

**DECLARATION OF RECREATIONAL COVENANTS, RESTRICTIONS AND EASEMENTS
FOR
SAPPHIRE BAY**

THIS DECLARATION OF RECREATIONAL COVENANTS, RESTRICTIONS AND EASEMENTS FOR SAPPHIRE BAY ("Recreational Covenants") is made as of the 30th day of June, 1994 by G.L. HOMES OF SILVER LAKES XVI CORPORATION, a Florida corporation, its successors and assigns ("Declarant"), and is joined in by SAPPHIRE BAY RECREATION ASSOCIATION, INC., a Florida corporation not for profit ("Association").

WHEREAS, Declarant is the owner in fee simple of the real property more particularly described on Exhibit A ("Property") attached hereto and made a part hereof; and

WHEREAS, Declarant desires to develop a community to be known as "Sapphire Bay" as hereinafter set forth; and

WHEREAS, in order to develop and maintain Sapphire Bay as a planned residential community and to preserve the values and amenities of such community, it is necessary to declare, commit and subject the Property and the improvements now or hereafter constructed thereon to certain land use covenants, restrictions, reservations, regulations, burdens, liens, and easements; and to delegate and assign to the Association certain powers and duties of ownership, administration, operation, maintenance and enforcement; and

WHEREAS, the Association is joining in these Recreational Covenants in order to acknowledge its obligations hereunder; and

NOW, THEREFORE, in consideration of the premises and covenants herein contained, Declarant hereby declares that the Property shall be owned, held, used, transferred, sold, conveyed, demised and occupied subject to the covenants, restrictions, easements, reservations, regulations, burdens and liens hereinafter set forth, all of which shall run with the Property and any part thereof and which shall be binding upon all parties having any right, title or interest in the Property or any part thereof, their heirs, successors and assigns.

**ARTICLE I
DEFINITIONS**

A. "Articles" mean the Articles of Incorporation of the Association, a copy of which is attached hereto and made a part hereof as Exhibit C and any amendments thereto.

B. "Assessments" mean the assessments for which all Owners are obligated to the Association and include "Individual Lot Assessments," and "Special Assessments" (as such terms are defined in Article V hereof) and any and all other assessments which are levied by the Association in accordance with the Sapphire Bay Documents.

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RECORD AND RETURN TO:
CAROL D. HOLLER, CLS
RUBEN, BARNETT, McCLOSKEY, P.A. & RUSSELL
Post Office Box 1500
FORT LAUDERDALE, FLORIDA 33302

BR 2340 PG 0462

G. "Association" means Sapphire Bay Recreation Association, Inc., a Florida corporation not for profit. This is a "Neighborhood Association" under the Master Declaration.

D. "Board" means the Board of Directors of the Association.

E. "Bylaws" mean the Bylaws of the Association, a copy of which is attached hereto and made a part hereof as Exhibit D and any amendments thereto.

F. "Community Association" means SilverLakes Community Association, Inc., a Florida corporation not for profit, organized to administer the Master Declaration.

G. "Contributing Lot" means any Lot conveyed by Declarant to an Owner which has been issued a certificate of occupancy for a Home constructed thereon by the appropriate governmental agency, except if conveyed to an Institutional Mortgagee by foreclosure or a deed in lieu of foreclosure, upon which an affirmative covenant to pay Assessments, as more particularly set out in Article IV hereof, is imposed.

H. "Contributing Lot Owner" means the Owner of a Contributing Lot.

I. "County" means Broward County, Florida.

J. "Declarant" means G.L. Homes of Silver Lakes XVI Corporation, a Florida corporation, and any successor or assign thereof, which acquires any Lot from Declarant for the purpose of development and to which G.L. Homes of Silver Lakes XVI Corporation, specifically assigns all or part of the rights of Declarant hereunder by an express written assignment recorded in the Public Records of the County. The written election shall give notice as to which rights of Declarant are to be exercised. In any event, any subsequent declarant shall not be liable for any default or obligations incurred by any prior Declarant, except as may be expressly assumed by the subsequent declarant.

K. "Director" means a member of the Board.

L. "Dominant Lot" means a Lot to which an easement over a Servient Lot created by Article VIII of these Recreational Covenants is appurtenant (i.e., a Lot owned by an Owner entitled to access to his Lot and those over certain portions of an adjoining Lot). A Lot may be both a Dominant Lot and Servient Lot as to different easements created by Article VIII hereof, but not as to the same easement.

M. "Home" means a residential dwelling unit in Sapphire Bay intended as an abode for one family constructed on the Property.

N. "Institutional Mortgagee" means any lending institution owning a first mortgage covering a Home or Lot, including any of the following institutions:

(i) Any federal or state savings and loan or a building and loan association, or commercial bank or bank or real estate investment trust, or mortgage banking company or any subsidiary thereof; or

(ii) Any "secondary mortgage market institution," including the Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Mortgage Corporation and such other secondary mortgage market institution as the Board shall hereafter approve in writing; or

(iii) Any pension or profit-sharing funds qualified under the Internal Revenue Code; or

(iv) Any and all investing or lending institutions, or the successors and assigns of such lenders ("lenders"), which have loaned money to Declarant and which hold a mortgage upon any portion of the Property; or

(v) Such other institutional lenders as the Board shall hereafter approve in writing as an Institutional Mortgagee which have acquired a mortgage upon any portion of the Property; or

(vi) Declarant, if Declarant holds a mortgage on any portion of the Property, and the transferee of any mortgage encumbering the Property which was originally held by Declarant; or

(vii) Any life insurance company; or

(viii) The Veterans Administration or the Federal Housing Administration or the Department of Housing and Urban Development.

O. "Interest" means the maximum nonusurious interest rate allowed by law on the subject debt or obligation, and if no such rate is designated by law, then eighteen percent (18%) per annum.

P. "Legal Fees" mean reasonable fees for attorney and paralegal services incurred in connection with: (i) negotiation and preparation for litigation, whether or not an action is actually begun, through and including all trial and appellate levels and postjudgment proceedings; (ii) collection of past due assessments including, but not limited to, preparation of notices and liens; and (iii) court costs through and including all trial and appellate levels and postjudgment proceedings.

Q. "Lot" means a portion of the Property as shown on the Plat, upon which a Home is permitted to be erected.

R. "Master Declaration" means the Declaration of Protective Covenants, Conditions, Easements and Restrictions for Silver Lakes recorded in Official Records Book 17369, Page 240 of the Public Records of the County as such document has been and may be amended or supplemented from time to time.

S. "Member" means a member of the Association.

T. "Operating Expenses" mean the expenses for which Owners are liable to the Association as described in these Recreational Covenants and any other Sapphire Bay Documents and include, but are not limited to, the costs and expenses incurred by the Association in administering, operating, reconstructing, maintaining, financing, repairing, replacing or improving the Recreation Property or any portion thereof and improvements thereon and all costs and expenses incurred by the Association in carrying out its powers and duties hereunder or under any other Sapphire Bay Documents, including, but not limited to, the cost of any reserves and any other expenses designated to be Operating Expenses by the Board.

U. "Owner" means the owner of the fee simple title to a Lot and includes Declarant for so long as Declarant is the owner of the fee simple title to a Lot but excluding those having such interest merely as security for the performance of any obligation and excluding purchasers under executory contracts of sale of a Lot.

V. "Plat" means the plat of Silver Lakes Phase III recorded in Plat Book 156, Page 21, of the Public Records of the County.

W. "Property" means the real property more particularly described on Exhibit A attached hereto and made a part hereof.

X. "Recreational Covenants" means this document and any amendments hereto.

Y. "Recreation Property" means such portions of the Property as more particularly described in Paragraph D of Article II herein, which are to be maintained by the Association and are intended to be conveyed to the Association and are more particularly described on Exhibit B attached hereto and made a part hereof.

Z. "Sapphire Bay" means the planned residential community planned for development upon the Property committed to land use under the Master Declaration and these Recreational Covenants and which is intended to be comprised of, including, but not limited to, one hundred eighty-seven (187) single-family Lots and the Recreation Property located within the Property. Sapphire Bay is part of the residential community known as Silver Lakes being developed by Silver Lakes Partnership.

AA. "Sapphire Bay Documents" mean in the aggregate these Recreational Covenants, the Plat, the Articles and Bylaws and all of the instruments and documents referred to or incorporated therein, including, but not limited to, amendments to any of the foregoing, as applicable.

BB. "Servient Lot" means a Lot over which an easement is created by Article VIII of these Recreational Covenants in favor of a Dominant Lot (i.e., a Lot over which the Owner of an adjoining Lot has a right of access to certain portions of his Lot and Home). A Lot may be both a Servient Lot and a Dominant lot as to different easements created by Article VIII, but not as to the same easement.

CC. "Silver Lakes Documents" mean the Master Declaration, the Supplemental Declaration to the Master Declaration and amendment thereto, which applies to the Property and which submits the Property to the provisions of the Master Declaration, the Articles of Incorporation of the Community Association and Bylaws of the Community Association and all of the instruments or documents referred to or incorporated therein including, but not limited to amendments to any of the foregoing, as applicable.

ARTICLE II
PLAN OF DEVELOPMENT
RECREATION PROPERTY; RULES AND REGULATIONS

A. The Silver Lakes Community

The Silver Lakes Community plan for development contemplates the construction of various separate and distinct residential communities and the establishment of common areas intended to be available for the use and benefit of all of the residential communities planned for development thereon all in the manner as, and subject to the reservations of rights, set forth in the Master Declaration. Among other things, the Master Declaration (i) requires the Community Association to maintain and care for common properties defined as such thereunder; (ii) compels membership in the Community Association by the Owners, among others; (iii) affords Owners of Lots constituting portions of Sapphire Bay non-exclusive rights to the use and enjoyment of the common properties; and (iv) provides for the promulgation of maintenance assessments and enforcement by lien of collection payment therefor. Each Owner of a Lot shall be subject to all terms, restrictions, conditions and reservations of rights set forth in the Master Declaration.

B. Neighborhood

Sapphire Bay is located within the Silver Lakes Community and constitutes a "Neighborhood" under the Master Declaration and Supplemental Declaration to the Master Declaration ("Supplemental Master Declaration"). Among other things, the Supplemental Master Declaration (i) requires the Community Association to maintain and care for exclusive common properties defined as such thereunder; (ii) affords Owners of Lots constituting portions of Sapphire Bay rights to the use and enjoyment of the exclusive common properties; and (iii) provides for the promulgation of neighborhood assessments and enforcement by lien of collection of payment therefor. Each Owner of a Lot shall be subject to all terms, restrictions, conditions and reservations of rights set forth in the Supplemental Master Declaration.

C. Sapphire Bay

Declarant's general plan of development of Sapphire Bay contemplates the construction of residential Homes thereon and, further, that various improvements will be constructed on the Lots and other portions of Silver Lakes Residential Parcel ["S"] of the Plat which will enhance Sapphire Bay and benefit the Owners of all Lots. Declarant's general plan of development further contemplates that such residential Homes shall be whatever types of structures Declarant may choose which are in conformance with the Supplemental Master Declaration. Declarant's general plan of development of Sapphire Bay may also include whatever facilities and amenities Declarant considers in its sole judgment to be appropriate to the community contemplated by the plan.

Declarant hereby reserves the right to construct a "model row(s)" in Sapphire Bay. The "model row(s)" may contain models for Sapphire Bay and other communities located in Silver Lakes, as Declarant and/or any of Declarant's affiliates as developers of other communities in Silver Lakes may so determine, in their sole discretion. In the event that Declarant and/or any of Declarant's affiliates constructs a "model row(s)" in Sapphire Bay, such "model row(s)" may be used for such period of time that Declarant and/or any of Declarant's affiliates constructing communities in Silver Lakes determines to be necessary. By their acceptance of a deed for a Lot in Sapphire Bay each Owner agrees and acknowledges that Declarant and/or any of Declarant's affiliates have a right to construct a "model row(s)" and that Declarant and/or any of its affiliates have an easement over the Sapphire Bay community to use and show the models to prospective purchasers in Silver Lakes as long as such "model row(s)" exists.

D. Recreation Property

1. The Recreation Property shall consist of the property described on Exhibit B hereto. The Recreation Property shall be used for recreational and social purposes as well as other proper purposes by the Association and Owners and their family members, guests, invitees and lessees in accordance with the Sapphire Bay Documents.

The initial Recreation Property shall consist of a swimming pool, pool deck and cabana with men's and women's rest rooms. Declarant reserves the right in its sole discretion to construct additional improvements upon the Recreation Property as hereinafter set forth.

DECLARANT AND THE ASSOCIATION SHALL NOT BE OBLIGATED TO PROVIDE SUPERVISORY PERSONNEL FOR THE RECREATION PROPERTY INCLUDING, BUT NOT LIMITED TO, LIFEGUARDS. ANY INDIVIDUAL USING THE RECREATION PROPERTY SHALL DO SO AT HIS OWN RISK AND HEREBY HOLDS DECLARANT AND THE ASSOCIATION HARMLESS FROM AND AGAINST ANY CLAIM OR LOSS ARISING FROM SUCH USE.

2. Such portions of the Recreation Property upon which Declarant has constructed, or hereafter constructs, improvements shall be kept and maintained for use in a manner consistent with the nature of such improvements located, or to be located thereon. Declarant reserves the right, but shall not be obligated to construct additional recreational facilities upon the

Recreation Property. The decision as to whether to construct additional recreational facilities and the erection thereof shall be in the sole discretion of Declarant. Any additional facilities must be approved for design as contemplated by the Master Declaration. The Recreation Property will be conveyed by Declarant to the Association no later than the earlier to occur of the following: (i) the date of the issuance of the certificate of occupancy for the one hundred fortieth (140) Home; or (ii) the "Turnover Date" (as defined in the Articles). In the event that Declarant encumbers the Recreation Property with a mortgage such mortgage shall subordinate its lien on the Recreation Property to these Recreational Covenants. Such mortgage shall release the Recreation Property from its mortgage simultaneously with the conveyance of the Recreation Property to the Association. The Association is obligated to accept at any time any and all conveyances to it by Declarant of a fee simple title, easements or leases to all or portions of the Recreation Property.

