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STATE OF FLORIDA
COUNTY OF OKALOOSA

DECLARATION OF COVENANTS, EASEMENTS,

CONDITIONS AND RESTRICTIONS

FOR

SHALIMAR COTTAGES, A PLANNED UNIT DEVELOPMENT

THIS DECLARATION, made on the date hereinafter set forth by Shalimar Cottages, a Florida Joint Venture, hereinafter referred to as "Declarant;"

W I T N E S S E T H

WHEREAS, Declarant is the owner of certain property in Okaloosa County, Florida, upon which twenty-nine (29) residential building lots have been improved and which are described as follows:

Lots 1 through 29, SHALIMAR COTTAGES, according to Plat Book 19, Page 11, Public Records of Okaloosa County, Florida.

and,

NOW, THEREFORE, Declarant hereby declares that all of the twenty-nine (29) lots described above shall be sold and conveyed subject to the following easements, restrictions, covenants and conditions which are for the purpose of protecting the value and the desirability of, and which shall run with the real property and be binding on all parties having any rights, title or interest in the

PREPARED BY:

MICHAEL WM MEAD
ATTORNEY AT LAW
24 WALTER MARTIN ROAD
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ATC
MEAD
1997-116

described property or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of the owners thereof.

ARTICLE I

DEFINITIONS

Section 1. "Home Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any lot described above, including contract buyers, but excluding those having such interest merely as security for the performance of an obligation.

Section 2. "Lot" shall mean and refer to each of the twenty-nine (29) lots described above and forming a part of SHALIMAR COTTAGES. Such lots shall not be subject to further subdivision into smaller parcels by any subsequent owner.

Section 3. "Association" shall mean and refer to SHALIMAR COTTAGES HOMEOWNERS' ASSOCIATION, INC., a Florida non-profit corporation, its successors and assigns.

Section 4. "Common Area" shall mean all of that real property described on the plat of SHALIMAR COTTAGES, less and except Lots 1 through 29, as recorded in Plat Book 19, Page 11, Public Records of Okaloosa County, Florida.

Section 5. "Declarant" shall mean and refer to SHALIMAR COTTAGES, a Florida Joint Venture, and its successors and assigns.

ARTICLE II

MEMBERSHIP AND VOTING RIGHTS

Section 1. Every owner of a lot shall be a member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any lot.

Section 2. When more than one person holds an interest in any lot, all such persons shall be members. The vote for such lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any lot.

ARTICLE III

PROPERTY RIGHTS

Section 1. Delegation of Use. Any owner may delegate, in accordance with the By-Laws, his right to enjoyment to the common area and facilities to the members of his family, or contract purchasers who reside on the property. Such renter then may delegate temporary use per this paragraph.

ARTICLE IV

COVENANT FOR MAINTENANCE ASSESSMENTS

Section 1. Creation of Lien and Personal Obligation of Assessments. The Declarant, for each lot owned within the properties, hereby covenants, and each owner of any improved lot by acceptance of title thereunto, whether or not it shall be so expressed in such deed or other conveying instrument, is deemed to covenant and agree to pay to the Association: (1) annual assessments or charges, (2) special assessment for capital improvements, such assessments to be established and collected as hereinafter provided, and (3) special assessments imposed upon an individual lot owner for repair or maintenance necessitated by the willful or negligent act of the owner, his family, or their guests, tenants or invitees. The annual and special assessments, together with interest, costs and reasonable attorney's fee, shall be a charge on the lot and shall be a continuing lien upon the property against which each such assessment is made. Each such assessment,

together with interest, costs, and reasonable attorney fees, shall also be the personal obligation of the person who was the owner of such property at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to his successors in title unless expressly assumed by them.

