security for the performance of an obligation shall not be a Member of the Association.

Section 2. Voting Rights. The Association shall have two (2) classes of voting membership:

Class A. Class A Members shall be all those Owners as defined in Section 1 with the exception of the Developer (as long as the Class B Membership shall exist, and thereafter, the Developer shall be a Class A Member to the extent it would otherwise qualify). Except as provided below, Class A Members shall be entitled to one (1) vote for each Lot in which they hold the interest required for membership by Section 1. When more than one person holds such interest or interests in any lot, all such persons shall be Members, and the vote for such Lot shall be exercised as they among themselves determine, but, subject only as provided in the following sentence. In no event shall more than one vote be cast with respect to any such Lot.

Class B. The Class B Member shall be the Developer, its successors and assigns. The Class B Member shall be entitled to nine (9) votes per Lot. The Class B Membership shall cease and terminate on the Turnover Date as required by Section 617.307, Florida Statutes. Developer has the right, but not the obligation, to convert Class B Membership into Class A Membership sooner than required by Section

617.307, Florida Statutes (whereupon the Class A Members shall be obligated to elect the Board and assume control of the Association).

Section 3. General Matters. When reference is made herein, or in the Articles, By-Laws, Rules and Regulations, or otherwise, to a majority or specific percentage of Members, such reference shall be deemed to be reference to a majority or specific percentage of the votes of Members and not of the Members themselves.

ARTICLE IV

PROPERTY RIGHTS IN THE COMMON PROPERTY: OTHER EASEMENTS

Section 1. Members Easements. Each Member, and each tenant, agent and invitee of such Member, shall have a nonexclusive permanent and perpetual easement over and upon the Common Property for this intended use and enjoyment thereof in common with all other such Members, their tenants, agents and invitees, in such manner as may be regulated by the Association.

Without limiting the generality of the foregoing, such rights of use and enjoyment are hereby made subject to the following:

(a) The right and duty of the Association to levy assessments against such Lot for the purpose of maintaining the Common Property and facilities in compliance with the provisions of this Declaration and with the restrictions on the plat of The Properties from time to time recorded.

(b) The right of the Association to suspend the Owner's (and his permittees') voting rights for a period during which any assessment against his lot remains unpaid; and for a period not to exceed sixty (60) days for any infraction of lawfully adopted and published rules and regulations.

(c) The right of the Association to adopt at any time and from time to time and enforce rules and regulations governing the use of the Common Property and all facilities at any time situated thereon, including the right to fine Members as hereinafter provided. Any rule and/or regulation so adopted shall apply until rescinded or modified as if originally set forth at length in this Declaration.

(d) The right to the use and enjoyment of the Common Property and facilities thereon shall extend to all permitted

user's immediate family who resides with him, subject to regulations from time to time by the Association in its lawfully adopted and published rules and regulations.

(e) The right of the Developer to permit such persons as Developer shall designate to use the Common Property and all recreational facilities (if any) located thereon. This right shall terminate after the last Lot within The Properties has been sold and conveyed by the Developer.

(f) The right of the Association, by a two-thirds (2/3) affirmative vote of the entire membership, to dedicate portions of the Common Property to a public agency under such terms as the Association deems appropriate and to create or contract with special taxing districts for lighting, roads, recreational or other services, security, or communications and other similar purposes deemed appropriate by the Association (to which such creation or contract all Owners hereby consent).

Section 2. Easements Appurtenant. The easements provided in Section 1 shall be appurtenant to and shall pass with the title to each Lot.

Section 3. Maintenance. The Association shall at all times maintain in good repair and manage, operate and insure, and shall replace as often as necessary, the Common Property and the street and road rights of way, curbs, gate houses, entry features, landscape areas, parks, beaches, perimeter security and buffer walls and fences, the surface water management system and its appurtenant easements and facilities, drainage structures, lighting fixtures and appurtenances, landscaping, improvements and other structures situated on the Common Property, if any, all such work to be done as ordered by the Board of Directors and the Association. Without limiting the generality of the foregoing, the Association shall assume all of Developer's and its affiliates' responsibility to Lake County of any kind with respect to the Common Areas and shall indemnify and hold the Developer and its affiliates harmless with respect thereto.

All work pursuant to this Section and all expense incurred hereunder shall be paid for by the Association through assessments (either general or special) imposed in accordance herewith. No Owner may waive or otherwise escape liability for assessments by nonuse of the Common Property or by lack of development of their Lot.

Section 4. Surface Water or Stormwater Management System. The Association shall be responsible for the maintenance, operation and repair of the

surface water or stormwater management system. Maintenance of the surface water or stormwater management system(s) shall mean the exercise of practices which allow the systems to provide drainage, water storage, conveyance or other surface water or stormwater management capabilities as permitted by the St. Johns River Water Management District. The Association shall be responsible for such maintenance and operation. Any repair or reconstruction of the surface water or stormwater management system shall be as permitted, or if modified as approved by the St. Johns River Water Management District.

Section 5. Utility Easements. Use of the Common Property for utilities, as well as use of the other utility easements as shown on the plat of The Properties, shall be in accordance with the applicable provision of this Declaration. The Developer and its affiliates and its and their designees shall have a perpetual easement over, upon and under the Common Property for the installation and maintenance of community and/or cable television and security and other communication lines, equipment and materials and other similar underground television, radio and security cables (and all future technological advances not now known) for service to the Lots and other portions of the Development.

Section 6. Public Easements. Fire, police, health and sanitation, park maintenance and other public service personnel and vehicles shall have a permanent and perpetual easement for ingress and egress and across the Common Property.

Section 7. Ownership. The Common Property is hereby dedicated nonexclusively to the joint and several use, in common, of the Developer and the Owners of all Lots that may from time to time constitute part of The Properties and the Developer's and each Owners' tenants, guests and invitees. The Common Property (or appropriate portions thereof) shall, upon the later of completion of the improvements thereon or the date when the last Lot within The Properties has been conveyed, be conveyed to a purchaser (or at any time and from time to time sooner at the sole election of the Developer), be conveyed to the Association, which shall accept such conveyance. Beginning from the date these covenants are recorded, the Association shall be responsible for the maintenance of such Common Property (whether or not then conveyed or to be conveyed to the Association), such maintenance to be performed in a continuous and satisfactory manner without cost to the general taxpayers of Lake County. It is intended that all real estate taxes assessment against that portion of the Common Property owned or to be owned by the Association shall be proportionally assessed against and payable as part of the taxes of the applicable Lots within The Properties. However, in the event that, notwithstanding the foregoing, any such taxes are assessed directly against the Common Property, the Association shall be responsible for the payment of the same, including taxes on any improvements and any personal property located thereon, which taxes accrue from and after the date these covenants are recorded, and such taxes shall be prorated between Developer (or

the then Developer-affiliated Owner thereof) and the Association as of the date of such recordation. Developer and its affiliates shall have the right from time to time to enter upon the Common Property and the portions of The Properties for the purpose of construction, reconstruction, repair, replacement, and/or alteration of any improvements or facilities on the Common Property or elsewhere on The Properties that Developer and its affiliates elect to effect, and to use the Common Property and other portions of The Properties for sales, displays and signs or for any other purpose during the period of construction and sale of any portion of The Properties. Without limiting the generality of the foregoing, the Developer and its affiliates shall have the specific right to maintain upon any portion of The Properties sales, administrative construction or other offices without charge, and appropriate easements of access and use are expressly reserved unto the Developer and its affiliates, and its and their successors, assigns, employees and contractors, for this purpose. Any obligation to complete portions of the Common Properties shall, at all times, be subject and subordinate to these rights and easements and to the above-referenced activities. Accordingly, the Developer shall not be liable for delays in such completion to the extent resulting from the above-referenced activities.

ARTICLE V

COVENANT FOR MAINTENANCE ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of the Assessments. Except as provided elsewhere herein, the Developer (and each party joining in this Declaration or in any supplemental declaration), for all Lots within The Properties, hereby covenants and agree, and each Owner or any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed or other conveyance, shall be deemed to consent and agree, to pay to the Association annual assessments or charges for the maintenance, management, operation and insurance of the Common Properties as provided elsewhere herein, including such reasonable reserves as the Association may deem necessary, capital improvement assessments, as provided elsewhere herein, assessments for maintenance as provided in Section 4 hereof and all other charges and assessments hereinafter referred to, all such assessments to be fixed, established and collected from time to time as herein provided. The addition, special assessments may be levied against particular Owners and Lots for fines, expenses incurred against particular Lots and/or Owners to the exclusion of others and other charges against specific Lots or Owners as contemplated in this Declaration. The annual special and other assessments, together with such interest thereon and costs of collection thereof as hereinafter provided, shall be a charge on the land and shall be a continuing lien upon the Lot against which each such assessment is made. Each such assessment, together with such interest thereon and costs of collection thereof as are hereinafter provided, shall also be the personal obligation of the person who is the Owner of such property at the time when the assessment fell due and all subsequent

Owners until paid. Except as provided herein with respect to special assessments which may be imposed on one or more Lots and Owners to the exclusion of others, all assessments imposed by the Association shall be imposed against all Lots subject to its jurisdiction equally.

Reference herein to assessments shall be understood to include reference to any and all of said charges whether or not specifically mentioned.

Section 2. Purpose of Assessments. The regular assessments levied by the Association shall be used exclusively for maintenance of the Common Property, for capital improvements, reserves (if any), and to promote the health, safety and welfare of the Members of the Association and their families residing with them, their guests and tenants, all as provided for herein.

Section 3. Specific Damage. Owners (on their behalf and on behalf of their children and guests) causing damage to any portion of the Common Property as a result of misuse, negligence, failure to maintain or otherwise shall be directly liable to the Association and a special assessment may be levied therefor against such Owner or Owners. Such special assessments shall be subject to all of the provisions hereof relating to other assessments, including, but not limited to, the lien and foreclosure procedures.

Section 4. Exterior Maintenance. Each Owner shall maintain the structures and grounds on his Lot at all times in a neat and attractive manner and as provided elsewhere herein. Upon the Owner's failure to do so, the Association may at its option, after giving the Owner five (5) days' written notice sent to his last known address, or to the address of the subject premises, have that portion of the grass, weeds, shrubs and vegetation which the Owner is to maintain cut when and as often as the same is necessary in its judgment, and have dead trees, shrubs and plants removed from such Lot and other areas and replaced, and may have any portion of the Lot and other areas resodded or landscaped, and all expenses of the Association under this sentence shall be a lien and special assessment charged against the Lot on which the work was done and shall be the personal obligation of all Owners of such Lot. Upon the Owner's failure to maintain the structures and improvements on his Lot in good repair and appearance and otherwise as required herein, the Association may, at its option, after giving the Owner thirty (30) day's written notice sent to his last known address, make repairs and improve the appearance in a reasonable and workmanlike manner. The cost of any of the work performed by the Association upon the Owner's failure to do so shall be immediately due and owing from the Owner of the Lot which the work was performed, collectible in a lump sum and secured by the lien against the Lot as herein provided. No bids need to be obtained by the Association for such work and the Association shall designate the contractor in its sole discretion.

Section 5. Capital Improvements. Funds in excess of \$20,000.00 in any one case which are necessary for the addition of capital improvements (as distinguished from repairs and maintenance) relating to the Common Property under the jurisdiction of the Association and which have not previously been collected as reserves or are otherwise available to the Association shall be levied by the Association as Special Assessments only upon approval of a majority of the Board of Directors of the Association and upon approval by two-thirds (2/3) favorable vote of the Members or the Association voting at a meeting or by ballot as may be provided in the By-Laws of the Association.