B. Mortgaging of Recreation Property

If Sapphire Bay is an approved Federal Housing Administration Project, then the Recreation Property cannot be conveyed (except for the conveyance described in Paragraph II, D. 2 hereof) or mortgaged without the consent of two-thirds (2/3) of all Owners (excluding Declarant).

F. Rules and Regulations

The Association shall, from time to time, impose rules and regulations regulating the use and enjoyment of the Recreation Property. The rules and regulations so promulgated shall, in all respects, be consistent with the provisions of the Sapphire Bay Documents. The rules and regulations shall not apply to Declarant as an Owner.

**ARTICLE III
MEMBERSHIP AND VOTING RIGHTS IN THE ASSOCIATION;
BOARD, DURATION OF THE ASSOCIATION**

A. Membership and Voting Rights

Membership in the Association shall be established and terminated as set forth in the Articles. Each Member shall be entitled to the benefit of, and be subject to, the provisions of the Sapphire Bay Documents. The voting rights of the Members shall be as set forth in the Articles.

B. Board

The Association shall be governed by the Board which shall be appointed, designated or elected, as the case may be, as set forth in the Articles.

C. Duration of Association

The duration of the Association shall be perpetual, as set forth in the Articles.

ARTICLE IV
COVENANT TO PAY ASSESSMENTS FOR OPERATING EXPENSES;
ESTABLISHMENT OF LIENS; COLLECTION OF ASSESSMENTS; COLLECTION BY DECLARANT;
CERTAIN RIGHTS OF DECLARANT AND INSTITUTIONAL MORTGAGAGEES

A. Affirmative Covenant to Pay Operating Expenses

In order to: (i) fulfill the terms, provisions, covenants and conditions contained in the Sapphire Bay Documents; and (ii) maintain, operate and preserve the Recreation Property for the use, safety, welfare and benefit of the Members and their family members, guests, invitees and lessees, there is hereby imposed upon each Contributing Lot and Contributing Lot Owner the affirmative covenant and obligation to pay to the Association (in the manner herein set forth) all Assessments, including, but not limited to, the Individual Lot Assessments and Special Assessments. Each Owner other than Declarant by acceptance of a deed or other instrument of conveyance conveying a Lot within the Property from Declarant, whether or not it shall be so expressed in such deed or instrument, shall be obligated and agrees to pay to the Association all Assessments for Operating Expenses in accordance with the provisions of the Sapphire Bay Documents.

B. Establishment of Liens

Any and all Assessments made by the Association in accordance with the provisions of the Sapphire Bay Documents with Interest thereon and costs of collection, including, but not limited to, Legal Fees, are hereby declared to be a charge and continuing lien upon each Contributing Lot against which each such Assessment is made. Each Assessment against a Contributing Lot, together with Interest thereon, including, but not limited to, Legal Fees, shall be the personal obligation of the Contributing Lot Owner of such Contributing Lot. Said lien shall be effective only from and after the time of the recordation amongst the Public Records of the County of a written, acknowledged statement by the Association setting forth the amount due to the Association as of the date the statement is signed. Upon full payment of all sums secured by that lien, the party making payment shall be entitled to a satisfaction of the statement of lien in recordable form. Notwithstanding anything to the contrary herein contained, where an Institutional Mortgagee of record obtains title to a Contributing Lot as a result of foreclosure of its first mortgage or deed in lieu of foreclosure, such acquirer of title, its successors or assigns, shall not be liable for the share of Assessments pertaining to such Contributing Lot or chargeable to the former Contributing Lot Owner thereof which became due prior to the acquisition of title as a result of the foreclosure or deed in lieu thereof, unless the Assessment against the Contributing Lot in question is secured by a claim of lien for Assessments that is recorded prior to the recordation of the mortgage which was foreclosed or with respect to which a deed in lieu of foreclosure was given.

Notwithstanding anything contained herein to the contrary, in the event that a lien is filed by the Community Association, irregardless of when such

lien is filed, the lien of the Community Association shall be superior to the lien of the Association.

C. Collection of Assessments

In the event any Contributing Lot Owner shall fail to pay any Assessment, or installment thereof, charged to such Contributing Lot Owner within fifteen (15) days after the same becomes due, then the Association, through its Board, shall have any and all of the following remedies to the extent permitted by law, which remedies are cumulative and which remedies are not in lieu of, but are in addition to, all other remedies available to the Association:

1. To accelerate the entire amount of any Assessments for the remainder of the calendar year notwithstanding any provisions for the payment thereof in installments.

2. To advance on behalf of the Contributing Lot Owner(s) in default funds to accomplish the needs of the Association up to and including the full amount for which such Contributing Lot Owner(s) is liable to the Association and the amount or amounts of monies so advanced, together with Interest and all costs of collection thereof, including, but not limited to, Legal Fees, may thereupon be collected by the Association and such advance by the Association shall not waive the default.

3. To file an action in equity to foreclose its lien at any time after the effective date thereof. The lien may be foreclosed by an action in the name of the Association in like manner as a foreclosure of a mortgage on real property.

4. To file an action at law to collect said Assessment plus Interest and Legal Fees, without waiving any lien rights or rights of foreclosure in the Association.

5. To charge Interest on such Assessment from the date it becomes due, as well as a late charge of Ten Dollars (\$10.00) by the Association to defray additional collection costs.

D. Collection by Declarant

In the event for any reason the Association shall fail to collect the Assessments, then, in that event, Declarant shall at all times have the right (but not the obligation): (i) to advance such sums as the Association could have advanced as set forth above; and (ii) to collect such Assessments and, if applicable, any such sums advanced by Declarant; using the remedies available to the Association against a Contributing Lot Owner as set forth in Paragraph IV.C, which remedies (including, but not limited to, recovery of Legal Fees) are hereby declared to be available to Declarant.

X. Rights of Declarant and Institutional Mortgagees to Pay Assessments and Receive Reimbursement

Declarant and any Institutional Mortgagees shall have the right, but not the obligation, jointly or singly, and at their sole option, to pay any of the Assessments which are in default and which may or have become a charge against any Contributing Lots. Further, Declarant and any Institutional Mortgagees shall have the right, but not the obligation, jointly or singly, and, at their sole option, to pay insurance premiums or fidelity bond premiums or other required items of Operating Expenses on behalf of the Association where the same are overdue and where lapses in policies or services may occur. Declarant and any Institutional Mortgagees paying overdue Operating Expenses on behalf of the Association will be entitled to immediate reimbursement from the Association plus Interest and any costs of collection including, but not limited to, Legal Fees, and the Association shall execute an instrument in recordable form to this effect and deliver the original of such instrument to each Institutional Mortgagee who is so entitled to reimbursement and to Declarant if Declarant is entitled to reimbursement.

ARTICLE V

METHOD OF DETERMINING ASSESSMENTS AND ALLOCATION OF ASSESSMENTS

A. Determining Amount of Assessments

The total anticipated Operating Expenses for each calendar year shall be set forth in the budget ("Budget") prepared by the Board as required under the Sapphire Bay Documents. The total anticipated Operating Expenses (other than those Operating Expenses which are properly the subject of a Special Assessment) shall be apportioned equally among the Contributing Lots by dividing the total anticipated Operating Expenses as reflected by the Budget, other than those Operating Expenses which are properly the subject of a Special Assessment (adjusted as hereinafter set forth), by the total number of Contributing Lots which have been conveyed by Declarant (as evidenced by the recordation of a deed of conveyance and the issuance of a certificate of occupancy), with the quotient thus arrived at being the "Individual Lot Assessment." Notwithstanding anything in the Sapphire Bay Documents to the contrary, any assessment for legal expenses incurred by the Association to begin legal proceedings against Declarant shall be deemed an Operating Expense which is properly the subject of a Special Assessment and not the subject of a regular Individual Lot Assessment.

B. Assessment Payments

The Individual Lot Assessments shall be payable quarterly, in advance, on the first day of January, April, July and October of each year. The Individual Lot Assessments, and the quarterly installments thereof, as well as all Assessments provided for herein and all installments thereof may be adjusted from time to time by the Board to reflect changes in the number and status of Contributing Lots (thus apportioning all such Assessments and installments thereof among all Contributing Lots in existence at the time such installment is due) or changes in the Budget or in the event that the Board determines that the Assessments or any installment thereof is either less than or more than the amount actually required. When a Contributing Lot not in

existence when the Assessment was determined ("New Improved Lot") comes into existence during a period with respect to which an Assessment or installment thereof has already been assessed, the New Improved Lot shall be deemed assessed the amount of such Assessment or installment thereof which was assessed against Improved Lots in existence at the time of such Assessment, prorated from the date the New Improved Lot comes into existence through the end of the period in question. If the payment of such Assessment or installment thereof was due at the time the New Improved Lot came into existence or prior thereto, said prorated amount thereof shall be immediately due and payable.

C. Special Assessments

"Special Assessments" include, in addition to other Assessments designated as Special Assessments in the Sapphire Bay Documents and whether or not for a cost or expense which is included within the definition of "Operating Expenses," those Assessments which are levied for capital improvements which include the costs (whether in whole or in part) of constructing or acquiring improvements for, or on, the Recreation Property or the cost (whether in whole or in part) of reconstructing or replacing such improvements. Notwithstanding anything to the contrary herein contained, it is recognized and declared that Special Assessments shall be in addition to, and are not part of, any "Individual Lot Assessment". Any such Special Assessments assessed against Contributing Lots and Contributing Lot Owners thereof shall be paid by such Contributing Lot Owners in addition to any other assessments. Special Assessments shall be assessed in the same manner as the Individual Lot Assessment. Special Assessments shall be paid in such installments or in a lump sum as the Board shall, from time to time, determine. Notwithstanding the foregoing, the levying of any Special Assessment after the Turnover Date shall require the affirmative assent of at least two-thirds (2/3) of all Contributing Lot Owners represented in person or by proxy at a meeting called and held in accordance with the Bylaws. Prior to the Turnover Date, a Declarant controlled Board may make a Special Assessment without the consent of the Contributing Lot Owners.

D. Liability of Contributing Owners for Individual Assessments

By the acceptance of a deed or other instrument of conveyance of a Lot in the Property, each Owner thereof acknowledges that each Contributing Lot and the Contributing Lot Owners thereof are jointly and severally liable for their own Individual Lot Assessment and their applicable portion of any Special Assessments as well as for all Assessments for which they are liable as provided for herein. Such Contributing Lot Owners further recognize and covenant that they are jointly and severally liable with the Contributing Lot Owners of all Contributing Lots for the Operating Expenses (subject to any specific limitations provided for herein such as, but not limited to, the limitation with respect to matters of Special Assessments and the limitations on the liability of Institutional Mortgagees and their successors and assigns). Accordingly, subject to such specific limitations, it is recognized and agreed by each Owner who is or becomes a Contributing Lot Owner, for himself and his heirs, executors, successors and assigns, that in the event Contributing Lot Owners fail or refuse to pay their Individual Lot Assessment or any portion thereof or their respective portions of any Special Assessments

or any other Assessments, then the other Contributing Lot Owners may be responsible for increased Individual Lot Assessments or Special Assessment or other Assessments due to the nonpayment by such other Contributing Lot Owners, and such increased Individual Lot Assessment or Special Assessment or other Assessment can and may be enforced by the Association and Declarant in the same manner as all other Assessments hereunder as provided in the Sapphire Bay Documents.

E. Guaranteed Assessment During Guarantee Period

Declarant covenants and agrees with the Association and the Contributing Lot Owners that for the period commencing with the date of recordation of these Recreational Covenants and ending upon the sooner to occur of the following: (i) the Turnover Date; or (ii) December 31, 1994 ("Guarantee Period"), that the Individual Lot Assessment will not exceed the dollar amount set forth in the budget of the Association for the quarterly assessment ("Guaranteed Assessment") and that Declarant will pay the difference, if any, between (a) the Operating Expenses (other than those Operating Expenses which are properly the subject of a Special Assessment) incurred by the Association during the Guarantee Period, and (b) the amounts assessed as Guaranteed Assessments against a Contributing Lot and the "Working Capital Contributions" set forth in Paragraph V.G hereof which will be used to defray initial start up expenses. The budget is based on a full build out of Sapphire Bay. Thus, during the Guarantee Period, Contributing Lot Owners shall not be obligated to pay Assessments other than the Guaranteed Assessment and Special Assessments and their respective Working Capital Contributions. Declarant hereby reserves the right to extend the Guarantee Period to a date ending no later than the Turnover Date at Declarant's sole election by providing written notice to the Association of such election at least thirty (30) days prior to the expiration of a Guarantee Period.

After the Guarantee Period terminates, each Contributing Lot Owner shall be obligated to pay Assessments as set forth in Paragraph V.A hereof.

F. Declarant's Guaranteed Assessment Not the Obligation of Institutional Mortgages

Notwithstanding anything to the contrary herein contained, it is specifically understood and declared and each Contributing Lot Owner by the acceptance of a deed or other instrument of conveyance of a Lot within the Property shall be deemed to have acknowledged and agreed that no Institutional Mortgage (other than Declarant) or any successor or assign of such Institutional Mortgage, or any person acquiring title to any part of the Property by reason of the foreclosure or otherwise shall be deemed to have made, assumed or otherwise undertaken any covenants or obligations of Declarant: (i) to guarantee the level and/or duration of any Guaranteed Assessments provided for under any of the Sapphire Bay Documents; or (ii) to pay the difference between the actual Operating Expenses and the Guaranteed Assessments, if any, assessed against Contributing lots and the Contributing Lot Owners thereof during the Guarantee Period as may be provided for in any of the Sapphire Bay Documents; provided, however, that an Institutional Mortgage may, at its option, determine to continue the obligation of Declarant to guarantee the amount of the Assessments as herein provided.