Section 2. Purpose of Assessments:

(a) The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the residents in the properties and for the improvement and maintenance of the common area, which shall include the following:

- (1) Repair, maintenance and capital improvement to the common area.
- (2) Maintain the storm water management system and the storm water drainage facility and drainage easements.
- (3) Perpetually operate and maintain the storm water management system, the storm water drainage facility as exempted or permitted, and to otherwise fulfill the responsibilities of the Association to Okaloosa County and the State of Florida as it may relate to the drainage and storm water management.
- (4) The payment of all utility bills, including water and electric, for any utilities provided to the common area, and real estate taxes.
- (5) The cost of any insurances related to the common area or facilities.
- (6) Maintain the site signage, fencing and street lights.
- (7) Any other cost, fee, charge or expense which is related to the common area.
- (8) The Declarant shall install a central sanitary sewer collection line along the rear of each lot. This collection line will serve all of the lots and homes within SHALIMAR COTTAGES. These lines will ultimately be connected to the Okaloosa County sewer system. Okaloosa County will not accept and maintain that portion of the sewer collection line system which is located on these private lots. Therefore, it shall be the responsibility of the ASSOCIATION to repair, replace, maintain and operate the central sanitary sewer collection lines within the subdivision, and the ASSOCIATION shall levy assessments for those purposes.

- (9) Declarant shall install a landscape irrigation system which shall include a well, pump and distribution lines which will provide irrigation water to each lot. This system will be transferred to the ASSOCIATION, and the ASSOCIATION will be responsible for the operation, maintenance, repair and replacement thereof. This irrigation system is to be installed by the Declarant, and it shall be located within the Common Area in SHALIMAR COTTAGES. Each lot owner will be provided a tap into the irrigation system to use that water for irrigation and sprinkling purposes. The ASSOCIATION shall levy assessments for those purposes.

In the event that the need for maintenance or repair to the common area is caused through the willful or negligent act of the owner, his family or guests, tenants, or invitees, the cost of such maintenance or repairs shall be added to and become a part of the assessment to that individual lot and lot owner.

(b) In addition to maintenance upon the common areas, the Association shall provide liability insurance to cover all common area.

Section 3. Annual Assessments. The Association's Board of Directors, with the approval of a majority of the members present and voting at a meeting of the membership called for such purposes, shall establish the amount of the annual assessment, which annual assessment must be fixed at a uniform rate for all lots unless the event of maintenance or repair costs necessitated by the willful or negligent act of an owner, his family or their guests, tenants or invitees, occasions an increased assessment to particular owner.

Annual assessments may be collected on a monthly, quarterly, semi-annual or annual basis as the Board of Directors may establish. Initially, such assessments shall be payable monthly.

Section 4. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment for the purpose of

defraying, in whole or in part, the cost of any construction, repair or replacement of a capital improvement upon the common area.

Section 5. Notice and Quorum for any Action Authorized under Sections 3 and 4. Written notice of any meeting called for the purpose of taking any action authorized under Sections 3 and 4 shall be sent to all members not less than ten (10) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of members or of proxies entitled to cast fifty percent (50%) of all votes of the membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 6. Date of Commencement of Annual Assessments - Due Dates. The annual assessments provided for herein shall commence as to all lots on the first of the month following the initial conveyance of each owner's lot. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board of Directors shall fix the amount of the annual assessment against each lot at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every owner subject thereto. The due dates shall be established by the Board of Directors. The Association shall, upon demand and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified lot have been paid. At the time of closing of conveyance of a lot, the owner shall pay the first and last month's assessment for the calendar

year of purchase of such lot. The Declarant shall be excused from the paying of any assessments for unsold lots.

Section 7. Effect of Nonpayment of Assessments/Remedies of the Association. Any assessment not paid within thirty (30) days after the due date shall bear interest from the due date at the rate of eighteen percent (18%) per annum. The Association may bring an action at law against the owner personally obligated to pay the same or foreclose the lien against the lot. No owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the common area or abandonment of his lot.

Section 8. Subordination of the Lien to Mortgages. The lien of the assessments provided for herein shall be subordinate to the lien of any first mortgage. Sale or transfer of any lot shall not affect the assessment lien. However, the sale or transfer of any lot pursuant to mortgage foreclosure or any proceeding in lieu thereof, shall extinguish the lien of such assessments as to payments which become due prior to such sale or transfer. No sale or transfer shall relieve such lot from liability for any assessments thereafter becoming due or from the lien thereof.