Section 6. Date of Commencement of Annual Assessments: Due Dates. Until January 1, of the year immediately following the conveyance of the first Lot by Developer, the maximum annual assessment shall be \$550.00. Each subsequent Annual Assessment shall be imposed for the year beginning January 1 and ending December 31.

The Annual Assessments shall be payable in advance in monthly installments, or in annual, semi- or quarter-annual installments if so determined by the Board of Directors of the Association.

The assessment amount (and applicable installments) may be changed at any time by said Board from that originally stipulated or from any other assessment that is in the future adopted. The original assessment for any year shall be levied for the calendar year (to be reconsidered and amended, if necessary, every six (6) months), but the amount of any revised assessment to be levied during any period shorter than a full calendar year shall be in proportion to the number of months (or other appropriate installments) remaining in such calendar year.

The due date of any Special Assessment shall be fixed in the Board resolution authorizing such assessment.

Section 7. Initiation Fee. In addition to the Annual Assessment, simultaneous with the sale of each Lot, the Developer shall have the right to cause a one-time Initiation Fee of Five Hundred Dollars (\$500.00) to be paid to the Association. Such Initiation Fee shall be used to defray the initial start-up costs and expenses of the Association. At the Developer's option, this Initiation Fee may be billed over a five (5) year period.

Section 8. Duties of the Board of Directors. The Board of Directors of the Association shall fix the date of commencement and the amount of the assessment against each Lot subject to the Association's jurisdiction for each assessment period, to the extent practicable, at least thirty (30) days in advance of such date or period, and shall, at that time, prepare a roster of the Lots and assessments applicable thereto

which shall be kept in the office of the Association and shall be open to inspection by any Owner.

Written notice of the assessment shall thereupon be sent to every Owner subject thereto thirty (30) days prior to payment of the first installment thereof. In the event no such notice of a change in the assessment for a new assessment period is given, the amount payable shall continue to be the same as the amount payable for the previous period. Until changed in the manner provided for herein.

Subject to any provisions hereof, the Association shall upon demand at any time furnish to an Owner liable for an assessment, a certificate in writing signed by an officer of the Association, setting forth whether such assessment has been paid as to any particular Lot. Such certificate shall be conclusive evidence of payment of any assessment to the Association therein stated to have been paid.

The Association, through the action of its Board of Directors, shall have the power, but not the obligation, to enter into an agreement or agreements from time to time with one or more persons, firms or corporations (including affiliates of the Developer) for management services. The Association shall have all other powers provided in its Articles of Incorporation and By-Laws.

Section 9. Effect of Nonpayment of Assessment; the Personal Obligation; the Lien. Remedies of the Association. If the assessments (or installments are not paid on the date(s) when due (being the date(s) specified herein), then such assessments (or installments) shall become delinquent and shall, together with late charges, interest and the cost of collection thereof as hereinafter provided, thereupon become a continuing lien on the Lot which shall bind such property in the hands of the then Owner, his heirs, personal representatives, successors and assigns. The personal obligation of the then Owner to pay such assessment shall pass to his successors in title and recourse may be had against either or both.

If any installment of an assessment is not paid within fifteen (15) days after the due date, at the option of the Association, a late charge not greater than the amount of such unpaid installment may be imposed (provided that only one late charge may be imposed on any one unpaid installment and if such installment is not paid thereafter, it and the late charge shall accrue interest as provided herein but shall not be subject to additional late charges, provided further, however, that each of the installment, thereafter coming due shall be subject to one late charge each as aforesaid) or the next twelve (12) months worth of installments may be accelerated and become immediately due and payable in full and all such sums shall bear interest from the dates when due until paid at the highest lawful rate allowed under the laws of the State of Florida and the Association may bring an action at law against the Owner(s) personally obligated to pay the same or may record a claim of lien (as evidence of its lien rights as hereinabove

provided for) against the Lot on which the assessment and late charges are unpaid or may foreclose the lien against the Lot on which the assessment and late charges are unpaid, or may pursue one or more of such remedies at the same time or successively, and attorneys' fees and costs of preparing and filing the claim of lien and the complaint, if any, in such action shall be added to the amount of such assessments, late charges and interest, and in the event a judgment is obtained, such judgment shall include all such sums as above provided and reasonable attorneys' fee to be fixed by the court together with the costs of the action, and the Association shall be entitled to attorneys' fees in connection with any appeal of any such action.

In the case of an acceleration of the next twelve (12) months' worth of installments, each installment so accelerated shall be deemed, initially, equal to the amount of the then more current delinquent installment, provided that if any such installment so accelerated would have been greater in amount by reason of a subsequent increase in the applicable budget, the Owner of the Lot whose installments were so accelerated shall continue to be liable for the balance due by reason of such increase and Special Assessments against such Lot shall be levied by the Association for such purpose.

In addition to the rights of collection of assessments stated in this Section, any and all persons acquiring title to or an interest in a Lot as to which the assessment is delinquent, including without limitation persons acquiring title by operation of law and by judicial sales, shall not be entitled to the occupancy of such Lot or the enjoyment of the Common Areas until such time as all unpaid and delinquent assessments due and owing from the selling Owner have been fully paid and no sale or other disposition of Lots shall be permitted until an estoppel letter is received from the Association acknowledging payment in full of all assessments and other sums due; provided, however, that the provisions of this sentence shall not be applicable to the mortgagees and purchasers contemplated by Section 9 of this Article.

It shall be the legal duty and responsibility of the Association to enforce payment of the assessments hereunder. Failure of the Association to send or deliver bills shall not, however, relieve Owners from their obligations hereunder.

All assessments, late charges, interest, penalties, fines, attorneys' fees and other sums provided for herein shall accrue to the benefit of the Association.

Owners shall be obligated to deliver the documents originally received from the Developer, containing this and other declarations and documents, to any grantee of such Owner.

Section 10. Subordination of the Lien. The lien of the assessments provided for in this Article shall be subordinate to tax liens and to the lien of any mortgage (recorded

prior to recordation by the Association of a claim of lien, which mortgage encumbers a Lot) to any institutional lender and which is now or hereafter placed upon any property subject to assessment; provided, however, that any such mortgagee when in possession or any receiver, and in the event of a foreclosure, any purchaser at a foreclosure sale, and any such mortgagee acquiring a deed in lieu of foreclosure, and all persons claiming by, through or under such purchaser or mortgagee, shall hold title subject to the liability and lien of any assessment coming due after such foreclosure (or conveyance in lieu of foreclosure). Any unpaid assessment which cannot be collected as a lien against any Lot by reason of the provisions of this Section shall be deemed to be an assessment divided equally among, payable by and a lien against all Lots subject to assessment by the Association, including the Lots as to which the foreclosure (or conveyance in lieu of foreclosure) took place.

Section 11. Access at Reasonable Hours. For the purpose solely of performing the Lot and exterior maintenance authorized by this Article, the Association, through its duly authorized agents or employees or independent contractors, shall have the right, after reasonable notice to the Owner, to enter upon any lot at reasonable hours on any day to accomplish such work.

Section 12. Effect on Developer. Notwithstanding any provision that may be contained to the contrary in this instrument, for as long as Developer, (or any of its affiliates) is the Owner of any Lot, neither the Developer, nor any such affiliates, shall be liable for assessments against such Lot, provided that Developer either (1) funds any deficit in operating expenses (exclusive of reserves and management fees) of the Association not produced by assessments receivable from Owners other than Developer, or (ii) certifies to the association in advance of any particular calendar year and pays during such year an amount which the Developer is willing to contribute to the Association for such year (all additional expenses to be borne by the Owners other than the Developer as part of their assessment as provided herein). Developer may at any time and from time to time commence (or require such affiliates to commence) paying such assessments as to Lots that it or they own and thereby automatically terminate its obligation to fund such deficits or make such contributions, or at any time and from time to time elect again to fund such deficits or make such contributions as aforesaid. When all Lots within The Properties are sold and conveyed to purchasers, neither Developer, nor its affiliates, shall have further liability of any kind to the Association for the payment of assessments, deficits or contributions.

Section 13. Trust Funds. The portion of all regular assessments collected by the Association for reserves for future expenses, and the entire amount of all Special Assessments, shall be held by the Association for the Owners of all Lots, as their interests may appear, and may be invested in interest bearing accounts or in certificates of deposit or other like instruments or accounts available at banks or savings and loan institutions the deposits of which are insured by an agency of the

United States.

ARTICLE VI

RESTRICTIVE COVENANTS

Section 1. Applicability. The Property shall be subject to the following restrictions, reservations and conditions which shall be binding upon each and every Owner who shall hereinafter acquire a Lot and shall be binding upon their respective guests, tenants, heirs, personal representatives, successors and assigns.

Section 2. Land Use and Building Type. No Lot or Unit shall be used except for residential purposes. No business, trade professional or commercial activity or enterprise shall be conducted at The Property or any addition to The Property, **which causes any noises, smells, or visitors to enter The Property. A once per day Federal Express or other overnight delivery company shall be the sole permitted visitor or traffic allowed at The Property. No signs identifying a business, trade professional or commercial activity or enterprise shall be permitted.** This section shall not apply to the Developer for the purpose of developing and marketing Lots at The Property. Temporary uses by Developer and its affiliates for model homes, sales displays, parking lots, sales offices and other offices, or any one or combination of such uses, shall be permitted until permanent cessation of such use takes place. No building shall be erected upon any Lot, except by Developer, without prior approval of the Architectural Control Board as provided herein.

Section 3. Easements. Easement for installation and maintenance of utilities are reserved as shown on the recorded plat covering The Properties and as provided herein. Within these easements, no structure, planting or other material may be placed or permitted to remain that will interfere with or prevent the maintenance of utilities. The area of each Lot covered by an easement and all improvements in that area shall be maintained continuously by the Owner of the Lot, except as provided herein to the contrary and except for installations for which a public authority or utility company is responsible. The appropriate water and sewer authority, electric utility company, telephone company, the Association and developer and its affiliates, and their respective successors and assigns, shall have a perpetual easement for the installation and maintenance, of all underground, water lines, sanitary sewer, storm conduits, under and through the utility easements as shown on the plat. Developer and its affiliates, and its and their designees, successors and assigns, shall have a perpetual easement for the installation and maintenance of cable and community antenna, radio, television, and security lines (and for all future technological advances not now known) within platted utility easement areas. All utilities and lines within the subdivision, whether in street rights-of-way or utility easements, shall be installed and maintained underground.

Section 4. Nuisances. No nuisances shall be allowed upon The Property, nor shall any use or practice be allowed which is a source of annoyance to residents or which interferes with the peaceful possession and proper use of The Property by the residents, nor shall any improper, offensive or unlawful use be made of any Lot, Unit or of the Common Property. **Without limitation, dogs barking and bird noises are nuisances.** All laws, zoning ordinances, and regulations of all governmental bodies having jurisdiction shall be observed.

Section 5. Temporary Structures. No Structure of a temporary character, or trailer, tent, mobile home or recreational vehicle, shall be permitted on The Properties at any time to be used as a residence, either temporarily or permanently, except by the Developer and its affiliates during construction. **The Architectural Control Board may approve builder construction trailers.**

Section 6. Signs. No sign of any kind shall be display to the public view on The Properties, except only one sign of not more than one (1) square foot used to indicate the name of the resident or one sign of not more than four (4) square feet advertising the property for sale or for rent (in locations and in accordance with design standards approved by the Architectural Control Board), or any sign used by the builder to advertise the company during the construction and sales period. No sign of any kind shall be permitted to be placed inside a home or on the outside walls of the home or on any fences on The Properties, nor on the Common Areas, nor on dedicated areas, nor on entryways or any vehicles within The Properties, except such as are placed by the Developer or its affiliates.