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Additionally, a successor Declarant shall not guarantee the level and/or duration of any Guaranteed Assessments provided for under any of the Sapphire Bay Documents or to pay the difference between the actual Operating Expenses and the Guaranteed Assessments, if any, assessed against Contributing Lots and the Contributing Lot Owners thereof during the Guarantee Period unless such obligation is assumed by such successor Declarant.

G. Working Capital Contribution

Each Owner who purchases a Lot with a Home thereon from Declarant shall pay to the Association at the time legal title is conveyed to such Owner a "Working Capital Contribution." The Working Capital Contribution shall be an amount equal to a two months' share of the annual Operating Expenses applicable to such Lot pursuant to the initial Budget (which may be different from the Budget in effect at the time of closing). The purpose of the Working Capital Contribution is to insure that the Association will have cash available for initial start up expenses, to meet unforeseen expenditures or to acquire additional equipment and services deemed necessary or desirable by the Board. Working Capital Contributions are not advance payments of Individual Lot Assessments and shall have no effect on future Individual Lot Assessments.

ARTICLE VI

OPERATING EXPENSES; CERTAIN ASSESSMENT CLASSIFICATIONS

The following expenses of the Recreation Property and of the Association are hereby declared to be Operating Expenses which the Association is obligated to assess and collect and which the Contributing Lot Owners are obligated to pay as provided herein or as may be otherwise provided in the Sapphire Bay Documents:

(1) any and all taxes and tax liens which may be assessed or levied at any and all times against the Recreation Property or against any and all personal property improvements thereon; (2) all charges levied for utilities providing services for the Recreation Property such as water, gas, electricity, telephone, sewer and any type of utility or any other type of service charge which is not separately billed to a Member; (3) the premiums on policies of insurance including, but not limited to, liability and casualty insurance for the Recreation Property; (4) any sums necessary including reserves, for the maintenance, repair and replacement of the Recreation Property and all improvements located thereon; (5) any sums necessary for the maintenance, repair and replacements of the landscaping islands in the cul-de-sacs within Sapphire Bay ("Landscaping Islands"); (6) administrative and operational expenses; and (7) any and all expenses deemed to be Operating Expenses by the Association.

The Operating Expenses with respect to the Recreation Property is payable by each Contributing Lot Owner to the Association notwithstanding the fact that Declarant may not have yet conveyed title to the Recreation Property to the Association.

ARTICLE VII
INSURANCE AND CONDEMNATION

The Association shall purchase and maintain the following insurance coverages subject to the following provisions, and the cost of the premiums therefor shall be a part of the Operating Expenses:

A. Casualty Insurance

Property and casualty insurance in an amount equal to the then full replacement cost, exclusive of land, foundation, excavation and other items normally excluded from such coverage, of all improvements and personal property which is owned by the Association and now or hereafter located upon the Recreation Property, which insurance shall afford protection against such risks, if any, as shall customarily be covered with respect to areas similar to the Recreation Property in developments similar to Sapphire Bay in construction, location and use.

B. Public Liability Insurance

A comprehensive policy of public liability insurance naming the Association and, until Declarant's ownership of Lots within the Property ceases, Declarant as named insureds thereof insuring against any and all claims or demands made by any person or persons whomsoever for injuries received in connection with, or arising from, the operation, maintenance and use of the Recreation Property and any improvements located thereon, and for any other risks insured against by such policies with limits of not less than One Million Dollars (\$1,000,000) for damages incurred or claimed by any one person for any one occurrence; not less than Three Million Dollars (\$3,000,000) for damages incurred or claimed for any one occurrence; and for not less than Fifty Thousand Dollars (\$50,000) property damage per occurrence with no separate limits stated for the number of claims.

C. Fidelity Coverage

Adequate fidelity coverage to protect against dishonest acts of the officers and employees of the Association and the Directors and all other who handle and are responsible for handling funds of the Association shall be maintained in the form of fidelity bonds, which requirements shall be reasonably determined by the Board.

D. Other Insurance

Such other forms of insurance and in such coverage amounts as the Association shall determine to be required or beneficial for the protection or preservation of the Recreation Property and any improvements now or hereafter located thereon or in the best interests of the Association.

E. Cancellation or Modification

All insurance policies purchased by the Association shall provide that they may not be cancelled (including for nonpayment of premiums) or

substantially modified without at least ten (10) days prior written notice to the Association and to each first mortgage holder named in the mortgage clause.

7. Condemnation

In the event the Association receives any award or payment arising from the taking of any Recreation Property or any part thereof as a result of the exercise of the right of condemnation or eminent domain, the net proceeds thereof shall first be applied to the restoration of such taken areas and improvements thereon to the extent deemed advisable by the Association and approved by Owners owning at least two-thirds (2/3) of the lots, and the remaining balance thereof, if any, shall then be distributed pro rata to Owners and mortgagees of lots as their respective interests may appear.

**ARTICLE VIII
EASEMENTS**

A. Recognition of Existing Easements

Each Owner, by acceptance of a deed or other instrument of conveyance, recognizes and consents to the easements reserved and/or granted with respect to the Property under these Recreational Covenants, the Supplemental Master Declaration and the Master Declaration.

B. Grant and Reservation of Easements

Declarant hereby reserves and grants the following perpetual easements over and across the Property as covenants running with the Property for the benefit of the Owners, the Association and Declarant as hereinafter specified for the following purposes:

1. Utility and Services Easements

An easement or easements to provide for installation, service, repair and maintenance of the equipment required to provide utility services to the Recreation Property including (but not limited to) power, electric transmission, light, telephone, gas, water, sewer and drainage, and governmental services including reasonable rights of access for persons and equipment necessary for such purpose for the benefit of the appropriate utility companies, agencies, franchises or governmental agencies.

2. Easement for Encroachment

An easement for encroachment in favor of an Owner in the event any portion of his Home or appurtenant improvements such as a fence now or hereafter encroaches upon any of the lots as a result of minor inaccuracies in survey, construction or due to settlement or movement. Such encroaching improvements installed by Declarant shall remain undisturbed for so long as the encroachment exists. Any easement for encroachment shall include an easement for the maintenance and use of the encroaching improvements in favor of the Owner thereof or his designees.

3. Maintenance Easements

(a) Preamble: Some of the Homes in Sapphire Bay have been designed and site planned as "zero lot line" homes such that each Home is constructed so that all or portions of one side of the Home (and fences or masonry walls extending from such side) are situated on the side boundary lines of the Lot. Because of this design, it is necessary to provide a means by which the Owner of a Lot ("Dominant Lot") may have access to the "zero lot line" side of the Home (and other portions of his Lot and Home) in order to maintain portions of the Lot, the side of the Home, the roof and other applicable portions of the Home and Lot, and so that rain water may run off the roof of a particular Home onto the easement area described below. Because such access must be, of necessity, over the neighboring Lot ("Servient Lot") on which the portion of "zero lot line" side of the Home faces, Declarant hereby makes provision for the "Maintenance Easements" declared and regulated pursuant to this subparagraph 3 (as well as similar easements for the aforesaid purposes which may, but need not, appear on the Plat).

(b) Creation and Extent of Maintenance Easement: Declarant hereby reserves a permanent and perpetual non-exclusive maintenance easement in favor of each Dominant Lot over the unimproved portion of the Servient Lot adjacent to the building lines of the Home located on the Dominant Lot, which building lines are co-extensive with the Lot lines dividing the aforesaid Lots ("Maintenance Easement"). Said Maintenance Easement shall be appurtenant to and pass with the title of the Dominant Lot and the Servient Lot. The Maintenance Easement shall be only as extensive as reasonably necessary to permit the Owner of a Dominant Lot to make the uses described in subparagraph (c) below and for rainwater run-off but in no event, less than the greater of seven (7) feet in width or as may be otherwise shown as an access or similar easement on the Plat.

(c) Use and Conditions of Maintenance Easement: The Owner of a Dominant Lot, his guests, invitees, contractors, subcontractors, suppliers, laborers and other service personnel, shall be entitled to enter unto the appurtenant Maintenance Easement for purposes of maintaining, repairing and replacing portions of his Lot and Home including, without limitation, the Home's walls, roof, fence, landscaping and other installations which cannot be conveniently or properly maintained, repaired or replaced solely from the Dominant Lot. The right of each Owner of the Dominant Lot to use the Maintenance Easement shall be limited to the aforesaid uses and such Owner shall not do anything within the Servient Lot which shall cause damage to the Servient Lot or any improvement or landscaping thereon which is not promptly remedied by said Owner, create an undue hazard to person or pets located on or coming into the Servient Lot or is in furtherance of any activity as to the Dominant Lot or the Home thereon which is, or would result in, a violation of the restrictions set forth in the Sapphire Bay Documents. The Owner of the Dominant Lot shall, by virtue of making use of any Maintenance Easement, be deemed to indemnify the Owner of a Servient Lot for any and all losses, costs, expense or damage to any person or property incurred by reason of the former's violations of the restrictions contained herein.

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(d) **Servient Lot Owner Duties:** Owners of Servient Lots shall not make any improvement to the Servient Lot, including, without limitation, the placement of fences or landscaping which would unreasonably interfere with the permissible uses of any maintenance or access easement appurtenant to the adjoining Dominant Lot reserved hereby.

(e) **Reciprocity:** Each Owner, by acceptance of a deed for a Lot, hereby acknowledges and agrees that such Owner's Lot may not only be a Dominant Lot having rights across adjacent Servient Lots as hereinbefore described but also a Servient Lot encumbered by the easement rights hereinbefore described in favor of the Dominant Lots adjacent to such Lot.

4. Easement to Enter Upon Lots

An easement or easements for ingress and egress in favor of the Association, including the Board or the designee of the Board, to enter upon the Lots for the purposes of fulfilling its duties and responsibilities of ownership, maintenance and/or repair in accordance with the Sapphire Bay Documents, including the making of such repairs, maintenance or reconstruction as are necessary for the Recreation Property.

5. Easement Over Recreation Property

An easement of enjoyment in favor of all Owners, their family members, guests, invitees and lessees in and to the Recreation Property which shall be appurtenant to and shall pass with title to every lot in the Property, subject to the following:

(a) the right of the Association to suspend the voting rights of any Owner and rights to use the Recreation Property of any Owner of the Property for any period during which assessments against his Lot(s) or lot(s) remain unpaid;

(b) the right of the Association to grant permits, licenses and easements over the Recreation Property for utilities and other purposes reasonably necessary or useful for the proper maintenance or operating of the Property; and

(c) all provisions set forth in the Sapphire Bay Documents.

6. Easement for Roof Overhang

An easement or easements to provide for the roof overhang in favor an Owner including rights of access for persons or equipment necessary to maintain and repair such roof overhang.

7. Drainage and Irrigation Easement

An easement for drainage, flowage and irrigation over, under and upon the Property in favor of the Association and each of the Owners, including, but not limited to, reasonable rights of access for persons and equipment to construct, install, maintain, alter, inspect, remove, relocate and repair the water drainage system, flowage pipes and irrigation pipes.

C. Assignments

The easements reserved hereunder may be assigned by Declarant or the Association in whole or in part to any city, County or state government or agency thereof, or any duly licensed or franchised public utility, or any other designee of Declarant. The Owners hereby authorize Declarant and/or the Association to execute, on their behalf and without further authorization, such grants of easement or other instruments as may from time to time be necessary to grant easements over and upon the Property or portions thereof in accordance with the provisions of these Recreational Covenants.

Notwithstanding anything in these Recreational Covenants to the contrary, all easement rights reserved or granted to Declarant shall terminate upon Declarant no longer holding any Lots or Homes on the Property for sale in the ordinary course of business or holding a mortgage on a Lot or Home on the Property. In addition, the easement rights granted or reserved by Declarant hereunder are not to be construed as creating an affirmative obligation to act on the part of Declarant.

**ARTICLE IX
MAINTENANCE BY THE ASSOCIATION**

A. Recreation Property

The responsibility of the Association is to repair, maintain and replace any and all improvements including, but not limited to, the sidewalk and facilities located on the Recreation Property commencing with the completion of same by Declarant and whether or not same are owned by the Association. The improvements shall be maintained in the same condition as originally constructed by Declarant. In the event of any damage or destruction to the Recreation Property or to the improvements and facilities located thereon by fire, storms, acts of God, acts of government, acts of third parties or other calamity, the Association shall be required to rebuild such improvements and facilities as quickly as practicable.

B. Landscaping Islands

The Association is responsible for the maintenance of the Landscaping Islands. The Landscaping Islands shall be maintained in the same condition as originally constructed by Declarant.

**ARTICLE X
USE RESTRICTIONS**

For purposes of this Article X, unless the context otherwise requires, Owner shall also include the family, invitees, guests, licensees, lessees and sublessees of any Owner, and any other permitted occupants of a Home. All the Property shall be held, used and enjoyed subject to the following limitations and restrictions, subject to the exemption of Declarant in Paragraph I hereof:

A. Nuisances

No obnoxious or offensive activity shall be carried on about the Lots or in or about any improvements, Homes, or on any portion of Sapphire Bay nor shall anything be done therein which may be or become an unreasonable annoyance or a nuisance to any Owner. No use or practice shall be allowed in or around the Homes which is a source of annoyance to Owners or occupants of Homes or which interferes with the peaceful possession or proper use of the Homes or the surrounding areas. No loud noises or noxious odors shall be permitted in any improvements, Homes or Lots. Without limiting the generality of any of the foregoing provisions, no horns, whistles, bells or other sound devices (other than security devices used exclusively for security purposes), noisy or smoky vehicles, large power equipment or large power tools, unlicensed off-road motor vehicles or any items which may unreasonably interfere with television or radio reception of any Owner shall be located, used or placed on any Lot, or exposed to the view of other Owners without the prior written approval of the Board and/or the Community Association, if required.

B. Parking and Vehicular Restrictions

Parking upon the Property shall be restricted to the parking spaces built for such purposes and the drive and garage located upon each Lot. No parking on the streets or swales is permitted. No Owner shall keep any vehicle on the Lots which is deemed to be a nuisance by the Board. No Owner shall conduct repairs (except in an emergency or except within the garage of the Home with the garage door closed) or restorations of any motor vehicle, boat, trailer, or other vehicle upon the Lots.

