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**DECLARATION OF PROTECTIVE
COVENANTS, RESTRICTIONS, EASEMENTS,
CHARGES AND LIENS FOR
SHELTER COVE**

THIS DECLARATION made by A1A REALTY AND DEVELOPMENT, INC., a Florida Corporation hereinafter referred to as the "Declarant":

WITNESSETH:

WHEREAS, the Declarant is the owner of the real property more particularly described on Exhibit A attached hereto, and desires to develop thereon a residential subdivision to be known as Shelter Cove, (hereinafter, together with any property added thereto, called "the Subdivision"); and

WHEREAS, the Declarant, in its discretion, may incorporate additional real property and bring same under this Declaration but shall be under no obligation to do so; and

WHEREAS, the Declarant desires to maintain design criteria, location and construction specifications, and other controls to assure the integrity of the Subdivision; and,

WHEREAS, all homes in Shelter Cove will be required to be constructed and maintained in accordance with the design criteria herein contained; and,

WHEREAS, the Declarant desires to provide for the preservation of the values and amenities in the Subdivision and for the maintenance of common lands and facilities, if any, and to this end, desires to subject the real property described in Exhibit A to the covenants, restrictions, easements, charges and liens hereinafter set forth, each and all of which is and are for the benefit of said property and each owner thereof; and,

WHEREAS, the Declarant has deemed it desirable, for the efficient preservation of the values and amenities in the Subdivision to create a Homeowners Association to which will be delegated and assigned the powers of maintaining and administering the Subdivision (as defined hereinafter), promulgating rules and regulations for the usage of common areas in accordance with this Declaration, administering and enforcing the

covenants and restrictions and levying, collecting and disbursing the assessments and charges hereinafter created; and,

WHEREAS, the Declarant has caused to be incorporated under the laws of the State of Florida, a not-for-profit corporation to be known as SHELTER COVE HOMEOWNER'S ASSOCIATION, INC. for the purpose of exercising the aforesaid functions,

NOW THEREFORE, the Declarant declares that the real property described in Exhibit A, annexed hereto and forming a part hereof, is and shall be held, transferred, sold, conveyed and occupied subject to the covenants, restrictions; easements, charges and liens hereinafter set forth.

ARTICLE I

Definitions

Section 1. The following words when used in this Declaration or any Supplemental Declaration (unless the context shall prohibit) shall have the following meanings:

(a) "Additional Property" shall mean and refer to any property subjected to the Declaration by subsequent amendment.

(b) "Annual Assessments" or "Assessments" shall mean an equal assessment established by the Board of Directors for common expenses as provided for herein or by a subsequent amendment which shall be used for the purpose of promoting the recreation, common benefit and enjoyment of the Owners and occupants of all Lots and the operation, maintenance and repair of the Common Area.

(c) "Architectural Review Committee" or "ARC" shall mean and refer to the Architectural Review Committee established under Article VIII hereof.

(d) "Association" shall mean and refer to Shelter Cove Homeowner's Association, Inc., its successors and assigns.

(e) "Common Area" shall mean and refer to those areas of land, including the facilities to be constructed thereon, if any, shown and specifically designated as such on any subdivision plat of the Subdivision (as hereafter defined) filed by Declarant or by any other means so designated by Declarant. Such areas are intended to be devoted to the common use and enjoyment of the members of the Association as herein defined, and are not dedicated for use by the general public. Subject to the provisions of Article VI hereof, existing and future roads and right-of ways, greenways, median strips, cul-de-sac centers, planting areas, clubhouses, community swimming pools, recreational areas and facilities, playgrounds, entrance signage, open space, and any other areas designated as "Common Area" on the plat of the Subdivision referred to in Exhibit "A" hereto shall become Common Area upon conveyance by Declarant to the

Association. The enumeration contained in the prior sentence shall not be construed as an obligation of Declarant to provide or construct any item so enumerated. The recording and reference to said plat shall not in and of itself be construed as creating any dedications, rights or easements (negative reciprocal or otherwise), all such dedications, rights and/or easements being made only specifically by this Declaration, any amendment or supplement hereto or any deed of conveyance from Declarant, its successors or assigns. Provided, however, that Declarant reserves the right to so dedicate said lands to the Association on the Plat, if language to that effect is contained in the Dedication on the plat.

(f) "Declarant" shall mean and refer to A1A REALTY AND DEVELOPMENT, INC., a Florida Corporation, its successors and/or assigns.

(g) "Declaration" shall mean and refer to this Declaration of Protective Covenants, Restrictions, Easements, Charges and Liens for Shelter Cove, as it may be amended from time to time.

(h) "Dwelling" shall mean and refer to the completed single family home located upon a lot.

(i) "Governing Documents" shall mean and refer to the Declaration, the Articles of Incorporation of the Association, the By-Laws of the Association, any Design and Development Guidelines ("Guidelines") that may be promulgated by the Association or Declarant and any Application and Review Procedures ("Procedures") of the Architectural Review Committee that may be promulgated by the Association or Declarant, and any Rules and Regulations of the Association that may be promulgated.

(j) "Lot" shall mean and refer to any lot of land intended for residential use, with delineated boundary lines appearing on any recorded subdivision plat of the Subdivision (with the exception of any Common Area shown on any plat of the Subdivision) or any other lot brought under this Declaration. In the event any Lot is increased or decreased in size by resubdivision, the same shall nevertheless be and remain a Lot for the purposes of this Declaration. This definition shall not imply, however, that a Lot may be subdivided if prohibited elsewhere in this Declaration. At the time of this Declaration, there are 43 lots in Shelter Cove, consisting of Lots 1-42 of Shelter Cove Subdivision, as per map recorded in Map Book 34, Page 36, Public Records of Flagler County, Florida; and Lot 7, Beverly Shores West Replat, as per map recorded in Map Book 29, Page 29, Public Records of Flagler County, Florida.

(k) "Member" shall mean and refer to an Owner who is a member of the Association as provided in Article V hereof.

(l) "Multi-Family Area" shall mean and refer to that portion of the Shelter Cove PUD designated as such by Declarant in which common elements are owned by either Owners of Multi-Family Units in such Multi-Family Area as tenants-in-common or by the Multi-Family Association composed of such Owners, pursuant to a declaration of

condominium or other multi-family legal structure within the Subdivision, upon which there shall have been or will be, constructed attached or detached townhouses, condominiums, apartment units, cooperative units, cluster homes, patio homes or similar multi-family structures. The owners in the Multi-Family Area shall not be members of the Association, and the Multi-Family Area shall not be subject to assessments by the Association.

(m) "Owner", shall mean and refer to the record owner, whether one or more persons or entities, of the fee-simple title to any Lot(s), but shall not mean or refer to any mortgagee or subsequent holder of a mortgage, unless and until such mortgagee or holder has acquired title pursuant to foreclosure or any proceedings in lieu of foreclosure. Said term "Owner" shall also refer to the heirs, successors and assigns of any Owner.

(n) "Single Family Area" shall mean and refer to any portion of the Subdivision designated as such by the Declarant in which Lots are for single family residential use.

(o) "Setback" shall mean an area along the boundary of a Lot where no building or other structures including, without limitation, swimming pools, fences, patios or decks shall be permitted, without the express written permission of Declarant. However, the location of normal air handling and heat, ventilation and air conditioning units within such Setback area shall be permissible so long as it is in conjunction with an approved residential building or other structure located on a Lot.