Section 7. Oil and Mining Operation. No oil drilling, oil development operations, oil refining, quarrying or mining operations of any kind shall be permitted upon or in The Properties, nor on dedicated areas, nor shall oil wells, tanks, tunnels, mineral excavations or shafts be permitted upon or in The Properties. No derrick or other structure designed for use in boring for oil or natural gas shall be erected, maintained or permitted upon any portion of the land subject to these restrictions.

Section 8. Pets, Livestock and Poultry. No animals, livestock, or poultry of any kind shall be raised, bred or kept on any Lot, except no more than **four (4)** household pets may be kept, provided they are not kept, bred or maintained for any commercial purpose, and provided that they do not become a nuisance or annoyance to any neighbor. **No more than two (2) of the household pets may be dogs.** No dogs or other pets shall be permitted to have excretions on any Common Property or on the Lots of other Owners and the Owners shall be responsible to clean up any such improper excretions. **All dogs shall either be confined to the owner's lot or on a leash** For purposes hereof, "household pets" shall mean dogs, cats and domestic birds. Pets shall also be subject to applicable rules and regulations.

Section 9. Sight Disturbance at Intersections. No fence, wall, hedge or shrub planting which obstructs sight lines and elevation between two (2) and five (5) feet above the roadways shall be placed or permitted to remain on any corner lot within the triangular area formed by the street property lines and the line connecting them at points twenty five (25) feet from the intersection of the street lines or, in the case of a rounded property corner, from the intersection of the property lines extended. The same eight line limitation shall apply on each Lot within ten (10) feet from the intersection of the street property lines with the edge of the driveway pavement. No trees shall be permitted to remain within such distances of such intersections unless the foliage line is maintained at six (6) feet above grade so as to prevent obstruction of such sight lines.

Section 10. Establishment of Architectural Review Board; Duties and Functions of the ARB. Initially, the rights, powers, duties and functions of the "Architectural Review Board" ("ARB") shall be performed by the ARB of the MAGNOLIA POINTE MASTER HOMEOWNERS' ASSOCIATION, INC. WHEN THE MAGNOLIA POINTE MASTER HOMEOWNERS' ASSOCIATION, INC. DELEGATES THE RIGHTS, POWERS, DUTIES AND RESPONSIBILITIES TO THE ASSOCIATION, the Declarant, shall immediately form a Board known as the "Architectural Review Board" ("ARB"). The rights, duties, powers and responsibilities of the ARB shall be as follows:

A. The ARB shall consist of three (3) or more persons designated by the Declarant. At such time as Declarant no longer owns any real property within the Properties or **January 1, 2004, whichever occurs later** (or earlier at the Declarant's option), the Declarant shall assign to the Association the rights, powers, duties and obligations of the ARB, whereupon the Board shall appoint the members of the ARB and shall provide for the terms of the members of the ARB. Members of the ARB need not be officers, directors or members of the Association.

B. Prior to obtaining building permits or commencing construction of any building, fence, wall, pool, landscaping or other structure (including, but not limited to, landscaping, exterior paint or finish, hurricane protection, birdhouses, other pet houses, swales, asphaltting or other improvements or changes of any kind) upon the Property, the ARB shall have the right of specific approval or veto of all architectural, engineering, platting, planning and landscaping aspects of any improvement or development of individual units or buildings as well as the general plan for development of any individual lot or subdivision, tract or parcel of land within the Properties. All construction and development within the Properties is subject to local government control; provided, further, that the ARB may, in its sole discretion, impose standards of architectural and landscaping design, building setback lines or the general plan for development, which standards are greater or more stringent than standards prescribed in applicable building, zoning, planning or other local government codes.

C. No building, sign, outside lighting, fence, hedge, wall walk, dock or other structure or planting shall be constructed, erected, removed, planted or maintained nor shall any addition to any change or alteration therein be made until the plans and specifications showing the nature, kind, shape, height, materials, floor plans, color scheme and the location of the same shall have been submitted to and approved in writing by the ARB. Any change in the outward appearance of any improvement, including, but not limited to, repainting the same in a different color, adding decorative sculptures, wrought iron grills, or the like, shall also require approval in writing by the ARB before any work is commenced. Refusal of approval of plans, specifications or location may be based upon any grounds, including purely aesthetic considerations, which the ARB, in its sole and uncontrolled discretion deems sufficient. **The ARB, in its sole and uncontrolled discretion, require any plant, bush or tree to be trimmed, cut, or removed.**

D. All plans for the construction of any improvements within the Properties shall contain a drainage plan which shall be consistent with the stormwater management drainage plan for Magnolia Pointe as set forth in the Master Plan.

E. As part of the application process, three (3) complete sets of plans and specifications prepared by an architect, or other person found to be qualified by the ARB, shall be submitted for approval by written application on such form as may be provided or required by the ARB. In the event the information submitted to the ARB is, in its opinion, incomplete or insufficient in any manner, it may request and require the submission of additional or supplemental information.

F. The ARB shall have the right to refuse to approve any plans and specifications which are not suitable or desirable, in its sole discretion, for aesthetic or any other reasons, providing such approval is not unreasonably withheld. In approving or disapproving such plans and applications, the ARB shall consider the suitability of the proposed building, improvements, structure or landscaping and materials of which the same are to be build, the site upon which it is proposed to be erected, the harmony thereon with the surrounding area and the effect thereon on adjacent or neighboring property.

G. Unless specifically excepted by the ARB, the improvements for which approval of the ARB is required under this Declaration shall be completed within a reasonable time from the date of commencement of said improvements or within the time set by the ARB in the event that the approval is so conditioned.

H. The ARB shall in all cases have the right to determine and designate building set back lines necessary to conform to the general plan of Magnolia Pointe, in order to preserve the integrity of the Properties. In this respect the ARB's judgment and determination shall be final and binding.

I. The ARB will make every effort to complete its review of the plans and specifications submitted in final and complete form, within fifteen (15) days, after written request for approval by the Owner or Building. The ARB may notify the applicant that it will need additional time to complete its review, in which case, the ARB may extend its time for review for an additional fifteen (15) day period.

J. There is specifically reserved unto the ARB the right of entry and inspection upon any Lot, for the purpose of determination by the ARB whether; there exists any construction or any improvement which violates the terms of any approval by the ARB or the terms of this Declaration or of any other covenants, conditions and restrictions to which its deed or other instrument of conveyance makes reference. The ARB is specifically empowered to enforce the provisions of this Declaration by any legal or equitable remedy, and, in the event it becomes necessary to resort to litigation to determine the propriety of any constructed improvement or to remove any unapproved improvements, the substantially prevailing party shall be entitled to recovery of all court costs, expenses and reasonable attorneys' fees in connection therewith. The Association shall indemnify and hold harmless the ARB from all costs, expenses and liabilities, including attorneys' fees, incurred by virtue of any member of the ARB's service as a member of the ARB.

K. A majority of the ARB may take any action of the Board and may designate a representative to act for it. In the event of death, disability or resignation of any member of the ARB, the Declarant or its successors or assigns shall designate a successor.

L. The ARB may adopt such further rules and regulations as it deems necessary to carry out its functions and purposes hereunder, provided all such rules and regulations shall be filed with and made a part of the Association's minutes and provided to Owners.

M. In each instance where a structure has been erected, or the construction thereof is substantially advanced, in such manner that the same violates the restrictions contained in this Declaration or any other covenants which the ARB has the power to enforce, or in such manner that the same encroaches on any easement area or setback line, the ARB reserves the right to release the property from the restriction which it violated and to grant an exception to permit the encroachment by the structure over the setback line, or on the easement area, so long as the ARB, in the exercise of its sole discretion, determines that the release or exception will not materially and adversely affect the health, safety and appearance of the Properties.

N. The ARB has the right, but not the obligation to grant waivers for minor deviations and infractions of the covenants set forth herein. The granting of any waiver for any portion of the Properties may be given or withheld in the ARB's sole

discretion and a prior grant of similar waiver shall not impose the ARB the duty to grant new or additional requests of such waivers.

O. The Association, Declarant, ARB, or any officer, employee, director or member thereof shall not be liable for damages to any persons submitting plans and specifications for approval by reason of mistake in judgment, negligence or nonfeasance arising out of or in connection with the approval, disapproval or failure to approve any plans and specifications. Every person who submits plans and specifications for approval agrees, by submission of such plans and specifications, that it will not bring any action or suit against the Association, Declarant, the ARB or any officer, employee, director or member thereof to recover any such damages.

P. The foregoing provisions shall not be applicable to the Developer or its affiliates or to construction activities conducted by the Developer or such affiliates.

Section 11. Landscaping. A landscape plan for each Lot must be submitted at least ninety (90) days prior to the Certificate of Occupancy being issued or completion of the Unit, whichever occurs first. Every Lot upon which a unit shall have been constructed shall be fully landscaped and have installed an underground irrigation system **prior to Certificate of Occupancy being issued or completion of the Unit, whichever shall first occur.** All lawns must be edged at the pavement's edge and at the sidewalk and driveway edges. All Lots shall be fully sodded with a variety of St. Augustine grass and replaced and maintained on a continual basis. The landscape plan for each Lot must contain a minimum of ten (10) trees at least four (4) inches in diameter and be a minimum of fourteen (14) to sixteen (16) feet in height. **At least half of the trees must be ligustrums, oaks, or elms.** A minimum of FIVE THOUSAND DOLLARS (\$5,000.00), **excluding sod and irrigation,** must be spent on each landscape in conformance with and approved by the Architectural Control Board prior to installation.

Section 12. Parking. All trucks in excess of one and one half (1 ½) ton, commercial vehicles, machines, boats, house trailers, mobile homes, campers, recreational vehicles, or trailers of any description must be stored or parked in a fully enclosed garage. Trucks and commercial vehicles may only park on the streets temporarily for pick-up, delivery and other services. Campers, mobile homes, recreational vehicles, and trailers may only park temporarily (not overnight) if outside of a fully enclosed garage.

Section 13. Storage Recepticals. No fuel tanks or similar storage recepticals may be exposed to view, and if installed at a Lot, must be located in the side or rear yard and the area surrounding such storage recepticals must be landscaped as approved by the Architectural Control Board.

Section 14. Garbage and Trash Disposal. No garbage, refuse, trash or rubbish shall be deposited except as permitted by the Association. The requirements from time to time of the applicable governmental authority for disposal or collection of waste shall be complied with. All equipment for the storage or disposal of such material shall be kept in a clean and sanitary condition. Containers must be rigid plastic, no less than twenty (20) gallons or more than thirty two (32) gallons in capacity, and well sealed. Such containers may not be placed out for collection sooner than 6:00 P.M. on the evening on the day before scheduled collection and must be removed within twelve (12) hours of collection.

Section 15. Fences. Fences shall be subject to prior written approval of the Architectural Control Board. **Only brick or ornamental type fences shall be permitted. Wood, chain link and stucco fences are specifically prohibited.** In no event shall any fence exceed **four (4)** feet in height above existing finish grade except in the cases of a swimming pool privacy fence which will be allowed in the rear yard upon prior written approval of the Architectural Control Board, nor shall any such fence be constructed between street and rear line of a Unit. Fences are prohibited along the street sides of the Lots, with the exception of corner lots, subject however to the approval of the Architectural Control Board.

Section 16. Clotheslines. There shall be no exterior clotheslines and no garments, laundry, rugs or other articles may be aired or dried on any portion of The Properties.

Section 17. Unit Air Conditioners and Reflective Materials. No air conditioning units may be mounted through windows or walls. No building shall have any aluminum foil place in any window or glass door or any reflective substance or other materials (except standard window treatments) placed on any glass, except such as may be approved by the Architectural Control Board for energy conservation purposes.