C. Trash and Other Materials

No rubbish, trash, garbage or other waste material shall be kept or permitted on the Lots except in sanitary containers located in appropriate areas, and no odor shall be permitted to arise therefrom so as to render Sapphire Bay unsanitary, unsightly, offensive or detrimental to Owners or to any other property in the vicinity thereof or to its occupants.

D. No Improper Uses

No improper, offensive, hazardous or unlawful use shall be made of any Home nor shall anything be done thereon tending to cause embarrassment, discomfort, annoyance or nuisance to any person using any portion of the Property. All valid laws, zoning ordinances and regulations of all governmental bodies having jurisdiction thereover shall be observed. Violations of laws, orders, rules, regulations or requirements of any governmental agency having jurisdiction thereover, relating to any Home shall be corrected by, and at the sole expense of the Home's Owner.

E. Leases

No portion of a Home (other than an entire Home) may be rented. All leases shall provide that the Association shall have the right to terminate

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the lease upon default by the tenant in observing any of the provisions of these Recreational Covenants, the Articles, Bylaws, of applicable rules and regulations, or of any other agreement, document or instrument governing the Lots or Homes. The Owner of a leased Home shall be jointly and severally liable with his tenant to the Association to pay any claim for injury or damage to property caused by the negligence of the tenant. Every lease shall be subordinated to any lien filed by the Association whether before or after such lease was entered into.

F. Temporary Buildings, Etc.

No tents, trailers, shacks or other temporary buildings or structures shall be constructed or otherwise placed upon the Property, except in connection with construction, development, leasing or sales activities permitted by the Modifications Committee or New Construction Committee, as applicable, in accordance with the Master Declaration. No temporary structure may be used as a Home.

G. Garages

No Owner may convert into living space the interior of any garage located within a Home.

H. Animals and Pets

Only common domesticated household pets may be kept on any Lot or in a Home, not to exceed a total of two (2) per Home but in no event for the purpose of breeding or for any commercial purposes whatsoever. Additional restrictions regarding animals and pets are set forth in Article XII of the Master Declaration. No other animals, livestock, reptiles or poultry of any kind shall be kept, raised, bred or maintained on any portion of the Property. Permitted pets shall only be kept subject to and in accordance with such rules and regulations as shall be promulgated from time to time by the Board. Under no circumstances may a pit bull be permitted on the Property. Any pet must be carried or kept on a leash when outside of a Home or fenced-in area. No pet shall be kept on a leash when outside of a Home or in any screened porch or patio, unless someone is present in the Home. An Owner shall immediately pick up and remove any solid animal waste deposited by his pet on his Lot or the Recreation Property, except for designated pet-walk areas, if any.

Each Owner who determines to keep a pet thereby agrees to indemnify the Association and Declarant and hold them harmless against any loss or liability of any kind or character whatsoever arising from or growing out of his having any animal on the Property.

I. Additions and Alterations

No Home shall be enlarged by any addition thereto or to any part thereof, and no Owner shall make any improvement, addition, or alteration to the exterior of his Home, including, without limitation, the painting, staining, or varnishing of the exterior of the Home, without the prior written

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approval of the Modifications Committee or New Construction Committee as set forth in the Master Declaration, which approval may be withheld for purely aesthetic reasons.

J. Increase in Insurance Rates

No Owner may engage in any action which may reasonably be expected to result in an increase in the rate of any insurance policy or policies covering or with respect to any portion of the Property not owned by such Owner.

K. Trees

No Owner may engage in any activity which will change the slope of a Lot. No additional trees are permitted to be planted on the Property without the prior written consent of Declarant for as long as Declarant owns a Lot, and thereafter without the prior written consent of the Association and the Modifications Committee or New Construction Committee as set forth in the Master Declaration.

L. Certain Rights of Declarant

The provisions, restrictions, terms and conditions of this Article X shall not apply to Declarant as an Owner.

**ARTICLE XI
GENERAL PROVISIONS**

A. Conflict with Other Sapphire Bay Documents

In the event of any conflict between the provisions hereof and the provisions of the Articles and/or Bylaws and/or rules and regulations promulgated by the Association, the provisions of these Recreational Covenants shall control. In the event of any conflict between the provisions of these Recreational Covenants and the provisions of the Supplemental Master Declaration, the provisions of the Supplemental Master Declaration shall control. In the event of any conflict between the provisions of these Recreational Covenants and the provisions of the Master Declaration, the provisions of the Master Declaration shall control; provided, however, these Recreational Covenants and the other Sapphire Bay Documents may contain provisions more restrictive than contained the Master Declaration and other Silver Lakes Documents, in which event the more restrictive provision shall control.

B. Notices

Any notice or other communication required or permitted to be given or delivered hereunder shall be deemed properly given and delivered upon the mailing thereof by United States mail, postage prepaid, to: (i) any Owner, at the address of the person whose name appears as the Owner on the records of the Association at the time of such mailing and, in the absence of any specific address, at the address of the Home owned by such Owner; and (ii) the Association, certified mail, return receipt requested, at 1401 University

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Drive, Suite 200, Coral Springs, Florida 33071, or such other address as the Association shall hereinafter notify Declarant and the Owners of in writing; and (iii) Declarant, certified mail, return receipt requested, at 1401 University Drive, Suite 200, Coral Springs, Florida 33071, or such other address or addresses as Declarant shall hereafter notify the Association of in writing, any such notice to the Association of a change in Declarant's address being deemed notice to the Owners. Upon request of an Owner, the Association shall furnish to such Owner the then current address for Declarant as reflected by the Association records.

C. Enforcement

The covenants and restrictions herein contained may be enforced by Declarant (so long as Declarant holds an equitable or legal interest in any Lot and/or Home), the Association, any Owner and any Institutional Mortgagee holding a mortgage on any portion of the Property in any judicial proceeding seeking any remedy recognizable at law or in equity, including damages, injunction or any other form of relief against any person, firm or entity violating or attempting to violate any covenant, restriction or provision hereunder. The failure by any party to enforce any such covenant, restriction or provision herein contained shall in no event be deemed a waiver of such covenant, restriction or provision or of the right of such party to thereafter enforce such covenant, restriction or provision. The prevailing party in any such litigation shall be entitled to all costs thereof including, but not limited to, Legal Fees.

D. Captions, Headings and Titles

Article and Paragraph captions, headings and titles inserted throughout these Recreational Covenants intended as a matter of convenience only and in no way shall such captions, headings or titles define, limit or in any way affect the subject matter or any of the terms and provisions thereunder or the terms and provisions of these Recreational Covenants.

E. Context

Whenever the context so requires or admits, any pronoun used herein may be deemed to mean the corresponding masculine, feminine or neuter form thereof, and the singular form of any nouns and pronouns herein may be deemed to mean the corresponding plural form thereof and vice versa.

F. Severability

In the event any of the provisions of these Recreational Covenants shall be deemed invalid by a court of competent jurisdiction, said judicial determination shall in no way affect any of the other provisions hereof, which shall remain in full force and effect, and any provisions of these Recreational Covenants deemed invalid by a court of competent jurisdiction by virtue of the term or scope thereof shall be deemed limited to the maximum term and scope permitted by law. In the event that any court should hereafter determine that any provision of these Recreational Covenants is in violation of the rule of property known as the "rule against perpetuities" or any other

rule of law because of the duration of a time period, such provision shall not thereby become invalid, but instead the duration of such time period shall be reduced to the maximum period allowed under such rule of law, and in the event the determination of the duration of such time period requires measuring lives, such measuring life shall be that of the incorporator of the Association.

G. Certain Rights of Declarant

Notwithstanding anything to the contrary herein contained, no improvements constructed or installed by Declarant shall be subject to the approval of the Association or the provisions and requirements of these Recreational Covenants, although it is the intent of Declarant to create a community with a common scheme of development. Notwithstanding the other provisions of these Recreational Covenants, Declarant reserves for itself and Declarant and its nominee shall have the right to enter into and transact on the Property any business necessary to consummate the sale, lease or encumbrance of Homes or real property including, but not limited to, the right to maintain models and a sales and/or leasing office, place signs, employ sales and leasing personnel, use the Recreation Property and show Homes, and Declarant reserves the right to make repairs to the Recreation Property and to carry on construction activity for the benefit of the Property. Declarant, and its nominee may exercise the foregoing rights without notifying the Association. Any such models, sales and/or leasing office, signs and any other items pertaining to such sales or leasing efforts shall not be considered a part of the Recreation Property and shall remain the property of Declarant. This Paragraph G may not be suspended, superseded or modified in any manner by any amendment to these Recreational Covenants unless such amendment is consented to in writing by Declarant. This right of use and transaction of business as set forth herein and the other rights reserved by Declarant in the Sapphire Bay Documents may be assigned in writing by Declarant in whole or in part. For the purposes of this Paragraph G, the term "Declarant" shall include any "Lender" which has loaned money to Declarant to acquire or construct improvements upon the Property, or its successors and assigns if such Lender, its successors or assigns, acquires title to any portion of the Property as a result of the foreclosure of any mortgage encumbering any portion of the Property securing any such loan to Declarant, or acquires title thereto by deed in lieu of foreclosure. The rights and privileges of Declarant as set forth in this Paragraph G, which are in addition to, and are no way a limit on, any other rights or privileges of Declarant under any of the Sapphire Bay Documents, shall terminate upon Declarant no longer owning any portion of the Property (and having any equitable or legal interest therein) or upon such earlier date as Declarant shall notify the Association in writing of Declarant's voluntary election to relinquish the aforesaid rights and privileges.

H. Disputes as to Use

In the event there is any dispute as to whether the use of the Property or any portion or portions thereof complies with the covenants, restrictions, easements or other provisions contained in these Recreational Covenants, such dispute shall be referred to the Board, and a determination

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rendered by the Board with respect to such dispute shall be final and binding on all parties concerned therewith. Notwithstanding anything to the contrary herein contained, any use by Declarant of the Property shall be deemed a use which complies with these Recreational Covenants and shall not be subject to a contrary determination by the Board. In the event that there is a dispute as to the use of the Property or any portion or portions thereof complies with the covenants, restrictions, easements or other provisions contained in the Master Declaration, such dispute shall be referred to the Master Association and the Master Association shall control.

I. Amendment and Modification

The process of amending or modifying these Recreational Covenants shall be as follows:

1. Until the Turnover Date, all amendments or modifications shall only be made by Declarant without the requirement of the Association's consent or the consent of the Owners so long as such amendments or modifications do not impair the common plan of development of Sapphire Bay; provided, however, that the Association shall, forthwith upon request of Declarant, join in any such amendments or modifications and execute such instruments to evidence such joinder and consent as Declarant shall, from time to time, request.

2. After the Turnover Date, these Recreational Covenants may be amended by: (i) the consent of the Owners owning at least two-thirds (2/3) of all Lots; together with (ii) the approval or ratification of a majority of the Board. The aforementioned consent of the Owners owning two-thirds (2/3) of the Lots may be evidenced by a writing signed by the required number of Owners or by the affirmative vote of the required number of Owners at any regular or special meeting of the Association called and held in accordance with the Bylaws evidenced by a certificate of the Secretary or an Assistant Secretary of the Association.

3. Amendments for correction of scrivener's errors or other nonmaterial changes may be made by Declarant alone until the Turnover Date and by the Board thereafter and without the need of consent of the Owners.

4. Notwithstanding anything to the contrary herein contained, no amendment to these Recreational Covenants shall be effective which shall impair or prejudice the rights or priorities of Declarant, the Association or of any Institutional Mortgagee under the Sapphire Bay Documents without the specific written approval of such Declarant, Association and/or Institutional Mortgagee affected thereby. Furthermore, notwithstanding anything to the contrary herein contained, no amendment to these Recreational Covenants shall be effective which would prejudice the rights of a then Owner or his family members, guests, invitees and lessees to utilize or enjoy the benefits of the then existing Recreation Property unless the Owner or Owners so affected consent to such amendment in writing or unless such amendment is adopted in accordance with the procedures required for adoption of an amendment to these Recreational Covenants after the Turnover Date. Finally, notwithstanding anything to the contrary contained herein, no amendment to these Recreational Covenants shall be effective which shall eliminate or modify the provisions of

Paragraph M of this Article XI and any such amendment shall be deemed to impair and prejudice the rights of Declarant.

5. Notwithstanding the foregoing provisions as long as the Class B membership exists, the following actions require the prior approval of the Federal Housing Administration if Sapphire Bay is an approved project by the Federal Housing Administration: annexation of additional properties, dedication of common areas and a material amendment to these Recreational Covenants.

6. A true copy of any amendment to these Recreational Covenants shall be sent certified mail by the Association to Declarant and to all Institutional Mortgagees holding a mortgage on any portion of the Property requesting notice. The amendment shall become effective upon the recording of a Certificate of Amendment to these Recreational Covenants setting forth the amendment or modification amongst the Public Records of the County.

7. Notwithstanding anything contained herein to the contrary, Declarant may, without the consent of any Owners, file any amendments which may be required by an Institutional Mortgagee for the purpose of satisfying its Planned Unit Development criteria or such other criteria as may be established by such mortgagee's secondary mortgage market purchasers, including, without limitation, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation; provided, however, any such Declarant's filed amendments must be in accordance with any applicable rules, regulations and other requirements promulgated by the United States Department of Housing and Urban Development.

J. Delegation

The Association, pursuant to a resolution duly adopted by the Board, shall have the continuing authority to delegate all or any portion of its responsibilities for maintenance, operation and administration, as provided herein, to any managing agency or entity selected by the Board from time to time and whether or not related to Declarant.