(p) "Subdivision" shall mean and refer to all property including Lots and Common Area as are subject to this Declaration, and which are described in Exhibit "A" together with any additional property that may be specifically submitted to the provisions of this Declaration pursuant hereto.

(q) "Subsequent Amendment" or "Supplemental Declaration" shall mean an amendment to this Declaration which adds property to this Declaration and makes it subject to the Declaration. Such Subsequent Amendment may, but is not required to, impose, expressly or by reference, additional restrictions and obligations on the land submitted by that Subsequent Amendment to the provisions of the Declaration.

(s) "Surface Water or Stormwater Management System" means a system which is designed and constructed or implemented to control discharges which are necessitated by rainfall events, incorporating methods to collect, convey, store, absorb, inhibit, treat, use or reuse water to prevent or reduce flooding, overdrainage, environmental degradation, and water pollution or otherwise affect the quantity and quality of discharges.

(t) "Waterfront Lot" shall mean those lots whose boundary lies on either the Intracoastal Waterway, a lake, or a canal leading to the Intracoastal Waterway. "Riverfront Lot" shall mean those Lots whose boundary lies on the Intracoastal

Waterway." "Lakefront Lot" shall mean those Lots whose boundary lies on a Lake. Canalfront Lot shall mean those Lots whose boundary lies on a canal.

ARTICLE II

Uses of Property

Section 1. Conformity and Approval of Structures. No structure, fence, sidewalk, wall, swimming pool or other improvement shall be placed or altered on any Lot except in accordance with the provisions of this Declaration.

Section 2. Subdivision of Lot. No Lot shall be subdivided except as hereinafter provided and no building or residence, including porches or projections of any kind, shall be erected so as to extend over or across any of the Setbacks as hereinafter established except as herein provided. Provided, however, two or more Lots may be combined to provide one building site in accordance with this Declaration.

Section 3. Increased Size of Lots. A Lot or Lots may only be subdivided provided the effect is to increase the size of both of the adjoining Lots. In such cases, the Declarant may alter the building lines to conform. Should the Owner or Owners of any Lots and/or portions of Lots which have been combined for a single building site subsequently wish to revert to the original plan of subdivision, or make any other combination which would not be in violation of this restriction, such may be done only if the written consent of the Declarant is first had and obtained. In such instances, the adjoining Lot Owners, or other Owners in the subdivision do not have the right to review, pass on or interfere with such Lots rearrangement, as such rights shall be exclusively that of the Declarant or any successors or assigns to whom the Declarant may expressly have transferred such rights, but the Owner of any other Lot in the subdivision does not, by virtue of such status as an Owner, become any such successor or assign.

Section 4. Alteration of Setback Lines in the Best Interest of Development. Where because of size, configuration, natural terrain, or any other reason in the opinion of the Declarant, it would be in the best interest of the development of the Subdivision that the setback lines of any Lot should be altered or changed, then the Declarant reserves unto itself, its successors or assigns, and no other, the right to grant a variance to the Lot Owner or in the case of a Lot owned by Declarant, the Declarant may change said setback lines to meet such conditions. The Declarant specifically reserves the right to transfer and assign this right of approval to the Architectural Review Committee hereinafter established.

Section 5. Commencement of Construction; Completion of Improvements; Preferred Builders.

A. Commencement of Construction. Construction of a single family residence must commence on each lot deeded by Declarant, within 36 months from the date the

deed from Declarant is recorded. The obligation to commence Construction shall be deemed satisfied by the pouring of a foundation slab. Declarant reserves the right to re-purchase any lot upon which construction of a single family residence has not been commenced within the time frame as required, for the price paid at the time the lot was purchased from Declarant. All closing costs attendant to the re-purchase shall be paid by Declarant and credited against the re-purchase price to be paid by Declarant. Declarant reserves the right to release any lot from this provision upon terms and conditions to be determined by Declarant. Such release shall be evidenced by a document executed by Declarant or its assigns, to be recorded in the public records of Flagler County, Florida. Declarant reserves the right to assign to third parties this right to repurchase any lot in Shelter Cove.

B. Completion of Construction. With the exception of construction which is interrupted or delayed due to strikes, national emergencies, or physical damage to the work in progress (such as damage due to fire, lightning, windstorm, flood, hail, riot or civil commotion, explosion, or theft, any Dwelling constructed upon a Lot must be completed within one (1) year subsequent to commencement of construction, except with the written consent of Declarant, its successors or assigns, or, if the Declarant so designates, by the ARC. In the event that completion of the Dwelling, outbuildings, or other improvements on any Lot is not completed within one year, and it is determined that construction progress has diminished to such an extent that completion of the Dwelling, outbuildings, or other improvements is unlikely within 120 days, notice will be given to the Owner that the Owner has the obligation, within 30 days, to remove all construction work in progress, including without limitation, the foundation and all building improvements and all stored building materials, and fill and grade the lot so that it is restored to its natural grade level. The Declarant or the Association (after termination of Class B membership) shall have the right to undertake this work upon Owner's failure to do so and charge the cost to the Owner and place a lien upon the Lot upon Owner's failure to pay these charges.

No building under initial construction shall be occupied until construction is completed and all necessary approvals of any governmental authorities have been obtained.

C. Approved Builder Program. In order to promote a high quality of development in Shelter Cove, Declarant has the right to create and maintain an Approved Builder Program, which may provide that only certain approved builders may construct homes in Shelter Cove. Declarant has the right to limit the number of approved builders. At Declarant's option, only approved builders will be able to construct homes for owners in Shelter Cove. Declarant retains the right to modify or terminate the Approved Builder Program at any time. This right shall survive the turnover of control of the Association to owners other than the Declarant.

Section 6. Residential Uses of Lots. All Lots shall be used for residential

purposes exclusively except for limited home office uses permitted under Section 11 of this Article II. No structures, except as hereinafter provided, shall be erected, altered, placed or permitted to remain on any Lot other than one (1) detached single family Dwelling constructed in accordance with the Plans and Specifications herein defined in Article III. No timesharing, interval ownership or other related ownership scheme where the right to exclusive use rotates among multiple owners or members of the program shall be permitted. Accessory buildings, if permissible, shall conform to the architectural scheme and appearance of the Dwelling. In addition, no leasing or rental of any dwelling shall be permitted having a duration of less than 6 months. Declarant or its assignee may, however, maintain a sales office, models and construction office upon one or more Lots until all Lots to be located within the Subdivision have been sold.

Section 7. Maintenance of Lots. It shall be the responsibility of each Owner to prevent the development of any unclean, unsightly, or unkept condition of buildings or grounds on such Lot which shall tend to substantially decrease the beauty of the neighborhood as a whole or the specific area. Each Owner shall maintain such Owner's Lot and shall keep underbrush and weeds mowed. Such maintenance obligation shall also extend to the portion of any Common Area and/or public street right-of way located between the boundary lines of each lot and any pavement within such street right-of way, and to the portion of any Common Area located between the boundary line of each Lot and the shore of any lake, pond, stream or other body of water located within such Common Area.