Section 18. Planting and Removal of Trees. The Architectural Control Board shall maintain lists of landscaping trees, plants, shrubs, grasses and other landscaping components which shall be considered as approved for use at The Property. No other landscaping components may be utilized without prior written approval of the Architectural Control Board. In reviewing the building plans, the Architectural Control Board shall take into account the natural landscaping such as trees, shrubs, palmettos and encourage the builder to incorporate them into the landscaping plan. No trees of four (4) inches in diameter at two (2) feet interval natural grade can be cut or removed without prior written approval of the Architectural Control Board.

Section 19. Play Structures and Yard Accessories. All yard accessories and play structures, including basketball backboards and any other fixed games, shall be located at the side or rear of the Unit, or to the rear of Units on corner Lots and always

within the setback lines. All such accessories or structures shall be of natural materials and of natural earth colors. Tree houses or platforms of a like kind or nature will not be constructed on any part of the Lot located in front of the rear lot line of a Unit constructed at The Properties. This section shall not apply to recreation equipment furnished by Developer.

Section 20. Unit Characteristics. No unit shall exceed thirty five (35) feet in height, nor exceed two (2) stories, **as measured from the front elevation**. Each Unit shall include an enclosed two (2) car garage having a minimum width of twenty (20) feet equipped with an automatic garage door opener. All garages and garage doors must be maintained in usable condition and garage doors fronting toward a street will not be permitted. All driveways must be paved with concrete, paving stones, brick and other paving material of a permanent nature. No garage, no any portion thereof shall be converted into a living area. No detached buildings shall be allowed. These requirement may be modified by the ARB.

Section 21. Exterior Materials. All **siding** materials such as brick, stucco, and painted siding ~~and wood~~ shall be used for the exterior surfaces of the Units as approved by the Architectural Control Board as provided herein. **Wood may be allowed for facia.**

Section 22. Unit Size and Occupancy. Each **Lakefront** Unit shall have a minimum living area of **three thousand two hundred fifty (3,250) square feet** of air conditioned space, exclusive of garages, breezeways, terraces and similar appurtenances. **If a Lakefront Unit has a walk out basement, then at least two thousand five hundred (2,500) square feet of the three thousand two hundred fifty (3,250) square feet of air conditioned space shall be located on the main floor.** Each **Interior** Unit shall have a minimum living area of **two thousand five hundred fifty (2,500) square feet** of air conditioned space, exclusive of garages, breezeways, terraces and similar appurtenances. **If an Interior Unit has a walk out basement, then at least two thousand (2,000) square feet of the two thousand five hundred fifty (2,500) square feet of air conditioned space shall be located on the main floor.** No Unit shall be occupied until the construction thereof has been completed in accordance with the plans, specifications and plot plan approved by the Architectural Control Board; provided, however, this sentence shall not apply to the Developer.

Section 23A. Unit Location - Lakefront Units.

A. Front yard setback shall not be less than **thirty (30) feet** in depth measured from the front lot line to the front of any wall or appurtenance of any Unit and as shown on the Plat of Magnolia Pointe.

B. **Rear yard setback shall not be less than five (5%) percent of**

the Lot depth measured from the drainage easement line to the rear of any Unit inclusive of pools and patios and as shown on the Plat of Magnolia Pointe.

C. Side yard setback shall not be less than **seven and one half (7.5)** feet in width, with a minimum of **fifteen (15)** feet between Units.

D. All Units shall face to the front of the street. In the case where a Lot fronts on two (2) streets, the front of the Unit and driveway shall be located as approved by the Architectural Control Board and have a **twenty five (25)** foot front setback and a **fifteen (15) foot secondary front setback**.

Section 23B. Unit Location - Interior Units.

A. Front yard setback shall not be less than **twenty-five (25)** feet in depth measured from the front lot line to the front of any wall or appurtenance of any Unit and as shown on the Plat of Magnolia Pointe.

B. Rear yard setback shall not be less than **twenty (20)** feet in depth measured from the rear lot line to the rear of any Unit inclusive of pools and patios and as shown on the Plat of Magnolia Pointe.

C. Side yard setback shall not be less than **seven and one half (7.5)** feet in width, with a minimum of **fifteen (15)** feet between Units.

D. All Units shall face to the front of the street. In the case where a Lot fronts on two (2) streets, the front of the Unit and driveway shall be located as approved by the Architectural Control Board and have a **twenty five (25)** foot front setback and a **fifteen (15) foot secondary front setback**.

Section 24. Lot Size. The Developer shall have the exclusive right and power to further subdivide or alter, or add Lots or to consent to the alteration or subdivision of, any existing or future Lot for so long as Developer owns for sale in the ordinary course of business, any Lot at The Properties. Thereafter, alteration or re-subdivision of any Lot shall require approval of the Board of Directors of the Association.

Section 25. Swimming Pools, Spas or Hot Tubs. After appropriate written approvals have been received from the Architectural Control Board and Lake County permits have been obtained, a swimming pool, spa, or hot tub may be permitted on a Lot subject to the following restrictions:

A. **Minimum rear setbacks shall be at least five (5) feet from the drainage easement line for Lakefront Lots and rear lot line for Interior Lots.**

B. All swimming pools and spas shall be enclosed by a fence or pool enclosure; however, any fence must be in conformity with the requirements outlined in

Section 15 hereof.

C. Pool screen enclosures must be bronze or white anodized aluminum.

Section 26. Conditions of Buildings and Grounds. It shall be the responsibility of each Lot Owner to prevent the development of any unclean, unsightly or unkept conditions of buildings or grounds on such Lot which shall tend to substantially decrease the beauty of the community as a whole or the specific area. This restriction shall apply before, during and after construction.

Section 27. Subordination of Liens to Mortgagee. The lien of any assessment against a Lot described in this Declaration shall be absolutely subordinate to the Lien of any First Mortgage now or hereafter placed upon the Lots. This subordination shall not release such Lot from liability for any assessment now or hereafter due and payable.

Section 28. Solar Panels. After appropriate written approvals have been received from the Architectural Control Board and appropriate Lake County permits have been obtained, solar panels may be constructed on a Unit. Solar Panels shall not be elevated on the roof of a Unit and shall only be located on the rear side of a Unit.

Section 29. Maintenance of Protective Screening. Any protective screening constructed by Developer along exterior Lot lines as a buffer against the encroachment of noise, dust and/or visual pollution, or other adverse influences, shall be maintained by the Homeowners' Association, at the Homeowners' Associations expense, including the repair and replacement thereof from time to time, for so long as such buffer shall continue necessary by virtue of the continued adverse influence of the adjacent properties.

Section 30. Drainage Structures. No person, without the prior written approval of the Association, shall obstruct, alter or in any way modify the method and/or structures of drainage utilized or installed by the Developer from, on and over any Lot, or the Common Properties; not shall any structure be erected, placed or maintained which shall in any way obstruct or alter such drainage devices or facilities or impede their efficient operation.

Section 31. Exterior Window Treatment. Window treatments in all Units shall be of a uniform exterior appearance throughout and be of a decorator type material such as mini blind, vertical blind or professionally acceptable type curtain.

Section 32. Antennas. No antenna, or satellite dish or similar appliance shall be erected on or about any Unit or any Lot without the prior written approval of the Architectural Control Board and must be placed within the area encompassed by

rearward extension of the side lines of the Unit and to the rear of the Unit. Any approval of satellite dishes shall be limited to a type similar to those encompassed within a patio table umbrella or wife table of a similar nature not visible as a satellite dish.

Section 33. Outdoor Lighting. All outdoor lighting shall be so shaded and directed such that the light therefrom is directed to fall only on the same premises where light sources are located.

Section 34. Lake Shore Clearing. Owners shall only be permitted to clear that amount of the lakeshore as permitted under the Lake County Ordinances, or other governmental agencies having jurisdiction.

Section 35. Lakeside Swales Construction. Owners, and/or the Homeowners' Association will be required to maintain the swale for pollution control purposes in order to protect the public health, safety and welfare and the water quality of Johns Lake. Further, Lake County may enforce this particular covenant and will be entitled to recover costs and attorneys fees for any such successful legal action.

Section 36. Mailboxes. Mailboxes shall only be permitted with approval of the Architectural Control Board.

Section 37. Sidewalks. All lot owners at The Property will be required to construct a **five (5)** foot sidewalk along their lot frontage at the time of home construction in conformance with the setbacks required by the Architectural Control Board. Sidewalk Maintenance is the responsibility of the Lot Owner.

Section 38. Leases. No portion of a Lot and Unit (other than an entire Lot and Unit) may be rented. All leases shall be on forms approved by the Association and shall provide that the Association shall have the right to terminate the lease in the name of and as agent for the lessor upon default by tenant in observing any of the provisions of this Declaration, the Articles of Incorporation and By-Laws of the Association, applicable rules and regulations of the Association or other applicable provisions of any agreement, document or instrument governing The Properties or administered by the Association. Leasing of Lots and Units shall also be subject to the prior written approval of the Association, which approval shall not be unreasonably withheld. No lease shall be approved for a term of less than one (1) year.

Section 39. Roofs. All Roofs must utilize tile or a minimum 30 year, architectural cut shingle AND have a minimum 5-12 pitch. These requirements may be modified by the ARC.

Section 40. Rules and Regulations. Regulations promulgated by the Board of

Directors of the Association as to the use and enjoyment of the Common Property shall be observed by the Members; provided, however, that copies of such rules and requisitions shall be made available to each Member prior to the time same became effective.

ARTICLE VII

RESALE RESTRICTIONS

No Owner may sell or convey his interest in a Lot unless all sums due the Association shall be paid in full and on estoppel certificate in recordable form to such effect shall have been received by the Owner. If all such sums shall have been paid, the Association shall deliver such certificate within ten (10) days of a written request therefor. The Owner requesting the certificate shall pay to the Association a reasonable sum to cover the costs of examining records and preparing the certificate.

ARTICLE VIII

ENFORCEMENT

Section 1. Compliance by Owners. Every Owner shall comply with the restrictions and covenants set forth herein and any and all rules and regulations which from time to time may be adopted by the Board of Directors of the Association.

Section 2. Enforcement. Failure of an Owner to comply with such restrictions, covenants or rules and regulations shall be grounds for immediate action which may include, without limitation, an action to recover sums due for damages, injunctive relief, or any combination thereof. The Association shall have the right to suspend voting rights and use of Common Property (except for legal access) of defaulting Owners. The offending Lot Owner shall be responsible for all costs of enforcement including attorneys' fees actually incurred and court costs.

Section 3. Fines. In addition to all other remedies, in the sole discretion of the Board of Directors of the Association, a fine or fines may be imposed upon an Owner for failure of an Owner, his family, guests, invitees or employees to comply with any covenant, restriction, rules or regulation, provided the following procedures are adhered to:

- (a) Notice: The Association shall notify the Owner of the alleged infraction or infractions. Included in the notice shall be the date and time of a special meeting of the Board of Directors at which time the Owner shall present reasons why penalties should not be imposed. At least six (6) days' notice

of such meeting shall be given.

(b) Hearing: The alleged noncompliance shall be presented to the Board of Directors after which the Board of Directors shall hear reasons why penalties should not be submitted to the Owner by not later than twenty one (21) days after the Board of Director's meeting. The Owner shall have a right to be represented by counsel and to cross-examine witnesses. If the impartiality of the Board is in Question, the Board shall appoint three (3) impartial Members to a special hearing panel.

(c) Penalties: The Board of Directors (if its or such panel's findings are made against the Owner) may impose Special Assessments against the Lot owned by the Owner as follows:

(1) First noncompliance or visitation:
a fine not in excess of one hundred dollars (\$100.00).

(2) Second noncompliance or violation:
a fine not in excess of five hundred dollars (\$500.00).