K. Term

These Recreational Covenants and the terms, provisions, conditions, covenants, restrictions, reservations, regulations, burdens and liens contained herein shall run with and bind the Property, and inure to the benefit of Declarant, the Association, Owners, and their respective legal representatives, heirs, successors and assigns for a term of fifty (50) years from the date of recording these Recreational Covenants amongst the Public Records of the County, after which time these Recreational Covenants shall be automatically renewed and extended for successive periods of ten (10) years each unless at least one (1) year prior to the termination of such fifty (50)-year term or any such ten (10)-year extension there is recorded amongst the Public Records of the County an instrument agreeing to terminate these Recreational Covenants signed by Owners owning two-thirds (2/3) of the Lots and Institutional Mortgagees holding first mortgages encumbering two-thirds (2/3) of all Lots encumbered by first mortgages held by Institutional

Mortgages, upon which event these Recreational Covenants shall be terminated upon the expiration of the fifty (50)-year term or the ten (10)-year extension during which such instrument was recorded.

L. Rights of Mortgages

1. Right to Notice

The Association shall make available for inspection upon request, during normal business hours or under reasonable circumstances, the Sapphire Bay Documents and the books, records and financial statements of the Association to Owners and the holders, insurers or guarantors of any first mortgages encumbering any portion of the Property. In addition, evidence of insurance shall be issued to each Owner and mortgagee holding a mortgage encumbering a Home upon written request to the Association.

2. Rights of Listed Mortgages

Upon written request to the Association, identifying the name and address of the holder, insurer, or guarantor (such holder, insurer or guarantor is herein referred to as a "Listed Mortgagee") of a mortgage encumbering a lot and the legal description of such lot the Association shall provide such Listed Mortgagee with timely written notice of the following:

(a) Any condemnation, loss or casualty loss which affects any material portion of the Recreation Property;

(b) Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association;

(c) Any proposed action which would require the consent of mortgagees holding a mortgage encumbering a lot; and

(d) Any failure by an Owner owning a lot encumbered by a mortgage held, insured or guaranteed by such Listed Mortgagee to perform his obligations under the Sapphire Bay Documents, including, but not limited to, any delinquency in the payment of Assessments, or any other charge owed to the Association by said Owner where such failure or delinquency has continued for a period of sixty (60) days.

3. Right of Listed Mortgagee to Receive Financial Statement

Any Listed Mortgagee shall, upon written request made to the Association, be entitled to financial statements for the Association for the prior fiscal year free of charge and the same shall be furnished within a reasonable time following such request.

M. Approval of Association Lawsuits by Owners

Notwithstanding anything contained herein to the contrary, the Association shall be required to obtain the approval of three-fourths (3/4) of all Owners (at a duly called meeting of the Owners at which a quorum is

present) prior to the payment of legal or other fees to persons or entities engaged by the Association for the purpose of suing, or making, preparing or investigating any lawsuit, or commencing any lawsuit other than for the following purposes:

- (a) the collection of Assessments;
- (b) the collection of other charges which Owners are obligated to pay pursuant to the Sapphire Bay Documents;
- (c) the enforcement of the use and occupancy restrictions contained in the Sapphire Bay Documents;
- (d) in an emergency where waiting to obtain the approval of the Owners creates a substantial risk of irreparable injury to the Recreation Property or to Owner(s) (the imminent expiration of a statute of limitations shall not be deemed an emergency obviating the need for the requisite vote of three-fourths (3/4) of the Owners); or
- (e) filing a compulsory counterclaim.

N. Compliance with Provisions

Every person who owns, occupies or acquires any right, title, estate or interest in or to any Lot except as elsewhere herein provided does and shall be conclusively deemed to have consented to and agreed to every limitation, restriction, easement, reservation, condition and covenant contained herein, whether or not any reference to these restrictions is contained in the instrument by which such person acquired an interest in such property.

O. Security

The Association may, but shall not be obligated to, maintain or support certain activities within the Property designed to make the Property safer than they otherwise might be. Declarant shall not in any way or manner be held liable or responsible for any violation of these Recreational Covenants by any person other than Declarant. Additionally, NEITHER DECLARANT, NOR THE ASSOCIATION MAKE ANY REPRESENTATIONS WHATSOEVER AS TO THE SECURITY OF THE PREMISES OR THE EFFECTIVENESS OF ANY MONITORING SYSTEM OR SECURITY SERVICE. ALL MEMBERS AGREE TO HOLD DECLARANT AND THE ASSOCIATION HARMLESS FROM ANY LOSS OR CLAIM ARISING FROM THE OCCURRENCE OF ANY CRIME OR OTHER ACT. NEITHER THE ASSOCIATION, DECLARANT, NOR ANY SUCCESSOR DECLARANT SHALL IN ANY WAY BE CONSIDERED INSURERS OR GUARANTORS OF SECURITY WITHIN THE PROPERTY. NEITHER THE ASSOCIATION, DECLARANT, NOR ANY SUCCESSOR DECLARANT SHALL BE HELD LIABLE FOR ANY LOSS OR DAMAGE BY REASON OR FAILURE TO PROVIDE ADEQUATE SECURITY OR INEFFECTIVENESS OF SECURITY MEASURES UNDERTAKEN, IF ANY. ALL MEMBERS, OWNERS AND OCCUPANTS OF ANY LOT OR HOME, TENANTS, GUESTS AND INVITEES OF ANY OWNER, ACKNOWLEDGE THAT THE ASSOCIATION AND ITS BOARD, DECLARANT, OR ANY SUCCESSOR DECLARANT DO NOT REPRESENT OR WARRANT THAT ANY FIRE PROTECTION SYSTEM, BURGLAR ALARM SYSTEM OR OTHER SECURITY SYSTEM, IF ANY, DESIGNATED BY OR INSTALLED ACCORDING TO GUIDELINES ESTABLISHED BY DECLARANT,

OR THE COMMITTEES OF THE COMMUNITY ASSOCIATION MAY NOT BE COMPROMISED OR CIRCUMVENTED, THAT ANY FIRE PROTECTION OR BURGLAR ALARM SYSTEMS OR OTHER SECURITY SYSTEMS OR OTHER SECURITY SYSTEMS WILL IN ALL CASES PROVIDE THE DETECTION OR PROTECTION FOR WHICH THE SYSTEM IS DESIGNED OR INTENDED. EACH MEMBER, OWNER AND OCCUPANT OF ANY LOT OR HOME, AND EACH TENANT, GUEST AND INVITEE OF AN OWNER, ACKNOWLEDGES AND UNDERSTANDS THAT THE ASSOCIATION, ITS BOARD AND THE COMMITTEES OF THE COMMUNITY ASSOCIATION, DECLARANT, OR ANY SUCCESSOR DECLARANT ARE NOT INSURERS AND THAT EACH MEMBER, OWNER AND OCCUPANT OF ANY LOT OR HOME, AND EACH TENANT, GUEST AND INVITEE OF ANY MEMBER OR OWNER ASSUMES ALL RISKS FOR LOSS OR DAMAGE TO PERSONS, TO LOTS OR HOMES, AND TO THE CONTENTS OF LOTS OR HOMES AND FURTHER ACKNOWLEDGES THAT THE ASSOCIATION, ITS BOARD AND THE COMMITTEES OF THE COMMUNITY ASSOCIATION, DECLARANT, OR ANY SUCCESSOR DECLARANT HAVE MADE NO REPRESENTATIONS OR WARRANTIES NOR HAS ANY OWNER, MEMBER, OCCUPANT, TENANT, GUEST OR INVITEE RELIED UPON ANY REPRESENTATIONS OR WARRANTIES, EXPRESSED OR IMPLIED, INCLUDING ANY WARRANTY OR MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE, RELATIVE TO ANY FIRE AND/OR BURGLAR ALARM SYSTEMS OR OTHER SECURITY SYSTEMS RECOMMENDED OR INSTALLED, IF ANY, OR ANY SECURITY MEASURES UNDERTAKEN WITHIN THE PROPERTY.

IN WITNESS WHEREOF, these Recreational Covenants has been signed by Declarant and joined in by the Association on the respective dates set forth below.

Signed, sealed and delivered in the presence of:

DECLARANT:

G.L. HOMES OF SILVER LAKES XVI CORPORATION, a Florida corporation

Debra L. Garrett
Debra L. Garrett
Jean-Marie Johnson
 (Witnesses as to Declarant)
Jean-Marie Johnson

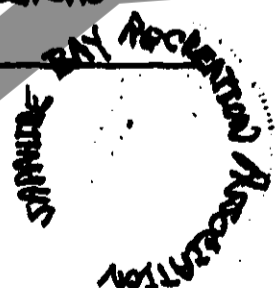
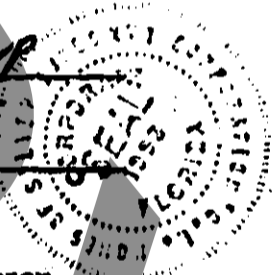
By: Richard A. Costello VP
 Richard A. Costello,
 Vice President
 Attest: Richard M. [Seal]
 Richard M. (SEAL) Notary Public
 Date: 6-7-94

SAPPHIRE BAY RECREATION ASSOCIATION, INC.

Shelly D. Views
Shelly D. Views
Kevin Altore
 (Witnesses as to Sapphire Bay Recreation Association, Inc.)
Kevin Altore

By: Leslie D. Silas
 Leslie D. Silas
 Attest: Richard A. Costello
 Richard (SEAL) A. Costello
 Date: 6-7-94

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STATE OF FLORIDA)
) SS:
COUNTY OF BROWARD)

I HEREBY CERTIFY that on this day, before me, an officer duly authorized in the State aforesaid and in the County aforesaid to take acknowledgments, the foregoing instrument was acknowledged before me by Leslie D. Silas and Richard A. Costello, the President and Secretary, respectively, of SAPPHIRE BAY RECREATION ASSOCIATION, INC., a Florida corporation, not for profit, freely and voluntarily under authority duly vested in them by said corporation, and that the seal affixed thereto is the true corporate seal of said corporation. Leslie D. Silas is personally known to me or who has produced _____ as identification. Richard A. Costello is personally known to me or who has produced _____ as identification.

WITNESS my hand and official seal in the County and State last aforesaid this 14th day of June, 1994.

Shelly D. Vens
Notary Public
State of Florida at Large

Typed, Printed or Stamped Name of
Notary Public

My Commission Expires:



PM 22340250491

EXHIBIT A

Legal Description of Property

All of Lots S-1 through S-187, inclusive, and Parcel RA-2 of Silver Lakes Phase III according to the Plat thereof, as recorded in Plat Book 156, Page 21, of the Public Records of Broward County, Florida.

BR 2340 PG 492

EXHIBIT B

Legal Description of Recreation Property

Parcel RA-2 of Silver Lakes Phase III according to the Plat thereof, as recorded in Plat Book 156, Page 21, of the Public Records of Broward County, Florida.

BR 2234 OF 0493

Exhibit C

State of Florida



Department of State

I certify the attached is a true and correct copy of the Articles of Incorporation of SAPPHIRE BAY RECREATION ASSOCIATION, INC., a Florida corporation, filed on July 1, 1994, as shown by the records of this office.

I further certify the document was electronically received under FAX audit number H94000006120. This certificate is issued in accordance with section 15.16, Florida Statutes, and authenticated by the code noted below.

The document number of this corporation is N94000003283.

Given under my hand and the Great Seal of the State of Florida, at Tallahassee, the Capital, this the First day of July, 1994

Authentication Code: 594A00031008-070194-N94000003283-1/1



Jim Smith

Jim Smith
Secretary of State

BM 22340 PGO 494

**ARTICLES OF INCORPORATION
OF
SAPPHIRE BAY RECREATION ASSOCIATION, INC.
(A Florida Corporation Not For Profit)**

In order to form a corporation not for profit under and in accordance with the provisions of Chapter 617 of the Florida Statutes, the undersigned hereby incorporates the corporation not for profit for the purposes and with the powers hereinafter set forth and, to that end, the undersigned, by these Articles of Incorporation, certifies as follows:

**ARTICLE I
DEFINITIONS**

The following words and phrases when used in these Articles of Incorporation (unless the context clearly reflects another meaning) shall have the following meanings:

1. "Articles" mean these Articles of Incorporation and any amendments hereto.
2. "Association" means Sapphire Bay Recreation Association, Inc., a Florida corporation not for profit.
3. "Board" means the Board of Directors of the Association.
4. "Bylaws" mean the Bylaws of the Association and any amendments thereto.
5. "County" means Broward County, Florida.
6. "Declarant" means G.L. Homes of Silver Lakes XVI Corporation, a Florida corporation, and any successor or assign thereof, which acquires any lot from Declarant for the purpose of development and to which G.L. Homes of Silver Lakes XVI Corporation, specifically assigns all or part of the rights of Declarant hereunder by an express written assignment recorded in the Public Records of the County. The written election shall give notice as to which rights of Declarant are to be exercised. In any event, any subsequent declarant shall not be liable for any default or obligations incurred by any prior Declarant, except as may be expressly assumed by the subsequent declarant.
7. "Director" means a member of the Board.
8. "Home" mean a residential dwelling unit in Sapphire Bay intended as an abode for one family constructed on the Property.
9. "Lot" means a portion of the property as shown on the Plat, upon which a Home is permitted to be erected.
10. "Member" means a member of the Association.

11. "Operating Expenses" mean the expenses for which Owners are liable to the Association as described in the Sapphire Bay Documents and includes, but is not limited to, the costs and expenses incurred by the Association in administering, operating, reconstructing, maintaining, repairing and replacing the Recreation Property as more particularly described the Recreational Covenants.

12. "Owner" means the owner(s) of the fee simple title to a Lot and includes Declarant for so long as it is the owner of the fee simple title to a Lot.

13. "Plat" means the plat of Silver Lakes Phase III recorded or to be recorded amongst the Public Records of the County.

14. "Recreational Covenants" means the Declaration of Recreational Covenants, Restrictions and Easements for Sapphire Bay, which is intended to be recorded amongst the Public Records of the County, and any amendments thereto.

15. "Recreation Property" means the property more particularly described in Article II of the Recreational Covenants.

16. "Sapphire Bay" means the planned residential community planned for development upon the "Property" (as defined in the Recreational Covenants) committed to land use under the "Master Declaration" (as defined in the Recreational Covenants) and the Recreational Covenants which is intended to be comprised of, including, but not limited to, one hundred eighty-seven (187) single family Lots and the Recreation Property located within the Property.