ARTICLE V
GENERAL PROVISIONS

Section 1. Enforcement. The Association, or any owner, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations liens and charges now or hereafter imposed by the provisions of this Declaration. Failure of this Association or by any owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

Section 2. Severability. Invalidation of any one of these covenants or restrictions by judgment or court

order shall in no wise affect any other provisions which shall remain in full force and effect.

Section 3. Duration and Amendment. The covenants and restrictions of this Declaration shall run with and bind the land, for a term of thirty (30) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years, unless a majority of the members of the Association decide that such covenants, conditions and restrictions shall abate, which decision, if made, shall be evidenced by an agreement in writing signed by a majority of the membership setting forth their decision, which documents shall be effective when duly recorded in the Public Records of Okaloosa County, Florida. This Declaration may be amended by an instrument signed by not less than seventy-five percent (75%) of the lot owners. Any amendment must be recorded in the Public Records of Okaloosa County, Florida.

Section 4. The Declarant, so long as it holds title to any of the lots covered by these restrictions shall have the right to veto any action of the Board of Directors and shall further have the right to appoint all Directors to the Board as the Declarant shall see fit. Declarant shall retain this right until all lots are sold by the Declarant. Declarant shall not be obligated to pay assessments except in that sum which the Declarant determines to be reasonable and appropriate. Lots owned by the Declarant are not subject to assessment liens.

ARTICLE VI

USE RESTRICTIONS

Section 1. Residential Use. The lots may be used for residential dwelling units and for no other purpose, except that individual residential dwelling units may be used as model homes and sales office by the Declarant during the development of the property. Declarant shall be

permitted to use residence as an office in perpetuity.

Section 2. Permitted Structures: No structures of any kind shall be erected, altered, placed or permitted to remain on any of the platted lots, within the property other than: (I) One single family dwelling, specifically approved in writing by the Declarant, its agents or assigns, and (II) any other structure specifically approved in writing by the Declarant, its agents or assigns.

Section 3. Architectural Review: No building, fence, wall or other structure shall be commenced, erected, or maintained upon a lot nor shall any exterior addition to or change or alteration therein be made until the plans and specifications showing the nature, kind, shape, height, materials and location of the same shall have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by the Declarant, its agents or assigns. In the event said Declarant or its agents or assigns, fails to approve or disapprove such design and location within thirty (30) days after said plans and specifications have been submitted to it, such submittal being verified by U.S. Post Office receipt or Federal Express Air Bill designating Declarant as having received material, approval will not be required and this Article will be deemed to have been fully complied with.

Section 4. Noxious or Offensive Activities: No trade, business or offensive activity shall be permitted upon the property nor shall anything be done thereon which may be or become an annoyance or nuisance to the neighborhood. No mobile homes, tents or shacks shall be placed on any lot except mobile homes used temporarily as sales offices and construction offices with Declarant's approval. No garage shall at any time be used as a residence, temporarily or permanently, nor shall any structure of a temporary character be used as a residence.

Section 5. Animals: No animals, livestock or poultry of any kind shall be raised, bred or kept on any lot, except that no more than two (2) dogs, two (2) cats and two (2) other household pets may be kept, provided they are not kept, bred or maintained for any commercial purposes. All such animals shall be kept inside the household except when owner is personally accompanying said animal(s) outside of said household. Animals will be kept under supervision at all time and restrained by leash.

Section 6. Vehicle Parking: No automobile, truck, boat, boat and trailer, trailer, house trailer, mobile home, camper or other similar vehicle shall be parked on any roadway (including the unpaved portion of the right-of-way thereof) overnight. No boat, boat and trailer, trailer alone, recreational type vehicle, or self-propelled mobile home, shall be parked for any period of time or stored or otherwise be permitted to remain on any lot except in an approved garage or obscured from public view by appropriate privacy fence. Such vehicle must be fenced no closer than 25 feet in front property line. No automobile, truck or other commercial vehicle which contains lettering or advertising thereon or which is identified with a business or commercial activity, shall be parked for any period of time, or stored or otherwise permitted to remain on any lot except in garage attached to the residence.