(3) Third and subsequent noncompliance, or a violation or violations which are of a continuing nature: a fine not in excess of one thousand dollars (\$1,000.00).

(d) Payment of Penalties: Fines shall be paid not later than five (5) days after notice of the imposition or assessment of the penalties.

(e) Collection of Fines: Fines shall be treated as an assessment subject to the provisions for the collection of assessments as set forth herein.

(f) Application of Penalties: All monies received from fines shall be allocated as directed by the Board of Directors.

(g) Nonexclusive Remedy: These fines shall not be construed to be exclusive, and shall exist in addition to all other rights and remedies to which the Association may be otherwise legally entitled; provided, however, any penalty paid by the offending Owner shall be deducted from or offset against any damages which the

Association may otherwise be entitled to recover by law from each other.

ARTICLE IX
GENERAL PROVISIONS

Section 1. Duration. The covenants and restrictions of this Declaration shall run with and bind The Properties, and shall inure to the benefit of and be enforceable by the Developer, the Association, the Architectural Control Board and the Owner of any land subject to this Declaration, and their respective legal representatives, heirs, successors and assigns, for a term of ninety nine (99) years from the date this Declaration is recorded, after which time said covenants shall be automatically extended for successive periods of ten (10) years each, unless an instrument signed by the then Owners of 75% of all the Lots subject hereto has been recorded, agreeing to revoke said covenants and restrictions. Provided, however, that no such agreement to revoke shall be effective unless made and recorded three (3) years in advance of the effective date of such revocation and unless written notice of the proposed agreement is sent to every Owner at least ninety (90) days in advance of any action taken.

Section 2. Notice. Any notice required to be sent to any Member or Owner under the provisions of this Declaration shall be deemed to have been properly sent when personally delivered or mailed, postpaid, to the last known address of the person who appears as Member or Owner on the records of the Association at the time of such mailing.

Section 3. Enforcement. Enforcement of these covenants and restrictions shall be accomplished by any proceeding at law or in equity against any person or persons violating or attempting to violate any covenant or restriction, either to restrain violation or to recover damages, and against the Lots to enforce any lien created by these covenants; and failure to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter. The St. Johns River Water Management District shall have the right to enforce, by a proceeding at law or in equity, the provisions contained in this Declaration which relate to the maintenance, operation and repair of the surface water or stormwater management system.

Section 4. Severability. Invalidation of any one of these covenants or restrictions or any part, clause or word hereof, or the application thereof in specific circumstances, by judgment or court order shall not affect any other provisions or applications in other circumstances, all of which shall remain in full force and effect.

Section 5. Amendment. In addition to any other manner herein provided for the amendment of this Declaration, the covenants, restrictions, easements, charges and liens of this Declaration may be amended, changed or added to at any time and from

time to time upon the execution and recordation of an instrument executed by the Developer alone, for so long as it or its affiliates holds title to any Lot affected by this Declaration; or alternatively by approval at a meeting of Owners holding not less than 66-2/3% vote of the membership in the Association, provided, that so long as the Developer or its affiliates is the Owner of any Lot affected by this Declaration, the Developer's consent must be obtained if such amendment, in the sole opinion of the Developer, affects its interest. The foregoing sentence may not be amended. Any amendment to the Covenants and Restrictions which alter the surface water or stormwater management system, beyond maintenance in its original condition, including the water management portions of the common areas, must have the prior approval of the St. John's River Water Management District.

Section 6. Effective Date. This Declaration shall become effective upon its recordation in the Lake County Public Records.

Section 7. Withdrawal. Developer reserves the right to amend this Declaration at any time, without prior notice and without the consent of any person or entity, for the purpose of removing certain portions of The Properties then owned by the Developer or its affiliates or the Association from the provisions of this Declaration to the extent included originally in error or as a result of reasonable changes in the plans for The Properties desired to be affected by the Developer.

Section 8. Conflict. This Declaration shall take precedence over conflicting provisions in the Articles of Incorporation and By-Laws of the Association and the Articles shall take precedence over the By Laws.

Section 9. Standards for Consent, Approval, Completion, Other Action and Interpretation. Whenever this Declaration shall require the consent, approval, completion, substantial completion, or other action by the Developer or its affiliates, the Association or the Architectural Control Board, such consent, approval or action may be withheld in the sole and unfettered discretion of the party requested to give such consent or approval or take such action, and all matters required to be completed or substantially completed by the Developer or its affiliates or the Association shall be deemed so completed or substantially completed when such matters have been completed or substantially completed in the reasonable opinion of the Developer or Association, as appropriate. This Declaration shall be interpreted by the Board of Directors and an opinion of counsel to the Association rendered in good faith that a particular interpretation is not unreasonable shall establish the validity of such interpretation.


Section 10. Easements. Should the intended creation of any easement provided for in this Declaration fail by reason of the fact that at the time of creation there may be no grantee in being having the capacity to take and hold such easement, then

any such grant of easement deemed not to have been so created shall nevertheless be considered as having been granted directly to the Association as agent for such intended grantees for the purpose of allowing the original party or parties to whom the easements were originally intended to have been granted the benefit of such easement and the Unit Owners designate hereby the Developer and the Association (or either of them) as their lawful attorney in-fact to execute any instrument on such Owners' behalf as may hereafter be required or deemed necessary for the purpose of later creating such easement as it was intended to have been created herein. Formal language of grant or reservation with respect to such easements, as appropriate, is hereby incorporated in the easement provisions hereof to the extent not so imuted in some or all of the provisions.

Section 11. Covenants Running With the Land. Anything to the contrary herein notwithstanding and without limiting the generality (and subject to the limitations) of Section 1 hereof, it is the intention of all parties affected hereby (and their respective heirs, personal representatives, successors and assigns) that those covenants and restrictions shall run with the land and with title to The Properties. Without limiting the generality of Section 4 hereof, if any provision or application of this Declaration would prevent this Declaration from running with the land as aforesaid, such provision and/or application shall be judicially modified, if at all possible, to come as close as possible to the intent of such provision or application and then be enforced in a manner which will allow these covenants and restrictions to so run with the land; but if such provision and/or application cannot be so modified, such provision and/or application shall be unenforceable and considered null and void in order that the paramount goal of the parties affected hereby (that these covenants and restrictions run with the land as aforesaid) be achieved.

EXECUTED as of the date first above written.

Signed, sealed and delivered
in the presence of:

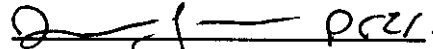


Timothy P. Hoban
Printed Name



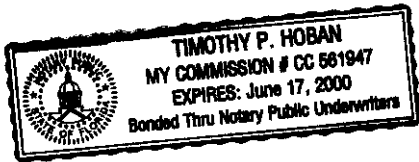
SHARON J. HENDERSON
Printed Name

MAGNOLIA POINTE
DEVELOPMENT, INC.,
a Florida corporation

By: 
DANIEL S. DECKER
President

STATE OF FLORIDA
COUNTY OF LAKE

The foregoing instrument was acknowledged before me this 15th day of January, 1998, by Daniel J. Decker, President on behalf of Magnolia Pointe Development, Inc., a Florida corporation. He/She is personally known to me or has produced _____ as identification.
(type of identification)





Signature of Acknowledger
My Commission Expires:

EXHIBIT A
LEGAL DESCRIPTION

P.R. 1585 PAGE 0427
BOOK

The Property lying to the South and East of Tracts B and D, Magnolia Plat, Recorded in
Plat Book 40, Page 1, Public Records of Lake County, FL.

EXHIBIT B

BOOK 1585 PAGE 0428

ARTICLES OF INCORPORATION

Book 1585 PAGE 0429

State of Florida



Department of State


I certify the attached is a true and correct copy of the Articles of Incorporation of MAGNOLIA POINTE LAKEFRONT HOMEOWNERS' ASSOCIATION, INC., a Florida corporation, filed on December 17, 1997, as shown by the records of this office.

The document number of this corporation is N98000000336.

Given under my hand and the
Great Seal of the State of Florida
at Tallahassee, the Capitol, this the
Twenty-first day of January, 1998



CR2EO22 (2-95)



Sandra B. Northam
Secretary of State

**ARTICLES OF INCORPORATION
OF MAGNOLIA POINTE LAKEFRONT HOMEOWNERS' ASSOCIATION, INC.,
a Florida Not-For-Profit Corporation**

The undersigned, by these Articles, associate themselves for the purpose of forming a corporation not for profit under Chapter 617 of the Florida Statutes, and certify as follows:

**ARTICLE I
NAME AND ADDRESS**

The name of the corporation shall be MAGNOLIA POINTE LAKEFRONT HOMEOWNERS' ASSOCIATION, INC. For convenience, the corporation shall be referred to in this instrument as the "Association", and shall have as its principle office address and mailing address 12543 Magnolia Cove Court, Clermont, Florida 34711.

**ARTICLE II
PURPOSE AND DEFINITIONS**

2.1 Purpose. The purpose for which the Association is organized is to provide an entity for the operation of the Property as defined in the Declaration of Covenants and Restrictions of MAGNOLIA POINTE LAKEFRONT to be recorded in Public Records of Lake County, Florida, as may be amended from time to time (the "Declaration") and the preservation and maintenance thereof as further set forth in the Declaration.

2.2 Nonprofit Character of Association. The Association does not contemplate pecuniary gain or profit, direct or indirect, to its Members. The Association shall make no distributions of income to its Members, directors, or officers.

2.3 Definitions. The definitions set out in Article I of the Declaration are incorporated herein by reference.

**ARTICLE III
POWERS, DUTIES AND ASSESSMENTS**

The powers of the Association shall include and be governed by the following Provisions:

3.1 Common Law and Statutory Powers. The Association shall have all of the common law and statutory powers of a corporation not for profit which are not in conflict with the terms of these articles.

3.2 Powers in the Declaration. The Association shall have all of the powers and duties set forth in the Declaration reasonably necessary to operate the Property as set

forth in the Declaration, including, but not limited to, the following:

- 1) To make and collect assessments against owners of a Residential Unit or Residential Units within the Property to defray the costs, expenses and losses of the Association.
- 2) To use the proceeds of assessments and billings in the exercise of its powers and duties.
- 3) To maintain, repair, replace and operate those portions of the Property as provided in the Declaration.
- 4) To purchase insurance for the protection of the Association and its Members as defined in the Declaration, as well as liability insurance for the protection of the officers and directors of the Association as may be determined by the Board of Directors in its sole discretion.
- 5) To make and amend reasonable Rules and Regulations respecting the use of the Property as defined in the Declaration.
- 6) To enforce by legal means the provisions of the Declaration, these Articles, the By-Laws of the Association and the Rules and Regulations for the use of the Property.
- 7) To contract for the management and maintenance of the Property as is provided for in the Declaration, and to authorize the management agent to assist the Association in carrying out its powers and duties by performing such functions as collection of assessments, preparation of records, enforcement of rules and maintenance of such areas of the Property as provided in the Declaration. The Association shall, however, retain at all times the power and duties set out herein, in the Declaration and in the By-Laws.
- 8) To employ personnel to perform the services required for proper operation of the Property and the Association, and to supervise all such employees.
- 9) Reconstruct the improvements on the Common Areas after casualty and to further improve the Property.
- 10) The Association shall levy and collect adequate assessments against Members of the Association for the costs of maintenance and operation of the surface water or stormwater management system.
- 11) The assessments shall be used for the maintenance and repair of surface water or stormwater management systems including structures and drainage easements.

3.3 Power to Acquire Residential Units. The Association shall have the power to purchase a Residential Unit or Residential Units in the Property and hold title to the Common Areas and to hold, lease, mortgage and convey the same.