17. "Sapphire Bay Documents" mean in the aggregate the Recreational Covenants, these Articles, the Bylaws and all of the instruments and documents referred to or incorporated therein including, but not limited to, amendments to any of the foregoing, as applicable.

**ARTICLE II
NAME**

The name of this corporation shall be SAPPHIRE BAY RECREATION ASSOCIATION, INC., a Florida corporation not for profit, whose principal address and mailing address is 1401 University Drive, Suite 200, Coral Springs, Florida 33071-6039.

**ARTICLE III
PURPOSES**

The purpose for which this Association is organized is to take title to, operate, administer, manage, lease and maintain the Recreation Property in accordance with the terms of, and purposes set forth in the Sapphire Bay Documents and to carry out the covenants and enforce the provisions of the Sapphire Bay Documents.

Prepared by: Mark F. Grant, Esq., FL Bar #218881
Ruden Barnett, Et al., P. O. Box 1900
Fort Lauderdale, Florida 33301

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ARTICLE IV
OWNERS

The Association shall have the following powers and shall be governed by the following provisions:

A. The Association shall have all of the common law and statutory powers of a corporation not for profit.

B. The Association shall have all of the powers to be granted to the Association in the Sapphire Bay Documents. All of the provisions of the Recreational Covenants and Bylaws which grants powers to the Association are incorporated into the Articles.

C. The Association shall have all of the powers reasonably necessary to implement the purposes of the Association, including, but not limited to, the following:

1. To perform any act required or contemplated by it under the Sapphire Bay Documents.

2. To make, establish, amend and enforce reasonable rules and regulations governing the use of the Recreation Property.

3. To make, levy and collect assessments for the purpose of obtaining funds from its Members to pay Operating Expenses and costs of collection, including the operational expenses of the Association and to use and expend the proceeds of assessments in the exercise of the powers and duties of the Association.

4. To maintain, repair, replace and operate the Recreation Property in accordance with the Sapphire Bay Documents.

5. To enforce by legal means the obligations of the Members and the provisions of the Sapphire Bay Documents.

6. To employ personnel, retain independent contractors and professional personnel and enter into service contracts to provide for the maintenance, operation, administration and management of the Recreation Property and to enter into any other agreements consistent with the purposes of the Association, including, but not limited to, agreements with respect to professional management of the Recreation Property and to delegate to such professional management certain powers and duties of the Association.

7. To enter into the Recreational Covenants and any amendments thereto and instruments referred to therein.

8. To provide, to the extent deemed necessary by the Board, any and all services and do any and all things which are incidental to or in furtherance of things listed above or to carry out the Association mandate to keep and maintain Sapphire Bay in a proper and aesthetically pleasing condition and to provide the Owners with services, amenities, controls and enforcement which will enhance the quality of life at Sapphire Bay.

9. To elect as the "Voting Member" the President of the Association as set forth in the Master Declaration. The Vice President of the Association shall be the Alternate Voting Member. The Voting Member shall cast the votes for all Owners in the "Community Association" (as defined in the Recreational Covenants). The Voting Member may cast all such votes as he, in his sole discretion, deems appropriate.

10. Notwithstanding anything contained herein to the contrary, the Association shall be required to obtain the approval of three-fourths (3/4) of all Members (at a duly called meeting of the Members at which a quorum is present) prior to the payment of legal or other fees to persons or entities engaged by the Association for the purpose of suing, or making, preparing or investigating any lawsuit, or commencing any lawsuit other than for the following purposes:

- (a) the collection of assessments;
- (b) the collection of other charges which Owners are obligated to pay pursuant to the Sapphire Bay Documents;
- (c) the enforcement of any applicable use and occupancy restrictions contained in the Sapphire Bay Documents;
- (d) in an emergency where waiting to obtain the approval of the Members creates a substantial risk of irreparable injury to the Recreation Property or to Member(s) (the imminent expiration of statute of limitations shall not be deemed an emergency obviating the need for the requisite vote of three-fourths (3/4) of the Members); or
- (e) filing a compulsory counterclaim.

**ARTICLE V
MEMBERS AND VOTING**

The qualification of Members of the Association, the manner of their admission to membership, the manner of the termination of such membership and the manner of voting by Members shall be as follows:

A. Until such time as the first deed of conveyance of a Lot from Declarant to an Owner is recorded amongst the Public Records of the County ("First Conveyance"), the membership of the Association shall be comprised solely of the incorporator of these Articles ("Incorporator"). The Incorporator shall be entitled to cast one (1) vote on all matters requiring a vote of the membership.

B. Upon the First Conveyance, membership of the Incorporator in the Association shall be automatically terminated and thereupon Declarant shall be a Member as to each of the remaining Lots until each such Lot is conveyed to another Owner, and thereupon and thereafter each and every Owner, including Declarant as to Lots owned by Declarant, shall be Members and exercise all of the rights and privileges of Members.

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C. Membership in the Association for Owners other than Declarant shall be established by the acquisition of ownership of fee title to a Lot as evidenced by the recording of an instrument of conveyance amongst the Public Records of the County. Where title to a Lot is acquired by conveyance from a party other than Declarant by means of sale, gift, inheritance, devise, judicial decree or otherwise, the person, persons or entity thereby acquiring such Lot shall not be a Member unless or until such Owner shall deliver a true copy of a deed or other instrument of acquisition of title to the Association.

D. The Association shall have two (2) classes of voting membership:

1. "Class A Members" shall be all Members, with the exception of Declarant, and shall be entitled to one (1) vote for each Lot owned.

2. "Class B Members" shall be Declarant who shall be entitled to two times the total number of votes of the Class A Members plus one. Class B membership shall cease and be converted to Class A membership upon the earliest to occur of the following events ("Turnover Date"):

(1) Three (3) months after the conveyance of seventy-five percent (75%) of the "Total Developed Lots" (as defined in Paragraph X.C hereof) by Declarant as evidenced by the recording of instruments of conveyance of such Lots amongst the Public Records of the County; or

(11) At such time as Declarant shall designate in writing to the Association.

On the Turnover Date, Class A Members including Declarant shall assume control of the Association and elect the Board.

B. The designation of different classes of membership are for purposes of establishing the number of votes applicable to certain Lots, and, nothing herein shall be deemed to require voting solely by an individual class on any matter which requires the vote of Members, unless otherwise specifically set forth in Sapphire Bay Documents.

F. No Member may assign, hypothecate or transfer in any manner his membership in the Association except as an appurtenance to his Lot.

G. Any Member who conveys or loses title to a Lot by sale, gift, devise, bequest, judicial decree or otherwise shall, immediately upon such conveyance or loss of title, no longer be a Member with respect to such Lot and shall lose all rights and privileges of a Member resulting from ownership of such Lot.

H. There shall be only one (1) vote for each Lot, except for Class B Members as set forth herein. If there is more than one Member with respect to a Lot as a result of the fee interest in such Lot being held by more than one person, such Members collectively shall be entitled to only one (1) vote. The vote of the Owners of a Lot owned by more than one natural person or by a corporation or other legal entity shall be cast by the person named in a certificate signed by all of the Owners of the Lot, or, if appropriate, by

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properly designated officers, partners or principals of the respective legal entity, and filed with the Secretary of the Association, and such certificate shall be valid until revoked by a subsequent certificate. If such a certificate is not filed with the Secretary of the Association, the vote of such Lot shall not be considered for a quorum or for any other purpose.

Notwithstanding the foregoing provisions, whenever any Lot is owned by a husband and wife they may, but shall not be required to, designate a voting member. In the event a certificate designating a voting member is not filed by the husband and wife, the following provisions shall govern their right to vote:

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

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

3. Where neither spouse is present, the person designated in a "proxy" (as defined in the Bylaws) signed by either spouse may cast the Lot vote, absent any prior written notice to the contrary to the Association by the other spouse or the designation of a different Proxy by the other spouse. In the event of prior written notice to the contrary to the Association or the designation of a different Proxy by the other spouse, the vote of said Lot shall not be considered.

4. A quorum shall consist of persons entitled to cast at least one-third (1/3) of the total number of votes of the Members.

**ARTICLE VI
TERM**

The term for which this Association is to exist shall be perpetual. In the event of dissolution of the Association (unless same is reinstated), other than incident to a merger or consolidation, all of the assets of the Association shall be dedicated to a public body or conveyed to a non profit organization with similar purposes, if permissible under applicable law.

**ARTICLE VII
INCORPORATOR**

The name and address of the Incorporator of these Articles are:

Janet H. Owings
1401 University Drive, Suite 200
Coral Springs, Florida 33071

Prepared by: Mark F. Grant, Esq., FL Bar #218881
Ruden Barnett, Et al., P. O. Box 1800
Fort Lauderdale, Florida 33301

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**ARTICLE VIII
OFFICERS**

The affairs of the Association shall be managed by the President of the Association, assisted by the Vice President(s), Secretary and Treasurer, and, if any, by the Assistant Secretary(ies) and Assistant Treasurer(s), subject to the directions of the Board.

The Board shall elect the President, Secretary and Treasurer, and as many Vice Presidents, Assistant Secretaries and Assistant Treasurers as the Board shall, from time to time, determine. The President shall be elected from amongst the membership of the Board, but no other officer need be a Director. The same person may hold two offices, the duties of which are not incompatible; provided, however, the office of President and a Vice President shall not be held by the same person, nor shall the office of President and Secretary or Assistant Secretary be held by the same person.

**ARTICLE IX
FIRST OFFICERS**

The names of the officers who are to serve until the first election of officers by the Board are as follows:

President	-	Janet H. Owings
Vice President	-	Alan Fant
Secretary/Treasurer	-	Richard Costello

**ARTICLE X
BOARD OF DIRECTORS**

A. The number of Directors on the first Board of Directors of the Association ("First Board") and the "Initial Elected Board" (as hereinafter defined) shall be three (3). The number of Directors elected by the Members subsequent to the "Declarant's Resignation Event" (as hereinafter defined) shall be not less than three (3) nor more than five (5), as the Board shall from time to time determine prior to each meeting at which Directors are to be elected. Except for Declarant-appointed Directors, Directors must be Members or the parents, children or spouse of Members. There shall be any one (1) vote for each Director.

B. The names and addresses of the persons who are to serve as Directors on the First Board are as follows:

NAME	ADDRESS
Janet H. Owings	1401 University Drive, Suite 200 Coral Springs, Florida 33071

Prepared by: Mark F. Grant, Esq., FL Bar #218881
Ruden Barnett, Et al., P. O. Box 1800
Fort Lauderdale, Florida 33301

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Alan Pant

1401 University Drive, Suite 200
Coral Springs, Florida 33071

Richard Costello

1401 University Drive, Suite 200
Coral Springs, Florida 33071

Declarant reserves the right to replace and/or designate and elect successor Directors to serve on the First Board for so long as the First Board is to serve, as hereinafter provided.

C. Declarant intends that Sapphire Bay, when ultimately developed, shall contain an aggregate of one hundred eighty-seven (187) lots with a Home erected upon each lot ("Developed Lot"). For purposes hereof, the term "Total Developed Lots" shall mean the one hundred eighty-seven (187) Developed lots which Declarant intends to develop in Sapphire Bay.

D. Upon the Turnover Date, the Members other than Declarant ("Purchaser Members") shall be entitled to elect not less than a majority of the Board. The election of not less than a majority of the Board by the Purchaser Members shall occur at a special meeting of the membership to be called by the Board for such purpose ("Initial Election Meeting"). The First Board shall serve until the Initial Election Meeting.

E. At the Initial Election Meeting, Purchaser Members shall elect two (2) of the Directors, and Declarant, until the Declarant's Resignation Event, shall be entitled to designate one (1) Director (same constituting the "Initial Elected Board"). Declarant reserves and shall have the right, until the Declarant's Resignation Event, to name the successor, if any, to any Director it has so designated.

F. The Board shall continue to be so designated and elected, as described in Paragraph E above, at each subsequent "Annual Members' Meeting" (as defined in the Bylaws), until the Annual Members' Meeting following the Declarant's Resignation Event or until he is removed in the manner hereinafter provided.

A Director (other than a Declarant-appointed Director) may be removed from office upon the affirmative vote of a majority of Owners, for any reason deemed to be in the best interests of the Owners. A meeting of the Owners to so remove a Director (other than a Declarant-appointed Director) shall be held upon the written request of ten percent (10%) of the Owners.

G. The Initial Election Meeting shall be called by the Association, through the Board, within sixty (60) days after the Purchaser Members are entitled to elect a majority of Directors as provided in Paragraph D hereof. A notice of meeting shall be forwarded to all Members in accordance with the Bylaws; provided, however, that the Members shall be given at least fourteen (14) days' notice of such meeting. The notice shall also specify the number of Directors which shall be elected by the Purchaser Members and the remaining number of Directors designated by Declarant.

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Prepared by: Mark F. Grant, Esq., FL Bar #216881
Ruden Samett, Et al., P. O. Box 1900
Fort Lauderdale, Florida 33301

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H. Upon the earlier to occur of the following events ("Declarant's Resignation Event"), Declarant shall cause all of its designated Directors to resign:

1. When Declarant no longer holds any Lot for sale in the ordinary course of business and all Lots sold by Declarant have been conveyed as evidenced by the recording of instruments of conveyance of such Lots amongst the Public Records of the County; or

2. When Declarant causes the voluntary resignation of all of the Directors designated by Declarant and does not designate replacement Directors.

Upon Declarant's Resignation Event, the Directors elected by Purchaser Members shall elect a successor Director to fill the vacancy caused by the resignation or removal of Declarant's designated Director. This successor Director shall serve until the next Annual Members' Meeting and until his successor is elected and qualified. In the event Declarant's Resignation Event occurs prior to the Initial Election Meeting, the Initial Election Meeting shall be called in the manner set forth in Paragraph G of this Article X, and all of the Directors shall be elected by the Purchaser Members at such meeting.