Section 8. Nuisances. No noxious, unlawful or offensive activity shall be carried on upon any Lot, nor shall anything be done thereon tending to cause embarrassment, discomfort, annoyance or a nuisance to the neighborhood. No plants, poultry, animals, junk, junk automobiles, or devices or things of any sort, the normal activities or existence of which are in any way noxious, dangerous, unsightly, unpleasant or of a nature as may diminish or destroy the enjoyment of other property in the neighborhood shall be placed, kept or maintained on any Lot. Without limiting the foregoing, exterior lighting may not be so installed on any Lot as to illuminate any portion of a neighboring Lot or to shine into any window or otherwise enter a Dwelling located on an adjoining Lot. Bottled gas containers and oil tanks shall be screened from public view. Garage doors must be closed except when entering or exiting said garage. No lot shall be used for storage of building materials prior to the issuance of the building permit for the primary residence.

Section 9. Exclusion of Above Ground Utilities. All electrical service and telephone lines shall be placed underground and no outside electrical lines shall be placed overhead. No exposed or exterior radio or television transmission or receiving antenna shall be erected, placed or maintained on any part of a Lot. Provided, however, that the normal service pedestals, etc., used in conjunction with such underground utilities shall be permitted within the Subdivision. Overhead utilities shall be permitted during the construction period and until utility companies can place them underground. "Satellite dish" antennas and similar equipment in excess of 24 inches in diameter shall

not be allowed except in the rear yard (to the rear of the Dwelling) and must to the fullest reasonable extent, be screened from view from adjoining Lots. All placement of satellite dishes must be approved by the Architectural Review Committee, which may require screening as a condition to such approval.

Section 10. Signs. No billboards or advertising signs of any character shall be erected, placed, permitted or maintained on any Lot or improvement thereon except as herein expressly permitted. No "for sale", "for rent" or similar signs shall be permitted without the express prior written consent of Declarant, which shall have the authority to determine, in its discretion, the design, size, content and location of such sign. Declarant may decline the right to place any "for sale", "for rent" or similar signs by anyone other than Declarant or Declarant's authorized real estate broker, for such period of time that Declarant or its authorized broker is marketing homes and lots in Palm Coast Plantation. In addition, it shall be permissible for the Association to have a sign located on the Common Area, if the design, size and location of such sign is approved by Declarant, prior to its erection. No other sign of any kind or design shall be allowed. Declarant as developer reserves the right to erect temporary or permanent signs on Lots and Common Area identifying and/or advertising the Subdivision.

Section 11. Prohibition Against Business Activity. No business activity, including but not limited to, a rooming house; boarding house, gift shop, antique shop, landscape business, professional office or beauty shop or the like or any trade of any kind whatsoever (in which clients or members of the public regularly come to any Lot or any significant business traffic is generated in the Subdivision) shall be carried on upon any Lot or Lots. Provided, however, that nothing contained herein shall be construed so as to prohibit use of any portion of a residence as a home office, so long as no clients or members of the public regularly come to any Lot and no significant business traffic is generated in the Subdivision on account of such use. Provided further, however, that nothing contained herein shall be construed so as to prohibit the construction of houses to be sold on said Lots or the showing of said houses for the purpose of selling houses in the Subdivision. Nothing herein shall be construed to prevent the Declarant or its permittees from erecting, placing or maintaining signs, structures and offices as it may deem necessary for its operation and sales in the subdivision.

Section 12. Mining and Drilling. No derrick or other structure designed for use in boring for oil or natural gas shall be erected, placed or permitted upon any part of the Subdivision, nor shall any oil, natural gas, petroleum, asphalt or hydrocarbon products or materials of any kind be produced or extracted from the premises.

Section 13. Garbage Disposal. Each Lot Owner shall provide garbage receptacles or similar facilities in accordance with reasonable standards established by the Declarant, or a roll-out garbage rack of the type approved by the Declarant, which shall be visible from the streets on garbage pickup days only. No garbage or trash incinerator shall be permitted upon the premises. No burning, burying or other disposal of garbage on any Lot or within the Subdivision shall be permitted (except licensed contractors may burn construction debris during the period of construction of

improvements on any Lot if they have been properly permitted). Provided, however, that the Declarant shall be permitted to modify the requirements of this Section 13 where necessary to comply with orders of governmental bodies.

Section 14. Temporary Structures. No structure of a nonpermanent character shall be placed upon any Lot at any time, provided, however, that this prohibition shall not apply to shelters used by the contractors during construction of the main Dwelling house, it being clearly understood that the latter temporary shelters may not, at any time, be used for a residence or permitted to remain on the Lot after completion of construction.

Section 15. Other Structures. No home, tent (other than small overnight tents used by children which remain in place for less than 24 hours), barn, shed, shack, trailer, mobile home, tree house or other similar out-building or structure shall be placed on any Lot at any time either temporarily or permanently, except as provided in Section 14 above, nor shall above ground swimming pools be permitted.

Section 16. Clotheslines. No clotheslines or drying yards shall be located upon the premises so as to be visible from any Common Area or from any adjoining property or Lot.

Section 17. Off Street Parking. Adequate off street parking shall be provided by the Lot Owner herein for the parking of automobiles or other vehicles owned by said Owner and said Owner agrees not to park his automobile or other vehicles on the Streets or Common Area in the Subdivision. No travel trailers or mobile homes, trucks or vans of a size to hold another vehicle, campers or other habitable motor vehicles of any kind, whether self propelled or not, school buses, trucks or commercial vehicles, or boat trailers or boats shall be kept, stored or parked overnight, either on any Common Area, any streets, or any Lot, except within enclosed approved garages or sheltered from view from neighboring Lots. Nothing herein, however, shall prohibit the Association, with the consent of Declarant, from establishing a storage facility for such vehicles or boats, in the Common Area of the Subdivision.

Section 18. Sewer System. No surface toilets are permitted in the Subdivision. The grantee of any Lot assumes all responsibility for obtaining the necessary permits for attaching to the public sanitary sewer and water system for the project.

Section 19. Firearms and Fireworks. No firearms or fireworks of any variety shall be discharged upon the Lots or Common Area. The term "firearms" shall include, without limitation, guns, "B-B" guns and pellet guns.

Section 20. Animals and Pets. No animals, wildlife, livestock, reptiles, or poultry of any kind shall be raised, bred, or kept on any portion of the Subdivision, except that dogs, cats, or other usual and common household pets not to exceed a total of three (3) may be permitted in a Dwelling. Dogs shall be leashed when not on the lot owned by its owner. No pets shall be permitted to roam the property and the Association may

have strays and pets that are not leashed and are found off their owner's lot picked up by governmental authorities. Those pets which, in the sole discretion of the Association, endanger health, make objectionable noise, or constitute a nuisance or inconvenience to the Owners of other Lots or the owner of any portion of the Subdivision shall be removed upon request of the Association. No pets shall be kept, bred, or maintained for any commercial purpose. Pets shall only be permitted on the Common Area if such portions thereof are so designated by the Association. All persons bringing a pet onto the Common Area shall be responsible for immediately removing any solid waste of said pet. All cats shall be de-clawed to protect the scrub-jay population.

Section 21. Driveway. All private driveways, right-of-ways, and culverts installed therein, shall be of a type and quality approved by Declarant or the ARC and the grade of same shall be set by Declarant or the ARC.

Section 22. Mailboxes. Mailboxes shall be of a design, color and choice of materials as designated by the Declarant or the ARC, and may not violate U.S. Postal Service standards. Declarant reserves the right to provide a location for a cluster mailbox for the community.