Section 7. Driveways: No driveway shall be constructed, maintained, altered or permitted to exist on any lot if the driveway obstructs or impedes the flow of surface drainage in the area adjacent to the lot or in the street right-of-way or swale area of adjoining lots or abutting the lot. All driveways must be constructed of concrete with a maximum width of twenty (20) feet at the point where it passes through the street yard fence and be approved by the Declarant, its agents or assigns. Lots 18, 19, 20 and 21 will be permitted driveways on Third Street.

Lots 17 and 22 will not be permitted a driveway on Third Street.

Section 8. Easements: Easements for installation and maintenance of utilities and drainage facilities are reserved as shown on the recorded plat of the property which is the subject of these restrictive covenants.

Section 9. Plantings: Hedges are permitted along, but inside the property lines adjoining streets, but not closer to the front than the applicable setback line for the house or residence. No hedge shall be placed on any portion of any lot at a height more than six (6) feet from the ground. Should any hedge, shrub, tree, flower or other planting be so placed, or afterwards grow so as to encroach upon the adjoining property, such encroachment shall be removed upon the request of the owner of the adjoining property. Should any encroachment be upon a right-of-way, street, or other easement, it shall be removed promptly upon request of Declarant or its duly designated representative, and such encroachment shall be wholly at the risk of the owner of the encroaching object.

Section 10. Window Air Conditioning Units: No window or wall air conditioning units shall be permitted. All air conditioner compressors shall be screened from view and insulated by a fence, wall or shrubbery so as to minimize noise.

Section 11. Antennas: No aerial masts, towers, satellite dishes, or antennas shall be placed or erected upon any lot, or affixed in any manner to the exterior of any dwelling or structure. Satellite dishes may be permitted only if located in rear yard and enclosed by privacy fence.

Section 12. Garbage and Trash Containers: No lot may be used or maintained as a dumping ground for rubbish, trash or other waste. All trash, garbage and other waste shall be kept in sanitary containers within an enclosure constructed as a part of each dwelling in a location approved by the

Declarant, its agents or assigns. All lots shall be kept free of the accumulation of rubbish, trash, garbage, other solid waste materials and all unsightly weeds and underbrush. No materials, supplies, equipment and/or appliances will be stored for any period of time outside the household or garage. No incinerators or other fixed equipment shall be used for the collection, storage or disposal of solid waste materials.

Section 13. Lighting: No lighting shall be permitted which alters the residential character of the property. No lighting of tennis courts or outdoor activity areas shall be permitted without the approval of the Declarant, its agents or assigns.

Section 14. Signs: No signs of any kind shall be erected, permitted to remain on or displayed to public view on or from any lot, except an approved sign giving the name of the occupant of the residence located on said lot or an approved sign advertising the premises for sale or rent. All signs shall be approved by the Declarant, its agents or assigns.

Section 15. Utility Connections: Building connections for the utilities, including but not limited to water, electricity, telephone and televisions shall be run underground from the proper connection points to the building structure in such a manner as is acceptable to the governing utility authority.

Section 16. Installation and Maintenance: The owner or builder shall assume and pay as and when the same shall become due, the costs of installation and maintenance of the underground utility system from primary utility lines until such time, and after development of said subdivision is completed.

Section 17. Construction: During construction of a dwelling or other improvements upon a lot, the owner shall be required to maintain the lot in a clean condition,

providing for trash and rubbish receptacles and disposal. Construction debris shall not be permitted to remain upon any lot. All main structures constructed upon the property shall be completed within one (1) year after commencement of construction, except where such completion is impossible due to strikes, fires, national emergencies, or natural calamities, or unless waived in writing by the Declarant. The Declarant may, at its option, establish reasonable hours for construction activities so as to result in minimal disturbance to land owners adjacent to the construction site.