I. At each Annual Members' Meeting held subsequent to Declarant's Resignation Event, all of the Directors shall be elected by the Members. At the first Annual Members Meeting held after the Initial Election Meeting, a "staggered" term of office of the Board shall be created as follows:

1. a number equal to fifty percent (50%) of the total number of Directors rounded to the nearest whole number is the number of Directors whose term of office shall be established at two (2) years and the Directors serving for a two (2) year term will be the Directors receiving the most votes at the meeting; and

2. the remaining Directors' terms of office shall be established at one (1) year.

At each Annual Members Meeting thereafter, as many Directors of the Association shall be elected as there are Directors whose regular term of office expires at such time, and the term of office of the Directors so elected shall be for two (2) years expiring when their successors are duly elected and qualified.

J. The resignation of a Director who has been designated by Declarant or the resignation of an officer of the Association who has been elected by the First Board shall remise, release, acquit, satisfy and forever discharge such officer or Director of and from any and all manner of action(s), cause(s) of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, executions, claims and demands whatsoever, in law or in equity, which the Association or Purchaser Members had, now have or will have or which any personal representative, successor, heir or assign of the Association or Purchaser Members hereafter can, shall or

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may have against said officer or Director for, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the day of such resignation, except for such Director's or officer's willful misconduct or gross negligence.

**ARTICLE XI
INDEMNIFICATION**

Each and every Director and officer of the Association shall be indemnified by the Association against all costs, expenses and liabilities, including attorney and paralegal fees at all trial and appellate levels and postjudgment proceedings, reasonably incurred by or imposed upon him in connection with any negotiations, proceedings, arbitration, litigation or settlement in which he becomes involved by reason of his being or having been a Director or officer of the Association, and the foregoing provision for indemnification shall apply whether or not such person is a Director or officer at the time such cost, expense or liability is incurred. Notwithstanding the above, in the event of any such settlement, the indemnification provisions provided in this Article XI shall not be automatic and shall apply only when the Board approves such settlement and reimbursement for the costs and expenses of such settlement as in the best interest of the Association, and in the event a Director or officer admits or is adjudged guilty of willful misfeasance or malfeasance in the performance of his duties, the indemnification provisions of this Article XI shall not apply. The foregoing right of indemnification provided in this Article XI shall be in addition to and not exclusive of any and all right of indemnification to which a Director or officer of the Association may be entitled under statute or common law.

**ARTICLE XII
BYLAWS**

The Bylaws shall be adopted by the First Board, and thereafter may be altered, amended or rescinded in the manner provided for in the Bylaws. In the event of any conflict between the provisions of these Articles and the provisions of the Bylaws, the provisions of these Articles shall control.

**ARTICLE XIII
AMENDMENTS**

A. Prior to the conveyance by Declarant of a Lot to an Owner, these Articles may be amended only by an instrument in writing signed by the incorporator of these Articles and filed in the Office of the Secretary of State of the State of Florida.

B. After the conveyance by Declarant of a Lot to an Owner, these Articles may be amended in the following manner:

1. (a) The Board shall adopt a resolution setting forth the proposed amendment and directing that it be submitted to a vote at a meeting of the Members, which may be at either the Annual Members' Meeting or a special meeting. Any number of proposed amendments may be submitted to the Members and voted upon by them at one meeting.

(b) Written notice setting forth the proposed amendment or a summary of the changes to be effected thereby shall be given to each Member within the time and in the manner provided in the Bylaws for the giving of notice of meetings ("Required Notice").

(c) At such meeting, a vote of the Members shall be taken on the proposed amendment(s). The proposed amendment(s) shall be adopted upon receiving the affirmative vote of at least two-thirds of the Members entitled to the votes of the Members.

2. An amendment may be adopted by a written statement (in lieu of a meeting) signed by all Members and all members of the Board setting forth their intention that an amendment to the Articles be adopted.

C. These Articles may not be amended without the written consent of a majority of the members of the Board.

D. Notwithstanding the foregoing, as long as the Class B membership exists, the following actions require the prior approval of the Federal Housing Administration if Sapphire Bay is an approved project by the Federal Housing Administration: annexation of additional property, mergers and consolidations, mortgaging of common areas, and dissolution and material amendment of these Articles.

E. Notwithstanding any provisions of this Article XIII to the contrary, these Articles shall not be amended in any manner which shall prejudice the rights of: (i) Declarant, without the prior written consent thereto by Declarant, for so long as Declarant holds at least one (1) Lot for sale in the ordinary course of business; and (ii) any "Institutional Mortgagee" (as such term is defined in the Recreational Covenants) without the prior written consent of such Institutional Mortgagee.

F. Notwithstanding the foregoing provisions of this Article XIII, no amendment to these Articles shall be adopted which shall abridge, amend or alter the rights of Declarant hereunder including, but not limited to, Declarant's right to designate and select members of the First Board or otherwise designate and select Directors as provided in Article X hereof, nor shall any amendment be adopted or become effective without the prior written consent of Declarant.

G. Any instrument amending these Articles shall identify the particular article or articles being amended and shall provide a reasonable method to identify the amendment being made. A certified copy of each of such amendment shall be attached to any certified copy of these Articles, and a copy of each amendment certified by the Secretary of State shall be recorded amongst the Public Records of the County.

**ARTICLE XIV
REGISTERED OFFICE AND REGISTERED AGENT**

The street address of the initial registered office of the Association is 1401 University Drive, suite 200, Coral Springs, Florida 33071 and the initial

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registered agent of the Association at that address shall be Alan Fant.

IN WITNESS WHEREOF, the Incorporator has hereunto affixed her signature, this 7th day of June, 1994.

Leslie D. Silas
Leslie D. Silas

The undersigned hereby accepts the designation of Registered Agent as set forth in Article XIV of these Articles of Incorporation, and acknowledges that he is familiar with, and accepts the obligations imposed upon registered agents under the Florida Not For Profit Corporation Act.

Alan Fant, V.P.
Alan Fant

Dated: 6/13/94

STATE OF FLORIDA)
) SS:
COUNTY OF BROWARD)

The foregoing instrument was acknowledged before me this 7th day of June, 1994, by LESLIE D. SILAS, the person described as the Incorporator of these Articles who executed the foregoing Articles of Incorporation, who is personally known to me and who has produced _____ as identification.

Shelly D. Viers (SEAL)
Notary Public

Printed, Typed or Stamped Notary Name

My Commission Expires:



894000006120

Prepared by: Mark F. Grant, Esq., FL Bar #218861
Ruden Barnett, Et al., P. O. Box 1900
Fort Lauderdale, Florida 33301

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Exhibit D

BYLAWS OF SAPPHIRE BAY RECREATION ASSOCIATION, INC.

Section 1. Identification of Association

These are the Bylaws of Sapphire Bay Recreation Association, Inc. ("Association") as duly adopted by its Board of Directors ("Board"). The Association is a corporation not for profit, organized pursuant to Chapter 617, Florida Statutes.

1.1. The office of the Association shall be for the present at 1401 University Drive, Suite 200, Coral Springs, Florida 33071-6039 and thereafter may be located at any place designated by the Board.

1.2. The fiscal year of the Association shall be the calendar year.

1.3. The seal of the Association shall bear the name of the Association, the word "Florida" and the words "Corporation Not For Profit."

Section 2. Explanation of Terminology

The terms defined in the Articles of Incorporation of the Association ("Articles") as well as in the Declaration of Recreational Covenants, Restrictions and Easements for Sapphire Bay ("Recreational Covenants") are incorporated herein by reference and shall appear in initial capital letters each time such terms appear in these Bylaws.

Section 3. Membership; Members' Meetings; Voting and Proxies

3.1. The qualification of Members, the manner of their admission to membership in the Association, the manner of termination of such membership and the voting by Members shall be as set forth in the Articles.

3.2. The Members shall meet annually ("Annual Members' Meeting"). The Annual Members' Meeting shall be held at the office of the Association or at such other place in the County as the Board may determine and on such day and at such time as designated by the Board in the notice of such meeting commencing with the year following the year in which the Articles are filed with the Secretary of State. The purpose of the Annual Members' Meeting shall be to hear reports of the officers, elect members of the Board (when that shall be appropriate as determined by the provisions of the Articles) and transact any other business authorized to be transacted at such Annual Members' Meeting.

3.3. Special meetings (meetings other than the Annual Members' Meeting) of the Members shall be held at any place within the County whenever called by the President or Vice President or by a majority of the Board. A special meeting must be called by such President or Vice President upon receipt of a written request from Members having the right to vote at least one-third (1/3) of the total number of votes entitled to be cast by Members at any such special meeting.

3.4. Except as otherwise provided in the Articles, a written notice of all Members' meetings, whether the Annual Members' Meeting or special meetings (collectively "Meeting"), shall be given to each Member entitled to vote thereat at his last known address as it appears on the books of the Association and shall be mailed to the said address not less than fourteen (14) days nor more than forty-five (45) days prior to the date of the Meeting. Proof of such mailing shall be given by the affidavit of the person giving the notice. Any notice given hereunder shall state the time and place of the Meeting and the purposes for which the Meeting is called. The notice of all Annual Members' Meetings shall, in addition, specify the number of Directors of the Association to be designated by Declarant and the number of Directors to be elected by the Members, if applicable. Notwithstanding any provisions hereof to the contrary, notice of any Meeting may be waived before, during or after such Meeting by a Member or by the person entitled to vote for such Member by signing a document setting forth the waiver of such notice.

3.5. The Members may, at the discretion of the Board, act by written response in lieu of a Meeting provided written notice of the matter or matters to be agreed upon is given to the Members or duly waived in accordance with the provisions of these Bylaws. Unless some greater number is required under the Sapphire Bay Documents and except as to the election of Directors, which shall be accomplished by plurality vote, the decision of a majority of the votes cast by Members as to the matter or matters to be agreed or voted upon shall be binding on the Members provided a quorum is either present at such Meeting or submits a response if action is taken by written response in lieu of a Meeting, as the case may be. The notice with respect to actions to be taken by written response in lieu of a Meeting shall set forth the time period during which the written responses must be received by the Association.

3.6. (a) A quorum of the Members shall consist of Members entitled to cast one-third (1/3) of the total number of votes of the Members.

(b) When a quorum is present at any Meeting and a question which raises the jurisdiction of such Meeting is presented, the holders of a majority of the voting rights present in person or represented by written "Proxy" (as hereinafter defined) shall be required to decide the question. However, if the question is one upon which a vote other than the majority vote of a quorum is required by express provision of the Sapphire Bay Documents or by law, then such express provision shall govern and control the required vote on the decision of such question.

3.7. At any Annual Members' Meeting when elections of Directors are to occur, written ballots are to be supplied to Members for such purposes. Furthermore, at any Annual Members' Meeting at which Directors are to be elected, the "Chairman" (as hereinafter defined in Paragraph 7.2 hereof) shall appoint an "Election Committee" consisting of three (3) Members to supervise the election, count and verify ballots and Proxies, disqualify votes if such disqualification is justified under the circumstances and to certify the results of the election to the Board. The Election Committee shall be able to determine questions within its jurisdiction by plurality vote of all three (3) members, but matters resulting in deadlocked votes of the Election Committee shall be referred to the entire Board for resolution.

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3.8. If a quorum is not in attendance at a Meeting, the Members who are present, either in person or by Proxy, may adjourn the Meeting from time to time until a quorum is present with no further notice of such adjourned Meeting being required unless otherwise determined by the Board.

3.9. Minutes of all Meetings shall be kept in a businesslike manner and be available for inspection by the Members and Directors at all reasonable times.

3.10. Voting rights of Members shall be as stated in the Articles with respect to the election of all Boards other than the First Board. Such votes may be cast in person or by Proxy. "Proxy" is defined to mean an instrument containing the appointment of a person who is substituted in the place and stead of the person or authorized representative of an entity entitled to vote. Proxies shall be in writing signed by the person or authorized representative of an entity giving the same and shall be valid only for the particular Meeting designated therein and, if so stated in the Proxy, any adjournments thereof. A Proxy must be filed with the Secretary of the Association before the appointed time of the Meeting in order to be valid. Any Proxy may be revoked prior to the time a vote is cast according to such Proxy.

3.11. The voting on any matter at a Meeting shall be by secret ballot upon request of the holders of ten percent (10%) of the votes represented at such Meeting and entitled to be cast on such matter, if such request is made prior to the vote in question.

Section 4. Board; Directors' Meetings

4.1. The business and administration of the Association shall be by its Board.

4.2. The election and, if applicable, designation of Directors shall be conducted in accordance with the Articles. Except for Declarant-appointed Directors, Directors must be Members or the parents or children of Members.

4.3. (a) Any person elected or designated as a Director shall have all the rights, privileges, duties and obligations of a Director of the Association.

(b) The term of a Director's service shall be as stated in the Articles and, if not so stated, shall extend until the next Annual Members' Meeting and thereafter until his successor is duly elected and qualified or until he resigns or is removed in the manner elsewhere provided.

4.4. The organizational meeting of a newly elected Board shall be held within ten (10) days of their election at such place and time as shall be fixed by the Directors at the meeting at which they were elected. No further notice of the organizational meeting shall be necessary.

4.5. Regular meetings of the Board may be held at such times and places in the County as shall be determined from time to time by a majority of

Directors. Special meetings of the Board may be called at the discretion of the President or the Vice President. Special meetings must be called by the Secretary at the written request of at least one-third (1/3) of the Directors. Such special meeting may be held in the County at such time and place as determined by the Directors requesting such meeting or in such other place as all Directors shall agree upon.

4.6. Notice of the time and place of regular and special meetings of the Board, or adjournments thereof, shall be given to each Director personally or by mail, telephone or telegraph at least three (3) days prior to the day named for such meeting unless such notice is waived before, during or after such meeting. Any Director may waive notice of the meeting in writing before, during or after a meeting and such waiver shall be deemed equivalent to the receipt of notice by such Director.