Section 23. Irrigation. The Developer shall construct a central irrigation system serving every lot in Shelter Cove. The cost to connect to this system shall be \$1,500.00 per lot, and shall be paid for at closing of the purchase of the lot from Developer. The cost to operate and maintain this system shall be paid by the Association, as a common expense. This Section shall not apply to the Declarant, and it may not be amended without Declarant's written consent so long as Declarant has the right to add property to the Subdivision in accordance with Article X Section 2 of this Declaration. No individual well shall be permitted upon any Lot.

Section 24. Lakes and Detention Ponds. No lake or detention pond area shown on any map of the Subdivision shall be used for swimming, boating, diving or fishing. No piers, docks or barriers shall be constructed on any portion of the lakes or detention ponds, nor attached to the shoreline or banks thereof, except those that may be constructed by the Declarant or as approved by the ARC. Neither the Declarant nor Association shall be responsible for any loss, damage, or injury to any person or property arising out of the authorized or unauthorized use of lakes, or detention ponds within the Subdivision. No dredging or filling shall be undertaken on any property adjacent to any water body. See Article IV for additional provisions regarding lakes and detention ponds.

Section 25. Artificial Vegetation, Exterior Sculpture and Similar Items. No artificial vegetation shall be permitted on the exterior of any portion of the Subdivision. Exterior sculpture, fountains; flags, and similar items are subject to Declarant's or ARC's prior approval; provided, however, that nothing contained herein shall prohibit the appropriate display of the American flag.

Section 26. Energy Conservation Equipment. No solar energy collector panels or attendant hardware or other energy conservation equipment shall be constructed or

installed on any Lot unless it is an integral and harmonious part of the architectural design on a structure, as determined in the sole discretion of Declarant. Under no circumstances shall solar panels be installed that will be visible from any street in the Subdivision.

Section 27. Trees. Trees may not be removed without prior written approval of the Architectural Review Committee. Except as provided for in Article VIII of this Declaration, no tree six (6) inches in diameter or greater at ground level shall be cut, removed or intentionally damaged on any Lot without the prior written approval of the Architectural Review Committee.

Section 28. Elevation and Drainage Changes. No changes in the elevation, topography or drainage characteristics of any Lot within the Subdivision shall be made without the prior written approval of the Declarant or the Association Board of Directors. Nothing herein contained, however, shall be deemed to prohibit filling a lot to permit the appropriate elevation of the finished first floor to comply with Flagler County requirements, and the requirements, if any, of the National Flood Insurance Program.

ARTICLE III

Construction in Accordance with Plans and Specifications

Section 1. General. All structures of every type and description shall be constructed, placed or erected within the Subdivision in accordance with the provisions of this Article III together with other applicable provisions of this Declaration. Only new construction of residential buildings shall be permitted, it being the intent of this covenant to prohibit the moving of an existing building or portion thereof on a lot and remodeling or converting same into a Dwelling.

Section 2. Size of Residences. All residences to be constructed upon any Lot shall have a minimum of 2400 square feet of enclosed air conditioned living area (exclusive of porches, decks and garages and other un-air conditioned spaces). Residences to be constructed on any Lot located on the intracoastal waterway shall have a minimum of 3000 square feet of enclosed air conditioned living area (exclusive of porches, decks and garages and other un-air conditioned spaces).

Section 3. Setbacks. No building or structure, including porches, decks, swimming pools, shall be erected so as to encroach, at ground level, into any of the Setback lines as described in the Declaration or any amendment thereto so as to be nearer to the Lot boundary line than such Setback line. However the location of normal air handling and heat, ventilation and air conditioning units within such Setback area shall be permissible so long as it is in conjunction with an approved residential structure

on said Lot. Some portions of the Subdivision will be subject to a Conservation Easement in favor of the Florida Department of Environmental Protection, and further subject to an upland Buffer adjacent thereto. These lands are protected areas. Activities, including but not limited to construction activities, are restricted in these protected areas and may require permits from appropriate governmental agencies. Declarant makes no representation regarding the availability of such permits.

The setbacks for the Lots presently submitted to this Declaration are as follows:

Front yard: 25 feet

Side yard: 7.5 feet from the side property line, and 20 feet abutting any street

Rear yard: 20 feet from the rear lot line, or 10 feet from Conservation Easements for those lots with rear yard Conservation Easements, whichever is greater. 10 feet for swimming pools, screened Enclosures, get-wet pools, hot tubs, patios and porches, except where such structures would impact the tied back supports for the sea walls on canal lots, which impacts are not permitted.

Notwithstanding the foregoing, Declarant reserves the rights provided in Article II, Section 4 of this Declaration to modify said setback lines.

Section 4. Fences and Walls . Any fences, walls sought to be constructed on any Lot shall require the specific written approval of the Declarant or the ARC as to location, size, composition, configuration, exterior materials, color and other similar matters, Which approval may be withheld for purely aesthetic considerations. No hedge, shrubbery or vegetation of any kind shall be grown or placed in the form of a fence on any Lot or Lots across the front street line of the said Lot or Lots or on either of the side lines of the said Lot or Lots until such time as the Declarant approves same as to location. No fence may be constructed or allowed to be maintained on any Lot closer to any Lot line than the setbacks established in Section 3 of this Article III. No animal pens of any kind shall be permitted without the specific written approval of the Declarant or the ARC.

Section 5. Prohibited Building Materials. Exposed exterior walls composed of concrete block, imitation asphalt brick siding, tar paper, and imitation asphalt stone siding shall be prohibited. All other materials are subject to the approval of the ARC, which may approve or reject such materials in its discretion, on purely aesthetic grounds.

ARTICLE IV

Section 1. As the provisions contained herein are for the preservation of the aesthetics and privacy of the Subdivision, in the event of the destruction or removal of any tree or landscaping within the development (except destruction caused by act of God), the Owner of the Lot upon which such tree, shrub, or landscaping was located will cause same to be replaced or restored with a comparable size and type of tree or landscaping, at the Lot Owner's sole expense. Declarant and Association shall have the right to enforce this provision as set out in Article IV.

Section 2. Declarant's Rights and Easements. Declarant, as developer, hereby reserves and is granted a maintenance easement in favor of itself, its successor and assigns over, under, onto and across all lots for the purpose of maintaining, restoring, and replacing trees, shrubs, and landscaping. The reservation of these easements shall not place upon Declarant any obligation to perform such activities and such performance shall lie solely within the discretion of Declarant. The within rights of Declarant are in addition to the rights and obligations of the Association set out in Article VI, Section 4 of this Declaration. The easements herein reserved and granted are perpetual, non-exclusive and shall run with title to the Lots.

Section 3. Rights of Enforcement. In the event an Owner does not replace trees and/or restore landscaping as and when required under Article IV, Section 1 above, Declarant and Association may each enforce such Owner's obligations either by an action in specific performance or may perform such work themselves and the cost and expense of such work and materials, shall be due and payable by such Owner within seven (7) days of demand by Declarant or Association, as the case may be. In the event such Owner refuses to make such payment as aforesaid, the Declarant and Association shall have the right to bring an action for the collection of same plus attorney's fees related thereto; and Association shall have the additional right to enforce collection thereof in the manner provided under Article VII, Section 6 of this Declaration.