Section 18. Casualty Damage: In the event of damage or destruction by fire or other casualty to any improvements located upon the property, the owner of such improvements shall repair or rebuild such damages or destroyed improvements in a good and workmanlike manner, within a reasonable time not to exceed six (6) months and in accordance with the provisions of these covenants. All debris must be removed and the lot restored to an orderly condition within sixty (60) days of such damage or destruction.

Section 19. Reconstruction or Renovations: Following completion of construction, an owner of a lot may not cause or permit any alteration, modification, renovation or reconstruction to be made to the structural components, roof, or exterior appearance of his dwelling including driveways and parking areas and including the installation of window air conditioners, nor make any additions to the exterior of his dwelling without the prior written approval of the Declarant, its agents or assigns, except that an owner shall replace broken windows and doors with windows or doors of the same style and equal or better quality as originally installed as part of the construction. No garage shall be permanently enclosed or converted to another use without written approval of the Declarant, its

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agents or assigns.

Section 20. Construction Requirements. Minimum square footage: Unless the Declarant or its designated representative shall have expressly consented in writing to a lesser minimum square footage, no dwelling or residence shall be permitted upon any lot subject to these covenants, restrictions, and reservations which does not have a total square footage, excluding garage, porch, utility and storage rooms as follows:

Minimum square footage: 1,000.

Section 21. Declarant's Right of Modification/Variations/Additions: Declarant, or its agents or assigns, reserves the right to hereafter modify, amend or grant variances to any of the foregoing covenants, conditions and restrictions when in the sole discretion of Declarant or its agents or assigns, such modification, amendment or variance is deemed useful and proper. Declarant, its agents or assigns may also make other restrictions applicable to each lot by appropriate provision in the contract for deed or in any deed, without otherwise modifying the general plan herein outlined, and such other restrictions shall inure to the benefit of other owners of lots in the subdivision and shall bind the grantees and their respective heirs, successors or transferees to include tenants, in the same manner as though they had been expressed herein. Declarant reserves the right to grant variances and waivers for violation of any building setback line as shown on the plat of SHALIMAR COTTAGES, and shall further have the authority to grant variances and waivers for any minor encroachments into drainage or utility easements.

Section 22. Fences. No fences will be permitted by any lot except for those fences meeting the following requirements:

a) The fence may be constructed no closer to the road than the front of the residence.

b) The fence must be of wood construction and shadow box design.

c) No fence shall be constructed or erected until such time as written approval for the fence, as to design materials and location have been approved by Declarant.

Section 23. Clothes Lines. No clothes lines will be permitted unless the clothes line is located in the rear of the lot behind the residence and fully enclosed by an approved privacy fence.

Section 24. There are various drainage easements depicted upon the plat of SHALIMAR COTTAGES. The contour of these drainage easements have been designed by the Declarant's engineer so as to best serve the drainage system of the subdivision. Each lot owner, their successors and assigns, agrees to not change, alter or impair the contour and typography of the drainage easement in any manner which would impede, obstruct or interrupt the drainage or water management of the property. Any such violation of this clause shall subject the violator to legal proceedings by the Declarant or the SHALIMAR COTTAGES HOMEOWNERS' ASSOCIATION, INC., who shall have all of the rights set forth in Article V and VI regarding the enforcement procedures thereof.

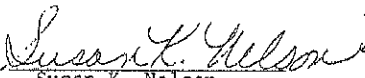

IN WITNESS WHEREOF, the undersigned being Declarant herein, has hereunto caused its hand and seal to be affixed this 10th day of April, 2000.