3.4 Duties. The Association shall operate, maintain and manage the surface water or stormwater management system(s) in a manner consistent with the governing Water Management District requirements and applicable District rules, and shall assist in

the enforcement of the restrictions and covenants contained herein.

BOOK 1585 PAGE 0432

ARTICLE IV MEMBERS

4.1 Member. The Members of the Association shall consist of the Developer and all the Owners of a Residential Unit or Residential Units within the Property as defined in the Declaration, provided that any such person or entity who holds such interest merely as security for the performance of any obligation shall not be a Member, unless they have obtained record title to the Residential Unit by foreclosure or deed in lieu of foreclosure.

4.2 Change of Membership. Change in membership in the Association shall be established by recording in the Public Records of Lake County, Florida, a deed or other instrument establishing record title to a Residential Unit in the Property. The Owner designated by such instrument then becomes a Member of the Association and the membership of the prior Owner is terminated. The new Owner shall notify the Association of the recording of a deed or other instrument establishing record title and shall furnish the Association a certified copy of such instrument.

4.3 Membership Rights Appurtenant to Residential Unit Ownership. The share of a Member in the funds and assets of the Association cannot be assigned, hypothecated or transferred in any manner, except as an appurtenance to his Residential Unit.

ARTICLE V VOTING RIGHTS

Section 1. Membership. Every Owner, including the Declarant, shall be a Member of the Association, and by acceptance of a deed or other instrument evidencing ownership interest, each Owner accepts membership in the Association, acknowledges the authority of the Association as herein stated, and agrees to abide by and be bound by the provisions of this Declaration, the Articles of Incorporation, the By-Laws and other rules and regulations of the Association. In addition to the foregoing, the family guests invitees and tenants of said Owners shall, while in or on the Property, abide and be bound by the provisions of this Declaration, the Articles of Incorporation, the By-Laws and other rules and regulations of the Association.

Section 2. Allocation of Voting Rights.

A. Member of the Association shall be allocated votes as follows:

Class A. Class A Members shall be all those Owners as defined in Section 1 with the exception of the Developer (as long as the Class B Membership shall exist, and thereafter, the Developer shall be a Class A Member to the extent it would otherwise

qualify). Except as provided below, Class A Members shall be entitled to one (1) vote for each Lot in which they hold the interest required for membership by Section 1. When more than one person holds such interest or interests in any lot, all such persons shall be Members, and the vote for such Lot shall be exercised as they among themselves determine, but, subject only as provided in the following sentence. In no event shall more than one vote be cast with respect to any such Lot.

Class B. The Class B Member shall be the Developer, its successors and assigns. The Class B Member shall be entitled to nine (9) votes per Lot. The Class B Membership shall cease and terminate on the Turnover Date as required by Section 617.307, Florida Statutes. Developer has the right, but not the obligation, to convert Class B Membership into Class A Membership sooner than required by Section 617.307, Florida Statutes (whereupon the Class A Members shall be obligated to elect the Board and assume control of the Association).

B. When any property entitling the Owner to membership in the Association is owned of record in the name of two or more persons or entities, whether fiduciaries, joint tenants, tenants in common, tenants in partnership or in any other manner of joint or common ownership, or if two or more persons or entities have the same fiduciary relationships respecting the same property, then unless the instrument or order appointing them or creating the tenancy otherwise directs and it or a copy thereof is filed with the secretary of the Association, such Owner shall select one official representative to qualify for voting in the Association and shall notify in writing the Secretary of the Association of the name of such individual. The vote of each individual shall be considered to represent the will of all the Owners of that property. In the circumstance of such common ownership if the Owners fail to designate their voting representative then the Association may accept the person asserting the right to vote as the voting Owner until notified to the contrary by the other Member (s). Upon such notification the Owner may not vote until the Owner (s) appoint their representative pursuant to this paragraph.

C. The voting rights of any Owner may be assigned (for the duration of the lease only) by an Owner to its tenant, if the tenant has entered into a lease with a term of two (2) years or more; provided, however, that the Owner may not assign to such tenant any vote or votes not attributable to the property actually leased by such tenant. No such assignment shall be effective until written notice thereof has been received by the Association.

D. For purposes of determining voting rights hereunder the membership roster shall be set as of sixty (60) days prior to the commencement of the Association's fiscal year.

ARTICLE VI DIRECTORS

6.1 Size of Board of Directors. The affairs of the Association shall be managed by a Board of Directors of no less than three (3) Directors and no more than seven (7) Directors.

6.2 First Board of Directors. The first election of Directors shall not be held until the Turnover Date as defined in article V, Section 3, of the Declaration. The Directors named in these Articles shall serve until the first election of Directors, or until replaced by the Developer in its sole discretion. Any vacancies in the Board of Directors occurring before the first election of Directors shall be filled by the Developer appointing a replacement. With the exception of Developer-appointed members of the Board of Directors, each Director shall be a Member of the Association. Until the Turnover Date, directors need not be Members of the Association.

6.3 Composition of the First Board of Directors. The name and address of the member of the first Board of Directors, who shall hold office until his successors are elected and have been qualified, or until his resignation, removal or appointment of additional directors are as follows:

Daniel J. Decker	12543 Magnolia Cove Court, Clermont, Florida 34711
John Decker	12543 Magnolia Cove Court, Clermont, Florida 34711
Jim Decker	12543 Magnolia Cove Court, Clermont, Florida 34711

6.4 Electing Officers. Directors shall be elected in the manner set forth in the By-Laws of the Association.

**ARTICLE VII
OFFICERS**

The affairs of the Association shall be administered by the officers designated in the By-Laws. The officers shall be elected by the Board of Directors at its first meeting following the annual meeting of the members of the Association, and they shall serve at the pleasure of the Board of Directors. The names and addresses of the officers who shall serve until their successors are designated by the Board of Directors are as follows:

President/Secretary: DANIEL J. DECKER

**ARTICLE VIII
INDEMNIFICATION**

8.1 Indemnification. Every Director and every officer of the Association shall be indemnified by the Association against all expenses and liabilities including counsel fees reasonably incurred by or imposed upon him in connection with any proceeding whether

civil, criminal, administrative or investigative, or any settlement of any proceeding, or any appeal from such proceeding to which he may be a party or in the Association, or having served at the Association's request as a Director or officer of any other corporation, whether or not he is a Director or officer at the time such expenses are incurred, regardless of by whom the proceeding was brought, except in relation to matters as to which any such Director or officer shall be adjudged liable for gross negligence or willful misconduct, in the performance of his duties, provided that in the event of a settlement, the indemnification shall apply only when the Board of Directors of the Association approves such settlement and reimbursement as being in the best interest of the Association. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such Director or officer may be entitled.

8.2 Expenses. Expenses incurred in defending a suit or proceeding whether civil, criminal, administrative or investigative shall be paid by the Association in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the Director or officer to repay such amount if it shall ultimately be determined that he is not to be indemnified by the Association as authorized by these Articles of Incorporation.

8.3 Insurance. The Association shall have the power to purchase and maintain insurance on behalf of any person who is or was a Director or officer of the Association, or is or was serving at the request of the Association as a Director or officer of another association or corporation, against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Association would have the power to indemnify him against such liability under the provisions of these Articles of Incorporation. The Association may purchase liability insurance on behalf of any person who is or was a Director or officer of the Association, insuring against any liability asserted against him and incurred by him in such capacity, or arising out of his status as such.

ARTICLE IX BY-LAWS

The By-Laws of the Association shall be adopted by the Board of Directors and may be altered, amended or rescinded in the manner provided by the By-Laws.

ARTICLE X AMENDMENTS

Amendments to the Articles of Incorporation shall be proposed and adopted in the following manner:

10.1 Notice of Amendment. A resolution for the adoption of a proposed amendment shall be included in the notice of any meeting at which proposed amendment is considered.

10.2 Adoption of Resolution. A resolution for the adoption of a proposed amendment may be proposed either by the Board of Directors or by Members having two-thirds (2/3) of the votes of each class of Members of the Association. Directors and Members not present in person or by proxy at the meeting to consider the amendment may express their approval in writing, provided such approval is delivered to the Secretary at or prior to the meeting. A resolution adopting a proposed amendment must bear the approval of not less than a majority of the Board of Directors and by the affirmative vote if not less than two-thirds (2/3) of the votes of either class of members of the Association.

10.3 Amendment by Agreement. In the alternative, an amendment may be made by an agreement signed and acknowledged by all Members of each class of Association Members, in the manner required for the execution of deeds.

10.4 Developer Amendment. Notwithstanding anything contained herein to the contrary, until the Turnover Date as defined in Article V of the Declaration, these Articles of Incorporation may be amended by the Developer filing such an amendment with the office of the Secretary of State of Florida, which amendment need only be joined by a majority of the members of the Board of Directors of the Association.

10.5 Amendments. No amendment shall make any changes in the qualifications for membership or the voting rights of Members, or any change of Section 6.2 of Article VI hereof, without approval in writing by all Members of each class, except in the event of such amendment is made in accordance with the provisions of Section 10.4 hereof.

ARTICLE XI TERM

11.1 Term. The term of the Association shall be perpetual, unless otherwise sooner terminated.

11.2 Dissolution. The Association may be dissolved with written assent signed by not less than two-thirds (2/3) of each class of Members. Upon dissolution of the Association, other than incident to a merger or consolidation, the assets of the Association shall be dedicated to an appropriate public agency to be used for purposes similar to those for which this Association was created. In the event that such dedication is refused acceptance, such assets shall be granted, conveyed and assigned to any nonprofit corporation, association, trust or other organization to be devoted to such similar purposes.

In the event of termination, dissolution or final liquidation of the Association, the

responsibility for the operation and maintenance of the surface water or stormwater management system must be transferred to and accepted by an entity which would be approved by the governing Water Management District prior to such termination, dissolution or liquidation.

**ARTICLE XII
EXISTENCE AND DURATION**

Existence of the Association shall commence with the filing of these Articles of Incorporation with the Secretary of State, Tallahassee, Florida. The Association shall exist in perpetuity.

**ARTICLE XIII
INCORPORATOR**

The name and address of the incorporator of the Association are as follows:

J. Todd South
Miller, South & Di Masi, P.A.
2699 Lee Road, Suite 120
Winter Park, Florida 32789

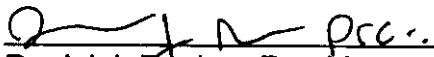
**ARTICLE XIV
REGISTERED AGENT**

The street address of the Association's initial registered office is 220 West Alfred Street, Tavares, Florida 32778 and the name of its initial registered agent, at the address, is Timothy P. Hoban.

IN WITNESS WHEREOF, the said Incorporator and President has hereunto affixed his signature on this 15th day of January, 1998.



J. Todd South, Incorporator



Daniel J. Becker, President

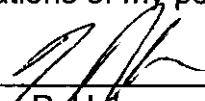
**CERTIFICATE DESIGNATING REGISTERED AGENT
FOR THE SERVICE OF PROCESS IN THIS STATE**

Pursuant to Chapter 48, Florida Statutes, the following is submitted in compliance with said Act.

MAGNOLIA POINTE LAKEFRONT HOMEOWNERS' ASSOCIATION, INC. desiring to organizing as a corporation under the laws of the State of Florida, with its registered office at 220 West Alfred Street, Tavares, Florida 32778, has named Timothy P. Hoban, as its Registered Agent to accept service of process within this state.

ACKNOWLEDGMENT:

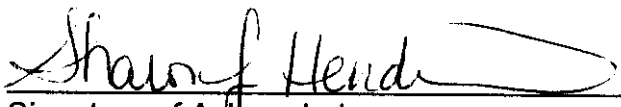
Having been named to accept service of process for the above-stated corporation, at the place designated in this Certificate, I hereby agree to act in such capacity, agree to comply with the provisions of all applicable laws and I state that I am familiar with and accept the obligations of my position in accordance with 617.0501, Florida Statutes.