4.7. A quorum of the Board shall consist of the Directors entitled to cast a majority of the votes of the entire Board. Matters approved by a majority of the Directors present at a meeting at which a quorum is present shall constitute the official acts of the Board, except as may be otherwise specifically provided by law, by the Articles or elsewhere herein. If at any meetings of the Board there shall 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 meeting that takes place on account of a previously adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted. In the case of the adjournment of a meeting, no further notice of the adjourned meeting need be given unless otherwise determined by the Board.

4.8. The presiding officer at all Board meetings shall be the President. In the absence of the President, the Directors shall designate any one of their number to preside.

4.9. Directors' fees, if any, shall be determined by the Members.

4.10. Minutes of all meetings of the Board shall be kept in a businesslike manner and be available for inspection by Members and Directors at all reasonable times.

4.11. The Board shall have the power to appoint an "Executive Committee(s)" of the Board consisting of not less than three (3) Directors. An Executive Committee(s) shall have and exercise such powers of the Board as may be delegated to such Executive Committee(s) by the Board.

4.12. Meetings of the Board may be open to all Members on such terms as the Board may determine. The Board may also hold closed meetings to the extent permitted by applicable law.

4.13. Any action required or permitted to be taken at a meeting of the Directors may be taken without a meeting if a consent in writing, specifically setting forth the action to be taken, shall be signed by all the Directors entitled to vote with respect to the subject matter thereof. Such consent shall have the same force and effect as a unanimous vote of Directors.

Section 5. Powers and Duties of the Board

5.1. All of the powers and duties of the Association shall be exercised by the Board. Such powers and duties of the Board shall include, but not be limited to, all powers and duties set forth in the Sapphire Bay Documents, as well as all of the powers and duties of a director of a corporation not for profit.

5.2. The Association may employ a manager to perform any of the duties, powers or functions of the Association. Notwithstanding the foregoing, the Association may not delegate to the manager the power to conclusively determine whether the Association should make expenditures for capital additions or improvements chargeable against the Association fund. The members of the Board shall not be personally liable for any omission or improper exercise by the manager of any duty, power or function delegated to the manager by the Association.

Section 6. Late Fees

An Owner who fails to timely pay any Assessment shall be charged a late charge of Twenty-Five Dollars (\$25) by the Association for such late Assessment. Owners shall be responsible to pay all legal fees (including, but not limited to, attorney and paralegal fees and court costs) incurred in connection with the collection of late Assessments whether or not an action at law to collect said Assessment and foreclose the Association's lien has been commenced. The Board has authorized the following initial schedule of fees for such circumstances:

(a) One Hundred Fifty Dollars (\$150) for a Claim of Lien plus recording costs and sending of Notice of Intention to Foreclose;

(b) Fifty Dollars (\$50) for any subsequent Claims of Lien plus recording costs;

(c) One Hundred Dollars (\$100) for a Satisfaction of Lien plus recording costs; and

(d) Any further action would require an hourly computation of attorney and/or paralegal time spent pursuing collection of such unpaid Assessments.

Section 7. Officers of the Association

7.1. Executive officers of the Association shall be the President, who shall be a Director, one or more Vice Presidents, a Treasurer and a Secretary, all of whom shall be elected annually by the Board. Any officer may be removed without cause from office by vote of the Directors at any meeting of the Board. The Board may, from time to time, elect such other officers and assistant officers and designate their powers and duties as the Board shall find to be required to manage the affairs of the Association. One person may hold any two offices simultaneously, except where the functions of such offices are incompatible, but no person shall hold the office of

President and any of the following offices simultaneously: Vice President, Secretary or Assistant Secretary.

7.2. The President shall be the chief executive officer of the Association. He shall have all of the powers and duties which are usually vested in the office of the President of an association or a corporation not for profit, including, but not limited to, the power to appoint such committees from among the Members at such times as he may, in his discretion, determine appropriate to assist in the conduct of the affairs of the Association. If in attendance, the President ("Chairman") shall preside at all meetings of the Board and the Members; provided, however, that the President may appoint a substitute. The President shall be the Voting Member as set forth in the Articles and shall cast the vote for the Owners in the Community Association as he, in his sole discretion, deems appropriate.

7.3. In the absence or disability of the President, a Vice President shall exercise the powers and perform the duties of the President, including being the Alternate Voting Member as provided in the Articles. If more than one (1) Vice President, the Board shall designate which Vice President is to perform which duties. The Vice President(s) shall also generally assist the President and exercise such other powers and perform such other duties as shall be prescribed by the Board. In the event there shall be more than one Vice President elected by the Board, then they shall be designated "First," "Second," etc., and shall exercise the powers and perform the duties of the presidency in such order.

7.4. The Secretary shall keep the minutes of all meetings of the Board and the Members, which minutes shall be kept in a businesslike manner and be available for inspection by Members and Directors at all reasonable times. The Secretary shall have custody of the seal of the Association and affix the same to instruments requiring such seal when duly authorized and directed to do so. The Secretary shall be custodian for the corporate records of the Association, except those of the Treasurer, and shall perform all of the duties incident to the office of Secretary of the Association as may be required by the Board or the President. The Assistant Secretary, if any, shall perform the duties of the Secretary when the Secretary is absent and shall assist the Secretary under the supervision of the Secretary.

7.5. The Treasurer shall have custody of all of the monies of the Association, including funds, securities and evidences of indebtedness. The Treasurer shall keep the assessment rolls and accounts of the Members and shall keep the books of the Association in accordance with good accounting practices and he shall perform all of the duties incident to the office of the Treasurer. The Assistant Treasurer, if any, shall perform the duties of the Treasurer when the Treasurer is absent and shall assist the Treasurer under the supervision of the Treasurer.

7.6. The compensation, if any, of the officers and other employees of the Association shall be fixed by the Board. This provision shall not preclude the Board from hiring a Director as an employee of the Association or preclude the contracting with a Director or a party affiliated with a Director for the management or performance of contract services for all or any part of Sapphire Bay.

Section 8. Resignations

Any Director or officer may resign his post at any time by written resignation, delivered to the President or Secretary, which shall take effect upon its receipt unless a later date is specified in the resignation, in which event the resignation shall be effective from such date unless withdrawn. The acceptance of a resignation shall not be required to make it effective. The conveyance of all Lots owned by any Director or officer (other than appointees of Declarant or officers and Directors who were not Owners) shall constitute a written resignation of such Director or officer.

Section 9. Accounting Records; Fiscal Management

9.1. The Association shall use the cash basis method of accounting and shall maintain accounting records in accordance with good accounting practices, which shall be open to inspection by Members and Institutional Mortgagees or their respective authorized representatives at reasonable times. Such authorization as a representative of a Member must be in writing and signed by the person giving the authorization and dated within sixty (60) days of the date of the inspection. Such records shall include, but not be limited to: (i) a record of all receipts and expenditures; and (ii) an account for each Contributing Lot within Sapphire Bay which shall designate the name and address of the Contributing Lot Owner thereof, the amount of Individual Lot Assessments and all other Assessments, if any, charged to the Contributing Lot, the amounts and due dates for payment of same, the amounts paid upon the account and the balance due.

9.2. Subsequent to the Guarantee Period or in the absence of any Guaranteed Assessments as described in the Recreational Covenants, the Board shall adopt a Budget (as provided for in the Recreational Covenants) of the anticipated Operating Expenses for each forthcoming calendar year (the fiscal year of the Association being the calendar year) at a special meeting of the Board ("Budget Meeting") called for that purpose to be held during the month of November of the year preceding the year to which the Budget applies, provided that the first Budget Meeting is to be held: (i) within thirty (30) days of the expiration of the Guarantee Period for purposes of adopting a Budget for the remainder of the calendar year during which the Guarantee Period expires; or (ii) prior to the completion of the first Home in the event there is no Guaranteed Assessment. Prior to the Budget Meeting, a proposed Budget for the Operating Expenses shall be prepared by or on behalf of the Board. Within thirty (30) days after adoption of the Budget, a copy thereof shall be furnished to each Member, and each Contributing Lot Owner shall be given notice of the Individual Lot Assessment applicable to his Contributing Lot(s). The copy of the Budget shall be deemed furnished and the notice of the Individual Lot Assessment shall be deemed given upon its delivery or upon its being mailed to the Contributing Lot Owner shown on the records of the Association at his last known address as shown on the records of the Association.

9.3. In administering the finances of the Association, the following procedures shall govern: (i) the fiscal year shall be the calendar year; (ii) any monies received by the Association in any calendar year may be

used by the Association to pay expenses incurred in the same calendar year; (iii) there shall be apportioned between calendar years on a pro rata basis any expenses which are prepaid in any one calendar year for Operating Expenses which cover more than such calendar year; (iv) Assessments shall be made quarterly in amounts no less than are required to provide funds in advance for payment of all of the anticipated current Operating Expenses and for all unpaid Operating Expenses previously incurred; and (v) items of Operating Expenses incurred in a calendar year shall be charged against income for the same calendar year regardless of when the bill for such expenses is received. Notwithstanding the foregoing, the Assessments for Operating Expenses and any periodic installments thereof shall be of sufficient magnitude to insure an adequacy and availability of cash to meet all budgeted expenses in any calendar year as such expenses are incurred in accordance with the cash basis method of accounting.

9.4. The Individual Lot Assessment shall be payable as provided for in the Recreational Covenants.

9.5. No Board shall be required to anticipate revenue from Assessments or expend funds to pay for Operating Expenses not budgeted or which shall exceed budgeted items, and no Board is required to engage in deficit spending. Should there exist any deficiency which results from there being greater Operating Expenses than monies from Assessments, then such deficits shall be carried into the next succeeding year's Budget as a deficiency or shall be the subject of a Special Assessment or an upward adjustment to the Individual Lot Assessment.

9.6. The depository of the Association shall be such bank or banks as shall be designated from time to time by the Board in which the monies of the Association shall be deposited. Withdrawal of monies from such account shall be only by checks signed by such persons as are authorized by the Board.

9.7. A report of the accounts of the Association shall be made annually by an auditor, accountant or certified public accountant and a copy of the report shall be furnished to each Member no later than the first day of April of the year following the year for which the report is made. The report shall be deemed to be furnished to the Member upon its delivery or mailing to the Member at his last known address shown on the records of the Association.

Section 10. Rules and Regulations

The Board may at any meeting of the Board adopt rules and regulations or amend, modify or rescind then existing rules and regulations for the operation of Sapphire Bay; provided, however, that such rules and regulations are not inconsistent with the terms or provisions of the Sapphire Bay Documents. Copies of any rules and regulations promulgated, amended or rescinded shall be mailed or delivered to all Members at the last known address for such Members as shown on the records of the Association at the time of such delivery or mailing and shall not take effect until forty-eight (48) hours after such delivery or mailing. Notwithstanding the foregoing, where rules and regulations are to regulate the use of specific portions of the Recreation Property, same shall be conspicuously posted at such facility and such rules

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and regulations shall be effective immediately upon such posting. Care shall be taken to insure that posted rules and regulations are conspicuously displayed and easily readable and that posted signs or announcements are designed with a view towards protection from weather and the elements. Posted rules and regulations which are torn down or lost shall be promptly replaced.

Section 11. Parliamentary Rules

The then latest edition of Robert's Rules of Order shall govern the conduct of meetings of all Members and the Board; provided, however, if such rules of order are in conflict with any of the Sapphire Bay Documents, Robert's Rules of Order shall yield to the provisions of such instrument.

Section 12. Roster of Owners

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

Section 13. Amendment of the Bylaws

13.1. These Bylaws may be amended as hereinafter set forth in this Section 13.

13.2. After the Turnover Date, any Bylaw of the Association may be amended or repealed, and any new Bylaw of the Association may be adopted by either:

(i) majority vote of the Members at any Annual Members' Meeting or any special meeting of the Members called for that purpose or by majority action of the Members who have acted by written response in lieu of a Meeting as permitted by these Bylaws; or

(ii) by the affirmative vote of a majority of the Directors then in office at any regular meeting of the Board or at any special meeting of the Board called for that purpose or by written instrument signed by all of the Directors as is permitted by these Bylaws, provided that the Directors shall not have any authority to adopt, amend or repeal any Bylaw if such new Bylaw or such amendment or the repeal of a Bylaw would be inconsistent with any Bylaw previously adopted by the Members.

13.3. Notwithstanding any of the foregoing provisions of this Section 13 to the contrary, until the Turnover Date, all amendments or modifications to these Bylaws and adoption or repeal of Bylaws shall only be made by action of the First Board as described in the Articles, which First Board shall have the power to amend, modify, adopt and repeal any Bylaws without the requirement of any consent, approval or vote of the Members.

13.4. Notwithstanding the foregoing provisions of this Section 13, there shall be no amendment to these Bylaws which shall abridge, amend or alter the rights of: (i) Declarant, without the prior written consent thereto

by Declarant for so long as Declarant holds at least one (1) Lot for sale in the ordinary course of business; or (ii) any Institutional Mortgagee without the prior written consent of such Institutional Mortgagee.

13.5 Notwithstanding the foregoing provisions as long as the Class B membership exists the Federal Housing Administration has the right to veto any material amendments to these Bylaws if Sapphire Bay is an approved project by the Federal Housing Administration.

13.6. Any instrument amending, modifying, repealing or adding Bylaws shall identify the particular section or sections affected and give the exact language of such modification, amendment or addition or of the provisions repealed. A copy of each such amendment, modification, repeal or addition attested to by the Secretary or Assistant Secretary of the Association shall be recorded amongst the Public Records of the County.

Section 14. Interpretation

In the case of any conflict between the Articles and these Bylaws, the Articles shall control; and in the case of any conflict between the Recreational Covenants and these Bylaws, the Recreational Covenants shall control; and in the event of any conflict between the Articles and the Recreational Covenants, the Recreational Covenants shall control.

SAPPHIRE BAY RECREATION ASSOCIATION, INC.

By: Leslie D. Silva

Attest: Richard A. Costello
(SEAL)

RECORDED IN THE OFFICIAL RECORDS BOOK
OF BROWARD COUNTY, FLORIDA
COUNTY ADMINISTRATOR

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