WITNESSES:

SHALIMAR COTTAGES, a
Florida Joint Venture

By its Joint Venturers:

ABOLUS DEVELOPMENT CORPORATION,
a Florida corporation


Susan K. Nelson

Michael Wm Mead

By: FELIX A. BEUKENKAMP
its President

MICHAEL WM MEAD
ATTORNEY AT LAW
24 WALTER MARTIN ROAD
P. O. DRAWER 1323
FORT WALTON BEACH,
FLORIDA 32546-1323

WITNESSES:

WALTON PROPERTIES AND CONSTRUCTION,
INC., a Florida corporation

Susan K. Nelson
Susan K. Nelson

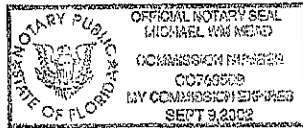
Marilyn L. Wentworth
Marilyn L. Wentworth

By: *[Signature]*
GEORGE R. SMITH
its President

STATE OF FLORIDA
COUNTY OF OKALOOSA

The foregoing instrument was acknowledged before me this
10th day of April, 2000, by FELIX A. BEUKENKAMP, as
President of AEOLUS DEVELOPMENT CORPORATION, a Florida
corporation, a Joint Venturer of SHALIMAR COTTAGES, a Florida
Joint Venture,

X who is personally known to me, or
who has produced _____
as identification.

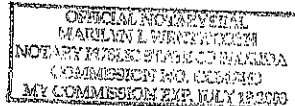


[Signature]
Notary Public
My Commission Expires:

STATE OF FLORIDA
COUNTY OF OKALOOSA

The foregoing instrument was acknowledged before me this
10th day of April, 2000, by GEORGE R. SMITH, as President
of WALTON PROPERTIES AND CONSTRUCTION, INC., a Florida
corporation, a Joint Venturer of SHALIMAR COTTAGES, a Florida
Joint Venture,

X who is personally known to me, or
who has produced _____
as identification.



Marilyn L. Wentworth
Notary Public
My Commission Expires:

PREPARED BY:

Michael Wm Mead, Attorney at Law
Post Office Drawer 1329
Fort Walton Beach, Florida 32549

MICHAEL WM MEAD
ATTORNEY AT LAW
24 WALTER MARTIN ROAD
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FORT WALTON BEACH,
FLORIDA 32549-1329

(restrictive covenants shalimar cottages recd. cov. #6792-mm)

BY-LAWS
OF
SHALIMAR COTTAGES HOMEOWNERS ASSOCIATION, INC.

ARTICLE I. NAME AND LOCATION

The name and location of the corporation is Shalimar Cottages Homeowners Association, Inc., hereinafter referred to as "Association". The principle office of the corporation shall be located at 1270 N. Eglin Parkway, Suite "D", Shalimar, Florida 32579, but meetings of members and Directors may be held at such places within the State of Florida as may be designated by the Board of Directors.

ARTICLE II. DEFINITIONS

Section 1. "Association" shall mean and refer to Shalimar Cottages Homeowners Association, Inc., its successors and assigns.

Section 2. "Property" shall mean and refer to that certain property described in the Declaration of Covenants, Conditions, Restrictions and Easements and such additions hereto as may hereafter be brought within jurisdiction of the Association.

Section 3. "Common Area" shall mean all property owned by the Association as to which an easement has been granted for the common use and enjoyment of the owners. The term shall also include any drainage or storm water structure, swale or other system for which the Association shall have maintenance responsibility pursuant to any agreement with Okaloosa County or the State of Florida, and all streets and fences, and all other properties deeded to the Association.

Section 4. "Lot" shall mean and refer to those individual numbered lots as described on the plat of Shalimar Cottages, a subdivision, as recorded in the Public Records of Okaloosa County, Florida.

Section 5. "Common Expense" shall mean all expenses incurred by the Association and charged to the owners of all lots on a common basis, including but not limited to, services, utilities, maintenance, repairs, replacements, landscaping, insurance and ad valorem taxes on common areas and other expenses on the Association incurred on behalf of all members (as distinguished from individual mortgage payments, real estate taxes, and individual telephone, electricity and other individual expenses billed or charges to the members on an individual or separate basis rather than on a common basis).