By: 
Timothy P. Hoban

Dated: January 15, 1998

STATE OF FLORIDA
COUNTY OF LAKE

The foregoing instrument was acknowledged before me this 15th day of January, 1998, by Timothy P. Hoban, who is personally known to me or who has produced _____ as identification.
(type of identification)


Signature of Acknowledger
My Commission Expires:



SHARON I. HENDERSON
My Comm. Exp. 8/28/98
Bonded By Service Ins
No. CC403549
 Personally Known Other I.D.

EXHIBIT C
BYLAWS

BOOK 1585 PAGE 0439

**BY-LAWS OF
MAGNOLIA POINTE LAKEFRONT HOMEOWNERS' ASSOCIATION, INC.
(A not for profit Florida Corporation)**

**ARTICLE I
IDENTITY, LOCATION AND DEFINITIONS**

Section 1. Identity. These are the By-Laws of MAGNOLIA POINTE LAKEFRONT HOMEOWNERS' ASSOCIATION, INC. (herein called the "Association") a corporation not for profit organized and existing under Chapter 617, Florida Statutes, for purposes relating the Property, and defined in and in accordance with the terms and conditions of the Declaration of Master Covenants and Restrictions of MAGNOLIA POINTE, as may be amended from time to time any amendments thereto to be recorded in the Public Records of Lake County, Florida (hereinafter the "Declaration").

Section 2. Principal Office. The principle office shall be located at 12543 Magnolia Cove Court, Clermont, Florida 32711, or other such place designated by the Board of Directors.

Section 3. Fiscal Year. The fiscal year of the Association shall be the calendar year.

Section 4. Seal. The seal of the Association shall bear the name of the Association, the word "Florida," and the year of incorporation.

Section 5. Definitions. The definitions set out in Article I of the Declaration are incorporated herein by reference.

**ARTICLE II
MEMBERSHIP**

Section 1. Members. The Members of the Association shall consist of the Developer and all Owners of a Residential Unit within the Property, as it is defined in the Declaration, provided that any such person or entity who holds such interest merely as security for the performance of any obligation shall not be a Member, unless they have obtained record title to the Residential Unit by foreclosures or deed in lieu of foreclosure.

Section 2. Change of Membership. Change of membership in the Association shall be established by recording in the Public Records of Lake County, Florida, a deed or other instrument establishing a record title to a Residential Unit in the Property. The Owner designated by such instrument thus becomes a member of the Association and the membership of the prior Owner is terminated. The new Owner shall notify the Association of the recording of a deed or other instrument establishing record title and shall furnish the Association a recorded copy of such

instrument.

Section 3. Membership Rights Appurtenant to Residential Unit Ownership. The share of a Member in the funds and assets of the Association cannot be assigned, hypothecated or transferred in any manner, except as an appurtenance to his or her Residential Unit.

Section 4. Membership Rights Subject to Payment of Assessments. The rights of membership are subject to the payment of annual and special assessments levied by the Association, the obligation of which assessments is imposed against each owner of a Residential Unit, and becomes a lien upon the Residential Unit against which assessments are made as provided by Article VI of the Declaration and, in accordance with Article VIII of these By-Laws.

Section 5. Suspension of Certain Membership Rights. The membership rights, including the right to vote and the right to use the Common Areas (with the exception of any roads needed for ingress and egress), of any Owner who owns a Residential Unit in the Property may be suspended by action of the Board of Directors during the period when any assessments(s) against the Residential Unit remain unpaid and for any period not to exceed sixty (60) days for any infraction of the Declaration and/or the Associations rules and regulations. Prior to such suspension of rights, the Board of Directors shall appoint a board of three (3) individuals to examine the appropriateness of the proposed suspension. Upon payment of such assessments, the Owners' rights and privileges shall be automatically restored Nothing contained herein shall limit, impair, or abrogate the Association's right to set, assess, collect and enforce assessments pursuant to Article VI of the Declaration.

ARTICLE III

VOTING

Section 1. Classes of Voting Membership. Every Owner, including the Declarant, shall be a Member of the Association, and by acceptance of a deed or other instrument evidencing ownership interest, each Owner accepts membership in the Association, acknowledges the authority of the Association as herein stated, and agrees to abide by and be bound by the provisions of the Declaration, the Articles of Incorporation, the By-Laws and other rules and regulations of the Association. In addition to the foregoing, the family guests invitees and tenants of said Owners shall, while in or on the Property, abide and be bound by the provisions of the Declaration, the Articles of Incorporation, the By-Laws and other rules and regulations of the Association.

Section 2. Classes of Voting Membership. The Association shall have two classes of voting membership (both classes of which shall be collectively referred to herein as "Members) as follows:

Class A. Class A members shall be all those Members as defined in Article II, Section 1 of these By-Laws, with the exception of the Developer. One vote shall be allocated to each Residential Unit owned by a Class A member. When more than one person holds such interest

or interests in any Residential Unit, all such persons shall be members, and the person entitled to cast the vote for the Residential Unit shall be designated by a certificate filed with the Secretary of the Association signed by all record Owners of the Residential Unit. If any Residential Unit is owned by a corporation, a similar certificate shall be required designating the person entitled to cast the vote for such Residential Unit. Lacking such certificate by multiple Owners or corporation, then the vote for that Residential Unit shall not be considered in determining the requirement for a quorum or any other purpose until such certificate is filed with the Secretary of the Association; except, however, when title to a Residential Unit is held by husband and wife, the husband and wife may, but shall not be required to, designate a voting member. If they do not designate a voting member, and if both are present at a meeting, only one may vote on any given matter. If they are unable to agree on who shall vote, their vote shall not be counted. If no voting member is designated and only one spouse is present at a meeting, the spouse present may cast the vote for the Residential Unit, without establishing the concurrence of the absent spouse. In no event shall more than one vote be cast with respect to any Residential Unit.

Class B. The Class B Member shall be the Developer, its successors or assigns. The Class B Member shall be entitled to nine (9) votes per Residential Unit until the Turnover Date. The Class B Membership shall cease and be converted to Class A Membership and be entitled to vote as such on the Turnover Date as Defined in Article III of the Declaration.

Section 3. Decisions by Designated Representative of Owner. Whenever the decision of an Owner is required upon any matter, whether or not the subject of an Association meeting, such decision shall be expressed by the same person who would cast the vote of behalf of the Owners if at an Association meeting, unless the joinder of record owners is specifically required by the Declaration, the Articles of Incorporation of the Association or these By-Laws.

Section 4. Majority. As used in these By-Laws, the Articles of Incorporation of MAGNOLIA POINTE MASTER HOMEOWNERS' ASSOCIATION, INC., (the "Articles of Incorporation") and the Declaration, the term "majority" shall mean more than fifty percent (50%) of the votes of each class of Members of the Association in accordance with the votes as assigned in the Articles of Incorporation, these By-Laws and the Declaration.

Section 5. Quorum. Except as otherwise provided in these By-Laws, the presence in person or by proxy of Members entitled to cast thirty percent (30%) of the votes of each class of Members of the Association shall constitute a quorum. The acts of Members having a majority of the total votes present at a meeting at which a quorum is present shall constitute the acts of the Members, except when approval by a greater number of Members is required by the Declaration, the Articles of Incorporation, or these By-Laws.

Section 6. Proxy. Votes shall be cast in person or by proxy. Proxies must be signed by the Owner or designated representative entitled to cast the vote for the Residential Unit and must be filed with the Secretary of the Association by the appointed time of the meeting or any adjournment thereof. In no event shall any proxy be valid for a period longer than one year after the date of the

first meeting for which it was given. Every proxy shall be recoverable at any time at the pleasure of the Owner or designated representative executing it, and shall automatically cease upon sale by the Member of his Residential Unit. For election of members of the Board of Directors, Owners of a Residential Unit shall vote in person at a meeting of the Members or by a ballot that the owner, or in the case of multiple owners of a Residential Unit, the designated representative entitled to cast the vote for the Residential Unit, personally casts.

ARTICLE IV **MEMBERS' MEETINGS**

Section 1. Annual Meeting. The annual meeting of the Association shall be held on the first Tuesday of November of each year for the purpose of electing the Board of Directors and transacting any other business authorized to be transacted by the Members; provided, however, there shall be no election of members to the Board of Directors until the Turnover Date as defined in Article X of the Declaration. If the first Tuesday of November is a legal holiday, the meeting shall be held on the next day that is not a legal holiday. The Board of Directors shall have the discretion to hold the annual meeting at any other time during the first two (2) weeks of November of each year which they may deem to be more convenient to the Members of the Association.

Section 2. Location of Meetings. Meetings of the Association shall be held at such place convenient to the Members as may be designated by the Board of Directors.

Section 3. Calling of Special Meetings. Special meetings of Members shall be held whenever called by a majority of the Board of Directors and must be called by such Directors upon receipt of a written request from Members entitled to cast a majority of the votes of those classes of members as reflected in Article III, herein of Members.

Section 4. Notice. Notice of any meetings shall be given to the Members by any officer of the Association or agent designated by the Board of Directors for the purpose of giving notice. Notice may be given to the Member either personally, or by sending a copy of the notice through the mails, postage thereon fully prepaid, to the address appearing on the books of the Association. The notice shall contain the time and place of the meeting and the purpose of the meeting. Notice of any meeting, regular or special, shall be mailed at least six (6) days in advance of the meeting. Notice of meetings may be waived before or after meetings.

Section 5. Failure to Reach Quorum. If any meeting of Members cannot be organized because a quorum has not attended, the Members who are present, either by proxy or in person, may adjourn the meeting from time to time until a quorum is present. In the event they are unable to obtain a quorum, upon scheduling and noticing a new meeting, the quorum requirement shall be one-half of the quorum requirement for the original meeting.

Section 6. Minutes. The Association shall maintain minutes of each meeting of the Membership and of the Board of Directors in a businesslike manner, and the minutes shall be kept in a book available for inspection by Owners or their authorized representatives at any reasonable time. The Association shall retain these minutes for seven (7) years, or such other period as required under applicable law.

Section 7. Records of the Association. The Association shall maintain each of the following items, when applicable, which shall constitute the official records of the Association:

- (a) A copy of the plans, permits, warranties, and other items provided by any developer, contractor, builder or Approved Builder.
- (b) A copy of these By-Laws and of each amendment hereof.
- (c) A certified copy of the Articles of Incorporation, and of each amendment thereto.
- (d) A copy of the current rules and regulations of the Association.
- (e) A book or books that contain the minutes of all meetings of the Association, of the Board of Directors and of Members, which minutes shall be retained for a period of not less than seven (7) years.
- (f) A current roster of all Members and their mailing addresses, parcel identifications, and, if known, telephone numbers.
- (g) All current insurance policies of the Association or a copy thereof.
- (h) 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 Owners of a Residential Unit have an obligation or responsibility.
- (i) Accounting records for the Association and separate accounting records for each Residential Unit, according to generally accepted accounting principles. All accounting records shall be maintained for a period of not less than seven (7) years. The accounting records shall be open to inspection by Owners of a Residential Unit or their authorized representatives at reasonable times.

ARTICLE V **BOARD OF DIRECTORS**

Section 1. Size of Board of Directors. The affairs of the Association shall be managed by a Board of Directors of no less than three (3) and no more than seven (7) Directors, provided the

Board of Directors shall always be composed of an odd number of Directors.

Section 2. Term of Board of Directors.