Section 4. Ownership and Control of Lakes and Detention Ponds. No right title or interest, including, without limitation, riparian rights, in any lake or detention pond shall attach to or become a appurtenant to the title to any Lot by reason of or upon conveyance of such Lot by Declarant unless such conveyance specifically includes such rights. Lakes and detention ponds located on the property as shown on the recorded plat of the Subdivision are part of the Stormwater Drainage System for Shelter Cove. Although portions of the lakes and detention ponds may be located on Lots, the Declarant reserves unto itself, its successors and assigns an easement upon and across every Lot to maintain said lakes and detention ponds as more fully provided in Article VI, Section 8 of this Declaration, and the Association shall be responsible for all maintenance of said lakes and detention ponds, including but not limited to monitoring water levels, maintaining any fountains or aeration devices, and providing lake mitigation services (i.e. algae control and aeration). Nothing in this section shall relieve Lot Owners of their responsibility to maintain the area of their Lot above the Waterline of said lakes or detention ponds.

ARTICLE V.

Membership and Voting Rights in the Association

Section 1. Membership. Every person or entity who is an Owner of any Lot which is subjected by this Declaration to assessment by the Association shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to Assessment.

Section 2. Board of Directors. There shall be at least three (3) members of the Board of Directors of the Association who shall serve until such time as their successors are duly elected and agree to serve. The directors shall have annual meetings and other such meetings as may be called for at the request of the president of the Association, by a majority of the directors, or as called for in the Bylaws. The foregoing notwithstanding, so long as the Declarant, or its successors and assigns as Declarant, is the Class B Member, Declarant shall select the Board of Directors and Declarant may select board members who are not Owners.

Section 3. Articles of Incorporation and Bylaws. A copy of the Articles of Incorporation of the Association and Bylaws of the Association are attached hereto as Exhibit "C" and Exhibit "D" respectively, and made a part and parcel hereof.

Section 4. Voting Rights. The Association shall have two (2) classes of voting membership:

Class A. Class A Members shall be all Owners excepting the Declarant. Class A Members shall be entitled to one (1) vote for each Lot in which they hold the interest required for membership by Section 1 above. When more than one person holds such interest or interests in any Lot, the vote attributable to such Lot shall be exercised as such persons mutually determine, but in no event shall more than one (1) vote be cast with respect to any such Lot. When a purchaser of an individual Lot or Lots takes title thereto from the Declarant, such purchaser automatically becomes a Class A Member.

Class B. The sole Class B Member shall be the Declarant, its successor or assign. The Class B Member shall be entitled to ten (10) votes for each Lot or Multi-Family Unit owned. Class B membership shall cease and become converted to Class A membership upon the happening of the earlier of the following:

- (a) Four months after the conveyance by Declarant of ninety-five (95%) percent of all Lots in Shelter Cove PUD, excluding any bulk sale to a successor Declarant. Should Declarant or a successor developer file a Supplemental Declaration, adding additional land to Shelter Cove,

the additional lots or units that may be developed in the land so added, shall be deemed held by Declarant, and shall entitle Declarant to continue to hold the Class B Membership; or

(b) Ten (10) years from date of recordation of this Declaration; or

(c) At such time as Declarant voluntarily relinquishes Class B Member status.

From and after the happening of whichever of said events which occurs earlier, the Class "B" Member shall be deemed to be a Class "A" Member and entitled to one vote for each Lot owned in the manner provided above.

ARTICLE VI

Property Rights in Common Area / Miscellaneous Easements

Section 1. Member's Easements of Enjoyment. Subject to the provisions of Section 3 of this Article, every Member shall have a right and easement of enjoyment in and to the Common Area, and such easement shall be appurtenant to and shall pass with the title to every Lot. This right and easement shall be for use in common with all other such members, their tenants, guests and invitees. In the event that Declarant incorporates additional land under the provisions of this Declaration pursuant to Article X; Section 2 of this Declaration, all Owners of Lots within such additional lands shall have the same rights and privileges with regard to use of the Common Area as the Owners of Lots originally made subject to this Declaration.

Section 2. Title to Common Area. The Declarant hereby covenants for itself, its successors and assigns, that prior to the sale of any lot in the Subdivision, it will convey to the Association, by Quit-Claim Deed or by dedication on the Plat, fee simple title to the Common Area upon the conditions set forth herein, subject to those rights reserved unto to Declarant pursuant to this Declaration and to the provisions of this Declaration.

NOTICE IS HEREBY GIVEN THAT THE STREETS AND ROADS IN ARE PRIVATE STREETS, AND ARE NOT TO BE MAINTAINED BY THE TOWN OF BEVERLY BEACH, FLAGLER COUNTY OR ANY OTHER PUBLIC ENTITY. THE STREETS AND ROADS SHALL BE PART OF THE COMMON AREA TO BE MAINTAINED BY THE ASSOCIATION.

Section 3. Extent of Member's Easements. The rights and easements created hereby shall be subject to the following:

(a) The right of Declarant, and/or of the Association, to dedicate, transfer or convey all or any part of the Common Area, with or without consideration (and subject to the condition set out in Section 2 immediately above), to any governmental body, district, agency or authority, or to any utility company, provided that no such dedication, transfer or conveyance shall adversely limit the use of the Common Area by the Members of the Association;

(b) The right of the Declarant, and/or of the Association, to grant and reserve easements and rights-of way through, under maintenance, and inspection of lines and appurtenances for public or private water, sewer, drainage and other utilities and services, including, without limitation, a cable (CATV) or community antenna television system and irrigation or lawn sprinkler systems, and the right of the Declarant to grant and reserve easements and rights-of-way through, over and upon and across the Common Area for the completion of the Subdivision, for the operation and maintenance of the Common Area and perpetual non-exclusive easements for ingress and egress and utility installation and maintenance to any other property of Declarant regardless of whether or not made subject to this Declaration;

(c) The right of the Association, as provided in its By-Laws to suspend the enjoyment rights of any Member in the Common Area (but not access to a Member's Lot) for any period during which any assessment remains unpaid, and for a period not to exceed thirty (30) days from any infraction of its published rules and regulations.

(d) The rights of the Association, in accordance with law, its Articles of Incorporation and By-Laws, to borrow money for the purpose of improving the Common Area and in pursuance thereof, to mortgage the same.

Section 4. Maintenance. The Association shall at all times maintain all Common Area in good repair, and shall repair or replace as often as necessary, the paving, drainage structures, street lighting fixtures, landscaping, entrance signage, swimming pools, clubhouse, and other amenities situated on the Common Area and maintain and keep in a clean condition any lakes which are Common Area. The Board of Directors acting by a majority vote shall order all work to be done and shall pay for all expenses including all electricity consumed by the lighting located in the Common Area and all other common expenses. All work pursuant to this Section and all expenses hereunder shall be paid for by such Association through assessments imposed in accordance with Article VII. Excluded herefrom shall be paving and maintenance of individual Lot driveways which shall be maintained by each Owner. Nothing herein shall be construed as preventing the Association from delegating or transferring its maintenance obligations to a governmental authority under such terms and conditions as the Board of Directors may deem in the best interest of the Association.

The Association shall be responsible for the maintenance, operation and repair of the surface water or stormwater management system. Maintenance of the surface water or stormwater management system(s) shall mean the exercise of practices which allow the systems to provide drainage, water storage, conveyance or other surface

water or stormwater management capabilities as permitted by St. Johns River Water Management District. Any repair or reconstruction of the surface water or stormwater management system shall be as permitted or, if modified, as approved by the St. Johns River Water Management District.