Section 6. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any lot which is a part of the properties.

Section 7. "Declarant" shall mean and refer to SHALIMAR COTTAGES, a Florida Joint Venture, its successors and assigns.

Section 8. "Declaration" shall mean and refer to the Declaration of Covenants, Conditions, Restrictions and Easements applicable to the property recorded in the Office of the Clerk of Circuit Court, Okaloosa County, Florida.

Section 9. "Member" shall mean and refer to those persons entitled to membership as provided in the Declaration.

ARTICLE III. MEETING OF MEMBERS

Section 1. Meeting of Members. The first annual meeting of the members shall be held within one year from the date of the incorporation of the Association, and each subsequent regular annual meeting of the members shall be at time and place to be designated by the Board of Directors.

Section 2. Special Meeting. Special meetings of the members may be called at any time by the president or any two members of the Board of Directors, or upon written request of the members who are entitled to vote one-fourth (1/4) of all of the votes of the membership. Meetings so requested shall be called for a date not less than thirty (30) nor more than sixty (60) days after the request is made.

Section 3. Notice of Meeting. Written notice of each meeting of the members shall be given by or at the direction of, the secretary of the Association or other person authorized to call the meeting, by mailing a copy of such notice, postage paid, to each member entitled to vote thereat, addresses to the member's address last appearing on the books of the Association, or supplied by such member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and in the case of a special meeting, the purpose of the meeting. Such notice shall be given in person or delivered by mail to each member not less than thirty (30) nor more than sixty (60) days prior to the date set for each meeting.

Section 4. Quorum. The presence at the meeting of members entitled to cast, or of proxies entitled to cast, fifty percent (50%) of the votes of the membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation or these By-Laws. If, however, such quorum shall not be present or represented at any meeting, the members entitled to vote thereat shall have the power to adjourn the meeting.

Section 5. Proxies. At all meeting of members, each member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary of the Association. Every proxy shall be revocable and shall automatically cease upon conveyance by the member of his lot.

ARTICLE IV. BOARD OF DIRECTORS; SELECTION; TERM OFFICE

Section 1. Number. The affairs of this Association shall be managed by a Board of not less than three (3) nor more than five (5) Directors who need not be a member of the Association. Each member of the first Board named in the Articles of Incorporation of the Association shall hold office until his successor shall be chosen by election at the first annual meeting and shall qualify.

Section 2. Term of Office. The term of the Directors shall be for a period of time of one (1) year or until their successors are duly elected and qualified or installed.

Section 3. Removal. Any Director may be removed from the Board, with or without cause, by a majority of the members of the Association. In the event of death, resignation or removal of a Director, his successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor.

Section 4. Compensation. No Director shall receive compensation for any service he may render to the Association. However, any Director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 5. Action Taken without a Meeting. The Directors shall have the right to take any action in the absence of a meeting by obtaining the written approval of all the Directors. Any action so approved shall have the same effect as though taken at a meeting of the Directors.

ARTICLE V. NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. Nominations for election of the Board of Directors shall be made by a nominating committee. Nominations may also be made from the floor at the annual meeting. The nominating committee shall consist of a chairman, who shall be a member of the Board of Directors, and two (2) or more members of the Association. The nominating committee shall make as many nominations for elections to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be from among members or non-members.

Section 2. Election. Election to the Board of Directors shall be by secret written ballot. At such elections the members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

ARTICLE VI. MEETING OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held quarterly without notice at such place as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

Section 2. Special Meetings. Special meetings of the Board of Directors shall be held by the president of the Association, or by any two (2) Directors, after not less than three (3) days notice to each Director. Any Director may waive notice of a meeting, consent to the holding of a meeting without notice, or consent to any action of the Board without meeting. Meetings may be held by telephone.