(a) Members of the Board of Directors, except as provided in Article V, Section 2(d) below, and unless otherwise provided in these By-Laws, shall be elected at the annual meetings of Members of the Association. The name or names receiving the largest number of votes shall be elected. At such election the Owner of each Residential Unit or its proxy may cast, as to each vacancy on the Board of Directors, the number of votes allocated to the Owner of a Residential Unit by virtue of Article III of these By-Laws. With the exception of Developer-appointed Board Members, each Director shall be a Member of the Association. Until the Turnover Date, Directors need not be Members of the Association.

(b) Except as to vacancies provided by removal of Directors by Members, vacancies on the Board of Directors occurring between annual meetings of Member shall be filled by the remaining Directors, any such appointed Director to hold office until his successor is elected by the Members; provided that vacancies caused by resignation of a Developer-appointed Director shall be filled by the Developer appointing a replacement.

(c) Any Director, with the exception of Directors appointed by the Developer, may be removed with or without cause, by concurrence of a majority of the votes cast by those classes of members as reflected in Article III, herein of Members at a special meeting of the Members called for that purpose. A special meeting of the Members to remove a Director or Directors may be called by Members entitled to cast ten percent (10%) of the votes of those classes of members as reflected in Article III, herein of Members giving notice of the meeting in the same manner required for a notice of a special or annual meeting, and the notice shall state the purpose of the meeting. The vacancy on the Board of Directors so created shall be filled by the Members of the Association at the same meeting.

(d) The Developer shall be vested with the power to designate the initial Board of Directors, who need not be Members of the Association. The first election of Directors shall not be held until the Turnover Date as defined in Article V, Section 3, of the Declaration. The initial Directors named in the Articles of Incorporation shall serve until the first election of Directors, or until replaced by the Developer in its sole discretion. Any vacancies in the board of Directors occurring before the first election of Directors shall be filled by the Developer appointing a replacement. In order to create two-year, staggered terms for elected Directors, the majority of the Directors of the initial elected Board receiving the most votes shall have a two year term, with the remaining Directors serving one year terms. Thereafter, all elected Directors shall serve for two years.

Section 3. First Meeting of Board of Directors. The first meeting of a newly elected Board of Directors shall be held within ten (10) days of election at such place as shall be fixed by the Directors at the meeting at which such Directors were elected, and no further notice of the first

meeting shall be necessary.

Section 4. Regular Meetings of Board of Directors. 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 of the Board of Directors shall be given to each Director, personally or by mail, telephone, facsimile, telecopy or telegraph, at least three (3) days prior to the day named for such meeting. Meetings of the Board of Directors shall be open to all owners of a Residential Unit, and notices of meetings shall be posted in a conspicuous place on the Common Areas of the Property at least forty-eight (48) hours in advance, except in an emergency. Notice of any meeting in which assessments against parcels are to be established shall specifically contain a statement that assessments shall be considered and a statement of the nature of such assessments.

Section 5. Special Meetings of Board of Directors. Special meetings of the Board of Directors may be called by the President of the Association on three (3) days notice to each Director, given personally or by mail, telephone, facsimile, telecopy or telegraph, which notice shall state the meeting time, place and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice on the written request of at least a majority of Directors. Notice of such special meetings shall be provided to Owners of a Residential Unit as provided in Article V, Section 4 hereof.

Section 6. Waiver of Notice. Before or at any meeting of the Board of Directors, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 7. Quorum at Meeting of Board of Directors. At all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If, at any meeting of the Board of Directors, there be 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 which might have been transacted at the meeting as originally called may be transacted without further notice. The joinder of a Director in the action of a meeting by signing and concurring the minutes of that meeting shall constitute the presence of such Director for the purpose of determining a quorum.

Section 8. Action by Consent. Any action which is required to or may be taken at a meeting of the Directors, may be taken without a meeting if a consent in writing setting forth the action so to be taken is signed by all of the Directors and is filed in the minutes of the proceedings of the Board. Such consent shall have the same effect as a unanimous vote.

Section 9. Directors' Fees. There shall be no Directors' fees paid to members of the Board

of Directors, except that Directors shall be entitled to reimbursement of reasonable out-of-pocket costs authorized by the Board of Directors.

Section 10. Powers and Duties of Board of Directors. The Board of Directors shall have the powers and duties necessary for administration of the affairs of the Association and may do all such acts and things as are not by law or by the By-Laws directed to be done by the Members. In addition to the duties imposed by these By-Laws or by resolution of the Association, the Board of Directors will be responsible for the following:

- (a) To make and collect assessments against Owners of a Residential Unit within the Property to defray the costs, expenses and losses of the Association.
- (b) To use the proceeds from the assessments in the exercise of its powers and duties.
- (c) To maintain, repair, replace and operate those portions of the Property as provided in the Declaration.
- (d) To contract for the management and maintenance of the Property as is provided for the Declaration, and to authorize the management agent to assist the Association in carrying out its powers and duties by performing such functions as the collection of assessments, preparation of records, enforcement of rules and maintenance of such areas of the Property as provided in the Declaration. The Association shall, however, retain at all times those powers and duties set out herein, in the Declaration and in the Articles of Incorporation.
- (e) To enforce by legal means, the provisions of the Declaration, Articles of Incorporation and these By-Laws, and the Rules and Regulations promulgated pursuant thereto.
- (f) To employ personnel to perform the services required for proper operation of the Property and the Association, and to supervise all such employees.
- (g) To purchase insurance for the protection of the Association and its Members, as defined in the Declaration, as well as liability insurance for the protection of the officers and directors of the Association if determined by the Board.
- (h) To make and amend reasonable rules and regulations respecting the use of the Property as defined in the Declaration.
- (i) To reconstruct the improvements on the Common Areas after casualty and to further improve the Property.

ARTICLE VI OFFICERS

Section 1. Officers. The principal officers of the Association shall be a President, a Vice President, a Secretary and a Treasurer, all of whom shall be elected by and for the Board of Directors. The Directors may appoint an Assistant Treasurer and an Assistant Secretary, and such other officers as in their judgment may be necessary. Any Director may hold two (2) or more offices, except that the President shall not also be the Secretary or Assistant Secretary.

Section 2. Election of Officers. The officers of the Association shall be elected annually by the Board of Directors at the first meeting of each new Board, and shall hold office at the discretion of the Board.

Section 3. Removal of officer. Upon an affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board called for such purpose.

Section 4. President. The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and the Board of Directors. He shall have all of the general powers and duties which are 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 may in his discretion decide is appropriate and to assist in the conduct of the affairs of the Association. The President shall also see that orders and resolutions of the Board of Directors are carried out and sign all notes, checks, contracts or other written instruments on behalf of the Association.

Section 5. Vice President. The Vice President shall perform all duties of the President in his absence, or if the President is unable to perform such duties. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint some other member of the Board to act on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors.

Section 6. Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the Association, record all votes, and record names and addresses of all Members of the Association. The Secretary shall keep such books and papers as the Board of Directors may direct, and he shall in general, perform all of the duties incident to the office of Secretary. The Secretary may also sign checks and execute agreements and contracts as permitted by the Board.

Section 7. Treasurer. The Treasurer shall have responsibility for Association funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association in accordance with good accounting principles.

The Treasurer shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit, of the Association in such depositories as may from time to time be designated by the Board of Directors.

**ARTICLE VII
INDEMNIFICATION**

Section 1. Indemnification. Every Director and every Officer of the Association shall be indemnified by the Association against all expenses and liabilities including counsel fees reasonable incurred by or imposed upon him in connection with any proceeding whether civil, criminal, administrative or investigative, or any settlement of any proceeding, or any appeal from such proceeding to which he may be a party or in which he may become involved by reason of his being or having been a Director or Officer of the Association, or having served at the Associations' request as a Director or Officer of any other corporation, whether or not he is a Director or officer at the time such expenses are incurred, regardless of by whom the proceeding is brought, except in relation to matters for gross negligence or willful misconduct in the performance of his duties, provided that in the event of a settlement, the indemnification shall apply only when the Board of Directors of the Association approves such settlement and reimbursement as being in the best interests of the Association. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such Director or officer may be entitled.

Section 2. Expenses. Expenses incurred in defending a suit or proceeding whether civil, criminal, administrative or investigative shall be paid by the Association in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by determining that he or she is not to be indemnified by the Association as authorized by these By-Laws.

Section 3. Insurance. The Association shall have the power to purchase and maintain insurance on behalf of any person who is or was a Director or Officer of the Association, or is or was serving at the request of the Association as a Director or Officer of another association or corporation, against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Association would have the power to indemnify him or her against such liability under the provisions of these By-Laws. The Association may purchase liability insurance on behalf of any person who is or was a Director or officer of the Association, insuring against any liability asserted against him or her and incurred by him or her in such capacity, or arising out of his or her status as such.

**ARTICLE VIII
BUDGET AND ASSESSMENTS**

Section 1. Budget. The Board of Directors shall adopt a yearly budget running from January 1 through December 31 of each year, which shall include the estimated funds required to defray the

current expenses and shall provide funds for deferred maintenance, replacement reserves, and betterment.

- (a) Current expenses shall include, but not be limited to:
 - (i) Professional and management fees and expenses;
 - (ii) Expenses of any utility service or refuse collection not individually billed to each Residential Unit;
 - (iii) Administration, operation, salaries and out-of-pocket expenses of the Association.
 - (iv) Expenses of maintenance and repair of Common Areas and as otherwise provided in the Declaration.
 - (v) Any other current expenses necessary or desirable, in the judgment of the Association, to keep the Property, as defined in the Declaration, neat and attractive or to preserve or enhance the value of the Property, as defined in the Declaration, or to eliminate fire, health, or safety hazards, or, which in the judgment of the Association, may be of general benefit to the Owners, or which is required by the Declaration to be done by the Association.
- (b) Deferred maintenance reserves shall include those maintenance items that occur less frequent than annually.
- (c) Replacement reserves shall include funds for repair or replacement required because of damage, depreciation or obsolescence.
- (d) Betterment shall include funds for capital expenditures for additional improvements to the Common Areas, provided, however, that in the expenditures made from this fund, no sum shall be expended for a single item or for a single person without approval of a majority of the votes of those classes of members as reflected in Article III, herein of Members present at a meeting of the Association which was properly noticed and included in its notice the expenditure as an item to be considered by the membership at the meeting.

Section 2. Annual Assessments. Annual Assessments against the Residential Unit Owners for their shares of the items of the budget shall be made in advance on or before January 1 of the year for which the assessments are made. Such assessments shall be due on January 1 of the assessment year and shall be paid quarterly, in advance on or before each January 1, April 1, July 1 and October 1. Assessments shall be made in an amount no less than required to provide funds in advance for payment of all of the anticipated current operating expenses and for all of the unpaid operating

expenses previously incurred. The amount paid to the Association pursuant to the Maintenance Agreement shall be applied to satisfy the purposes for which assessments are levied pursuant to the Declaration. If annual assessments are not made as required, the last prior annual assessment and quarterly payments thereon shall be due in advance until changed by an amended assessment. The initial assessment shall be as provided in the Declaration.

Section 3. Default in Paying Assessment. Default in paying assessments shall be handled as stated in the Declaration.

Section 4. Depository. The depository of the Association shall be such bank or banks and/or such savings and loan association or savings and loan associations as shall be designated from time to time by the Board of Directors and in which the moneys of the Association shall be deposited. Withdrawal of moneys from such accounts shall be only by checks or other withdrawal procedure signed or authorized by such persons as provided by the Board of Directors.

Section 5. Fidelity Bonds. Fidelity Bonds in an amount as determined by the Board of Directors shall be obtained by the Board of Directors for all officers, employees and members of the Board of Directors and all other persons who control or disburse the funds of the Association or administered by the Association, and for all other persons handling or responsible for funds of or administered by the Association. The premiums on such bonds shall be paid by the Association.