Section 5. Additional Structures. Neither the Association nor any Owner or any group of Owners shall, without the prior written approval of Declarant, erect, construct or otherwise locate any structure or other improvement in the Common Area.

Section 6. Delegation of Use.

(a) Family. The right and easement of enjoyment granted to every Owner in Section 1 of this Article may be exercised by members of the Owners' family who occupy the residence of the Owner within the Subdivision.

(b) Tenants. The right and easement of enjoyment granted to every Owner in Section 1 of this Article may be delegated by the Owner to the Owner's tenants who occupy a residence within the Subdivision.

(c) Guests. Any recreational facilities and other Common Areas, may be utilized by guests of Owners or tenants subject to this Declaration, the By-Laws of the Association and to the rules and regulations of the Association governing said use and as established by its Board of Directors.

Section 7. Rules and Regulations. The use of the Common Area by an Owner or Owners, and all other parties authorized to use same, shall be at all times subject to such reasonable rules and regulations as may be prescribed and established by the Association governing such use, or which may hereafter be prescribed and established by the Association.

Section 8. Easement for Utilities and Maintenance. The Declarant reserves unto itself, its successors and assigns, a perpetual, alienable and reasonable easement and right of ingress and egress, over, upon, across and under the Setback areas, and easement areas on each Lot as shown on the recorded map of the Subdivision and/or as set forth herein and over, upon, across and under the Common Area for maintenance and/or the creation, maintenance, installation and use of electrical and telephone wires, cables, conduits, sewers, water mains and other suitable equipment for the conveyance and use of electricity, telephone equipment, gas, sewer, water or other public convenience or utilities, including an easement for privately owned television and other communications cable and equipment, and for maintenance of lakes and detention ponds and the installation and maintenance of pumps, fountains or other equipment related to said maintenance. Declarant may further cut drainways for surface water when such action may appear to the Declarant to be necessary in order to maintain reasonable standards of health, safety and appearance. These easements and rights expressly include the right to cut any trees, bushes or shrubbery, make any grading of soil, or to take any other similar action reasonably necessary to provide

economical and safe utility or other installations and to maintain reasonable standards of health, safety and appearance. Declarant further reserves the right to locate wells, pumping stations, and tanks on Common Area, or to locate same upon any Lot with permission of the Owners of the Lots immediately adjacent to such Lot. It shall not be necessary to obtain the consent of Owners of Lots adjoining any existing utilities or pump stations. Such rights may be exercised by the licensee of the Declarant but this reservation shall not be considered an obligation of the Declarant to provide or maintain any such utility service. No structures or other items, including walls, fences, paving or planting shall be erected upon any part of the Subdivision which will interfere with the rights of ingress and egress provided for in this paragraph. Specifically, no Owner shall erect any structure, including, without limitation, walls, fences or paving or within any areas designated on the Plat of the Subdivision as a "Drainage Easement", "Utility Easement", "Buffer", or "Lake Maintenance Easement" nor shall any Owner change the grade of any such easement area, provided however, that driveways may cross utility and drainage easements at the front of the Lots, subject to prior approval of Declarant and that any planting in easement areas shall not interfere with the applicable easement and shall be limited to grassing and small shrubbery. Each Owner shall Keep drainage ditches and swales located on such Owner's Lot free and unobstructed and in good repair and shall provide for the installation of such culverts upon such Lot as may be reasonably required for proper drainage. Declarant may, at its sole option, convey any such drainage easements to an appropriate governmental entity. The easements referred to in this paragraph are, without limitation, those shown upon the recorded plat(s) of the Subdivision; as set out in easements of record; upon the plans of the Subdivision; or which are located on, over or under the ground.

In addition to the foregoing rights reserved to Declarant, and not in limitation thereof, Declarant further reserves unto itself, its successors and assigns, a perpetual, alienable commercial easement and right of ingress and egress over, upon, across and under the Common Area and all streets and roads within the Subdivision for the purpose of providing access, drainage and utility installation, construction, reconstruction, and maintenance to adjacent property now, or hereafter owned by Declarant and for the "installation and maintenance of any pipes, drainways or other installations necessary for the foregoing and further for the installation, maintenance, repair, replacement and operation of water lines and other utilities which serve or shall serve property presently owned by Declarant. Declarant, its agents, contractors, servants, employees and assignees may enter upon the easement areas for the purpose of maintaining, repairing, replacing and operating such water lines and other utilities and drainage facilities and for the purpose of installing additional utilities and drainage facilities. Declarant further reserves unto itself, its successors and assigns, a perpetual, alienable easement and right-of-way over, under and across those areas designated as "Drainage Easement" on the plat of the Subdivision referred to in Exhibit "A" hereto for the purpose of providing drainage of the Subdivision and lands now or hereafter adjacent to the Subdivision or in the vicinity thereof (whether or not a part of the Subdivision) and for the installation repair and maintenance of pipes and other facilities necessary for such drainage. Declarant, its agents; contractors, servants, employees and assignees may enter upon any of the easement areas so designated on the

recorded plat of the Subdivision for the purpose of maintaining, repairing, replacing and operating any of the drainage facilities, pipes, ditches, and drainage areas located thereon. The Owners of Lots on which such easements are located shall not interfere in any manner with such easements or any of the facilities located therein or the access thereto. No Owner shall erect any structure or fence within such easement areas without the prior written consent of Declarant. Declarant, its agents, employees and assignees shall have no liability for damage which may occur to any structures, plants, trees, or other items which may be located in such utility and drainage easements and Declarant shall have no obligation to replace any such structures which may be removed or damaged due to maintenance, repair or other work performed in such easement areas. Declarant further specifically reserves unto itself, its successors and assigns, perpetual, alienable, commercial easements over and under all Lots along an area 5 feet in width inside each side boundary line of each Lot and 10 feet along the front and rear of each Lot for the purpose of installation, construction, maintenance, repair, replacement, use and operation of utilities and utility systems of all kinds (including but not limited to water, sewer, electric, and natural gas), drainage (including but not limited to storm water and surface drainage) , and access. These easements shall be in addition to, and not in limitation of, any and all other easements reserved unto the Declarant herein. Declarant further reserves an easement of ingress and egress over and across all streets and roads of the Subdivision which such easements are and shall be for the purpose of ingress and egress to any property now owned or hereafter acquired by Declarant, its successors and assigns whether or not such property is made a part of the Subdivision and whether or not such property adjoins the Subdivision.

Section 9. Docks will be built by the respective Intracoastal Lot Owners at Lot Owners' sole expense and will be built only in such a location as approved by the ARC and as authorized by the State of Florida Department of Environmental Protection, and the U.S. Army Corps of Engineers.

NOTICE IS HEREBY GIVEN THAT THE CONSTRUCTION OF ANY AND ALL SHORELINE IMPROVEMENTS, INCLUDING BUT NOT LIMITED TO DOCKS OR SEAWALLS, IS SUBJECT TO GOVERNMENTAL REGULATIONS SUCH AS ENVIRONMENTAL RESOURCE PERMITS PURSUANT TO CHAPTERS 40C-4, 40C-40, OR 40C-400, FLORIDA ADMINISTRATIVE CODE (FAC). DECLARANT MAKES NO REPRESENTATIONS REGARDING THE AVAILABILITY OR ISSUANCE OF ANY GOVERNMENTAL PERMIT WHICH MAY BE NECESSARY TO CONSTRUCT ANY SHORELINE IMPROVEMENTS.