Section 3. Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

ARTICLE VII. POWERS AND DUTIES OF THE BOARD OF DIRECTORS

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

(1) adopt and publish rules and regulations governing the use of the common areas, the facilities, and the personal conduct of the members and their guests thereon, and to establish penalties for the infraction thereof;

(2) suspend the voting rights and right to use the common area of member during any period in which such member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice

and hearing, for a period not to exceed sixty (60) days for infraction of published rules and regulations;

(3) exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these By-Laws and the Articles of Incorporation;

(4) declare the office of a member of the Board of Directors to be vacant in the event that a Director shall be absent from three consecutive regular meetings of the Board of Directors; and

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

(1) keep a complete record of all its acts and corporate affairs and to present a statement thereof to the members at the annual meeting of the members, or at any special meeting when such statement is requested in writing by one-fourth (1/4th) of the membership who are entitled to vote;

(2) supervise all agents and employees of this Association, and to see that their duties are properly performed;

(3) adopt administrative rules and regulations governing the administration, management, operation and use of the common areas, and to amend such rules and regulations from time to time;

(4) fix the amount of the annual assessment against each lot at least thirty (30) days in advance of each annual assessment period;

(5) foreclose the lien against any property for which assessments are not paid within thirty (30) days after due date or to bring an action at law against the owner personally obligated to pay the same;

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

(7) procure and maintain adequate liability insurance and to procure an adequate hazard insurance on all property owned by the Association, as the Directors deem advisable;

(8) cause all employees having fiscal responsibilities to be bonded, as it may deem appropriate;

(9) cause the common area to be maintained;

(10) comply with the instructions of a majority of the members.

ARTICLE VIII. COMMITTEES

Section 1. The Board of Directors may appoint such committees as deemed appropriate in carrying out its purposes, such as:

(1) a maintenance committee which shall advise the Board of Directors on all matters pertaining to the maintenance, repair or improvement of the property, and shall perform such other functions as the Board in its discretion determines;

(2) an audit committee which shall supervise the annual audit of the Association's books and approve the annual budget and statement of income and expenditures to be presented to the membership at its regular annual meeting. The treasurer of the Association shall be an official member of the committee. The audit committee shall recommend to the Board of Directors if, in its opinion, an audit by a certified public accountant is to be performed.

Section 2. It shall be the duty of each committee to receive complaints from the members on any matter involving Association function, duties and activities within its field of responsibility. It shall dispose of such complaints as it deems appropriate or refer to such other committee, director or officer of the Association.

ARTICLE IX. BOOKS AND RECORDS; SALES

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

ARTICLE X. ASSESSMENTS

As more fully provided in the Declaration, each member is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the property against the assessment as made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the due date at the rate of eighteen percent (18%) per annum, and the Association may bring an action at law against the owner personally obligated to pay the same, or foreclose the lien against the owner's lot. Interest, costs and reasonable attorney's fees of any such action shall be added to the amount of such assessment. No owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the common area or abandonment of his lot.

ARTICLE XI. CORPORATE SEAL

The Association shall have a seal in circular form, having within its circumference the words: Shalimar Cottages Homeowners Association, Inc., a corporation not for profit, Florida.

ARTICLE XII. AMENDMENTS

Section 1. These Association By-Laws may be amended, at a regular or special meeting of members, by a vote of a majority of all members present in person or by proxy. Notice of such meeting shall contain a draft of proposed amendments to be voted upon at the meeting.

Section 2. In the case of any conflict between the Articles of Incorporation and these By-Laws, the Articles shall control, and in the case of any conflict between the Declaration and these By-Laws, the Declaration shall control.

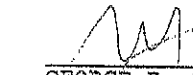
ARTICLE XIII. MISCELLANEOUS

The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

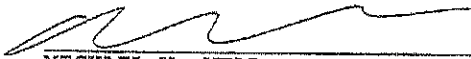
IN WITNESS WHEREOF, we being all of the Directors of Shalimar Cottages Homeowners Association, Inc., have hereunto set our hands and seals this 12th day of November, 1999.



FELIX A. BEUKENKAMP



GEORGE R. SMITH



MICHAEL Wm MEAD

(ws\corp\shatcott.by\6792-mw)

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