Section 10. Wetlands Restrictive Covenants.

10.1 Wetland Tracts. Declarant, for itself, its successors and assigns, and for the Association, which shall be responsible for maintenance, repair and management of the Surface Water Management System and all Wetland Tracts as an Area of Common Responsibility, hereby declares that each Wetland Tract shall be subject to the following covenants and restrictions.

10.1.1. General Intention for Wetland Tracts. It is the general intent of the Declarant promote, maintain and enhance the conservation of the natural and scenic resources of the Wetland Tracts, to promote the conservation of soils within a Wetland Tract's included upland, the actual waters thereof, and the flora, fauna, wildlife, game and migratory birds, while at the same time enhancing the value of abutting properties adjacent to such land, and to afford and enhance recreational opportunities.

10.1.2 Prohibited Activities Within Wetland Tracts. To ensure that land designated as a Wetland Tract will be improved and maintained as set forth above, the following shall be prohibited within a Wetland Tract: filling, draining, flooding, dredging, impounding, clearing, cultivating, excavating, constructing or erecting in, or otherwise altering or improving the Wetland Tract, including changing the grade or elevation, impairing the flow or circulation of waters, reducing the reach of waters, and any other discharge or activity covered by the Federal Clean Water Act or Chapters 373 or 403, Florida Statutes, as amended, without first obtaining the requisite wetlands, water and/or flood plain permits from the appropriate governmental authorities; spraying with biocides; introducing exotic species into the Wetland Tract; and otherwise altering the natural state of the Wetland Tract except as allowed in the mitigation plan and/or as approved by all applicable permits therefor issued by the governmental agencies with jurisdiction over the Wetland Tracts. Nothing herein contained shall be deemed to prohibit walkways and docks on all lots abutting the intracoastal waterway for which permits are obtained from said agencies.

10.1.3 Erosion Prevention Activities Permitted. Subject to securing any required governmental permits, Declarant and the Association shall have the right to protect from erosion the Wetland Tracts' included upland by planting trees, plants, and shrubs where and to the extent necessary.

10.1.4 No General Easement Intended. The establishment of restrictions herein for Wetland Tracts does in no way grant to the public or to the Owners of any surrounding or adjacent land, the right to enter upon a Wetland Tract.

10.1.5 Easement For Enforcement. There is hereby granted to the U.S. Army Corps of Engineers, the Florida Department of Environmental Protection, the St. John's River Water Management District and such other governmental or quasi-governmental agencies having jurisdiction over the Wetlands Tracts (collectively, the "Enforcing Entities") a non-exclusive easement and right to enforce the restrictive covenants and terms of this Article III in an action at law or in equity against any person(s) or other entity/entities violating or attempting to violate the terms hereof; provided, however, that no violation of the covenants and restrictions set forth in this Article III shall result in a forfeiture or reversion of title. In any such permitted enforcement action, the Enforcing Entities shall be entitled to a complete restoration for any violation, as well as any other remedy available under law or equity.

10.1.6 Corrective Action No Trespass. Where the Declarant, the Association or any of the Enforcing Entities is permitted by these Covenants to correct, repair, clean, preserve, clear out or to do any action on or within a Wetland Tract, entering such property and taking such action shall not be deemed a breach of these Covenants or a trespass.

10.1.8 No Affirmative Action Required of Declarant or Association. It is expressly understood and agreed that the reservation of rights under this Article III does in no way place a burden of affirmative action on either Declarant or Association, that neither Declarant nor Association is bound to make any of the improvements noted herein, or extend to any Owner any easement or right of use.

10.1.9 Vegetated Natural Buffer. There shall be set aside a permanent vegetated natural buffer ("Buffer") over that portion of the property shown on the plat as Conservation Easement. This Buffer extends across all the lots containing or adjoining the Conservation Easement. The Buffer is part of the surface water management system permitted by the St. Johns River Water Management District. The purpose of this Buffer is to detain and treat storm water prior to drainage offsite; therefore, the area must be maintained with a dense vegetative cover. Filling and replacement of impervious surface (other than fenceposts) are prohibited within the Buffer.

Notwithstanding any other language contained in these Covenants and Restrictions, no alteration of the Buffer shall be authorized without the prior written authorization from the District. Any damage to any Buffer, whether caused by natural or human induced phenomena, shall be repaired and the Buffer returned to its former condition as soon as possible by the Owner(s) of the Lot(s) upon which the Buffer is located.

Section 11. Easements for Association. There is hereby reserved a general right and easement for the benefit of the Association, its Directors, officers, agents and employees, including but not limited to, any property manager employed by the Association and any employees of such manager, to enter upon any Lot or any portion thereof in the performance of their respective duties. Except in the event of emergencies, this easement is to be exercised only during normal business hours, whenever practicable.

11.1 Easement for Access and Drainage. The Association shall have a perpetual non-exclusive easement over all areas of the surface water or storm water management system for access to operate, maintain or repair the system. By this easement, the Association shall have the right to enter upon any portion of any lot which is a part of the surface water or storm water management system, at a reasonable time and in a reasonable manner, to operate, maintain, or repair the surface water or stormwater management system as required by the St. Johns River Water Management District permit. Additionally, the Association shall have a perpetual non-exclusive easement for drainage over the entire surface or storm water management system. No person shall alter the drainage flow of the surface water or storm water

management system, including buffer areas or swales, without the prior written consent of the St. Johns River Water Management District.

Any amendment to these Covenants and Restrictions which alter any provision relating to the surface water or storm water management system, beyond maintenance in its original condition, including the water management portions of the common areas, must have the prior approval of the St. Johns River Water Management District.

The St. Johns River Water Management District shall have the right to enforce, by a proceeding at law or in equity, the provisions contained in these Covenants and Restrictions which relate to the maintenance, operation and repair of the surface water or storm water management system.

Section 12. Sales Offices, Management Offices and Construction Offices.

Notwithstanding any provisions or restrictions herein to the contrary, there is hereby reserved for the benefit of Declarant, its successors and assigns, the perpetual, alienable and transferable right and easement in and to the Subdivision for the maintenance of signs, sales offices, management offices and construction offices, together with such other facilities as in the sole opinion of Declarant reasonably may be required, convenient or incidental to the completion, management, rental, improvement and/or sale of Lots or Common Area. The Declarant also reserves the right to grant to any builder or builders the right to operate and maintain builder sales offices at any location within the subdivision upon such terms and conditions as the Declarant in the Declarant's sole discretion may determine.

Section 13. Maintenance Easement. Subject to the other terms of this Declaration, there is hereby reserved for the benefit of the Declarant, the Association and their respective agents, employees, successors and assigns an alienable, transferable and perpetual right and easement to enter upon any unimproved portions of any Lot for the purpose of landscaping, mowing, removing, clearing, cutting or pruning underbrush, weeds, stumps or other unsightly growth and removing rubbish and trash, so as to maintain reasonable standards of health, fire safety and appearance within the Subdivision; provided that such easements shall not impose any duty or obligation upon the Declarant or the Association to perform any such actions. Furthermore, there is hereby reserved for the benefit of the Declarant, the Association and their respective agents, employees successors and assigns, an alienable, transferable and perpetual right and easement, but not the obligation, to maintain and/or repair the outer portions of any building, if the Owner shall fail to maintain such building in keeping with the standards of the Subdivision. The cost of such maintenance and/or repair shall constitute a special assessment against the Lot on which the building is located and the Owner of said Lot as provided in Article VII herein.

Section 14. Road Construction Easement. Declarant reserves a temporary construction easement of twenty-five (25) feet in width along both sides and running parallel to streets and roads, which easements shall expire eighteen months after the particular road construction concludes. Declarant reserves the right, to place, move, or remove soil or trees on the subject property as required for water and wastewater

drainage or to provide uniformity of grade with the surrounding lots. This easement expires when the road is paved in front of this lot.

Section 15. Shelter Cove Canal Easements. Each lot owner of a lot abutting a canal in Shelter Cove shall have an easement to access the canal adjacent to the lot, and to construct a dock in the canal adjacent to their lot. The design and construction of the dock is subject to governmental permitting and to the approval of the Architectural Review Committee.

Declarant reserves the right to grant additional non-exclusive easement rights to the main canal accessing the Intracoastal Waterway for the benefit of the multifamily parcel of property on the South and East of the Main Canal, as contained in the Shelter Cove PUD adopted by the Town of Beverly Beach. Should such an easement be granted, the multi-family property shall be charged with the obligation to pay 1/3 of the costs to maintain the main canal, such costs to be enforceable as may be set forth in an agreement with either Declarant, or with the Association, which agreement will contain the Easement rights to be granted.

Section 16. Access to Lot 7, Beverly Shores West Replat. Declarant owns Lot 7, Beverly Shores West Replat, as per map recorded at Map Book 29, page 29, Public Records of Flagler County, Florida, which is contiguous to Tract D, Shelter Cove Subdivision. Said Lot 7 is deemed part of Shelter Cove Subdivision, is subject to this Declaration, and its owners are entitled to all rights and subject to all obligations of all other owners of Lots in Shelter Cove. Declarant has granted the Association an easement for landscaping over part of Lot 7. Declarant reserves for itself, its successors and assigns as owners of said Lot 7, an access easement over Tract D as shown on the Plat of Shelter Cove, to provide ingress and egress to said Lot 7. Declarant reserves the right to record additional easements over Tract D for this purpose, and to execute joinders to the easements on behalf of the Association.

ARTICLE VII

**Assessments for the Maintenance and Operation
of Common Area and Facilities**

**Section 1. Assessments, Liens and Personal Obligations Therefor, and
Operation Maintenance of Common Area Solely by the Association.**

(a) Each and every Owner of any Lot(s) within the properties, by acceptance of a deed therefor, whether or not it shall be so expressed in any such deed or other conveyance, shall be deemed to covenant and agree, to pay to the Association: (1) annual assessments or charges; and (2) special assessments for capital improvements, such assessments to be fixed, established and collected from time to time as hereinafter provided. The annual and special assessments, together with such interest thereon and costs of collection thereof as are hereinafter provided shall be a charge on the land and shall be a continuing lien upon the Lot(s) or assessment is made. Each such assessment, together with such interest thereon and costs of collection thereof (including attorneys fees) as are hereinafter provided, shall also be the personal obligation of the Owner of such Lot(s) at the time when the assessment fell due. Notwithstanding anything in this Declaration to the contrary, it is hereby declared that through December 31, 2013, each Lot within the Subdivision shall be exempt, at Declarant's option, from the assessments herein provided for (both annual and special) until such time as such Lot is conveyed by the Declarant to an Owner other than the Declarant. However, until such time as a Lot is conveyed by the Declarant to an Owner other than the Declarant, the Declarant shall be assessed and payed to the Association, in lieu of an assessment thereof, a sum equal to the amount of actual operating expenditures incurred by the Association for that portion of the calendar year less an amount equal to the total assessments made by the Association against Owners of Lots other than those owned by the Declarant. The actual operating expenditures for this purpose shall not include any reserves of any kind. Commencing January 1, 2014, the Declarant shall be subject to assessments for the Subdivision as provided for in this Declaration so that it will pay assessments on the same basis provided for in this Declaration for other Owners. In the event that additional lands are subjected to the provisions of this Declaration, then it is declared that until the later of: (1) termination of Declarant's rights to add additional lands; or (5) five years after the date the amendments submitting such additional lands are filed for record in the public records of Flagler County, Florida, each Lot in such additional lands shall be exempt from the assessment created herein until such time as the lot is conveyed by the Declarant to an Owner other than the Declarant. Until such time as a Lot in such additional lands is so conveyed, the Declarant shall be assessed and pay to Association, in lieu of an assessment, a sum equal to the amount of actual operating expenditures for that portion of the calendar year (without reserves, as set forth above) less an amount equal to the total assessments made by Association against Owners of Lots other than those owned by Declarant. Declarant may, however, at its option, elect

to pay assessments on the same basis as other Owners at any time. A conveyance by Declarant in a bulk land sale to a successor Declarant or successor developer shall not be deemed a conveyance which triggers the commencement of assessments.

(b) The Assessment levied by the Association shall be used exclusively for the purpose of the operation, improvement and maintenance of the Common Area and, upon determination by the Board of Directors, improvements located outside of the Subdivision (including, without limitation, a beach walkover, identification and/or directional signage [including landscaping] either exclusively or in cooperation with other association or parties) now or hereafter designated or existing, including, but not limited to, the payment of taxes and insurance thereon, and repair, replacement and additions thereof, the cost of labor, equipment, materials, management and supervision thereof, the employment of attorneys, accountants, property managers and other professionals to represent the Association when necessary and such other needs as may arise. In the event that Declarant performs any of the foregoing services for Association, including, but not limited to, accounting and bookkeeping services, it shall have the right to receive a reasonable fee therefore and such shall not be deemed to be a conflict of interest.

(c) This assessment may be waived by Declarant as to any Lot purchased by a builder with the intent to build a house for resale to the public at large, provided, however, such waiver shall not exceed two (2) years in duration, and shall expire at the issuance of a Certificate of Occupancy, if such Certificate of Occupancy is issued prior to two (2) years from the time the Builder acquires the lot. This assessment will be payable as to any Lot purchased by a builder who purchases a lot for the purpose of building a custom home under contract with the ultimate residents.

Section 2. Amount and Payment of Annual Assessment. The initial assessment payable by each Owner shall be \$2,400.00 per Lot per calendar year. Upon the closing of the initial sale of each Lot by Declarant, the purchaser of each Lot shall pay to the Association the annual assessment prorated for the current year. The annual assessment may be increased or decreased by the Board of Directors of the Association without a vote of the membership to an amount no more than a fifteen (15%) percent difference in the annual assessment for the previous year. A majority vote of each class of voting members of the Association must approve an increase or decrease in the yearly assessment if the increase or decrease differs from the assessment for the previous year by more than fifteen (15%) percent. In determining the annual assessment, the Board of Directors of the Association shall appropriate an amount sufficient to pay the costs of insuring, maintaining, replacing, protecting and operating the Common Area and performing the other exterior maintenance required to be performed by the Association under this Declaration including establishing and maintaining adequate reserves. The Board shall fix the date of commencement and the amount of the Assessment against each Lot for each Assessment period (which shall be based on a calendar year), and shall, at that time, prepare a roster of the Lots and Assessments applicable thereto, which shall be kept in the office of the Association and shall be open to inspection by any Owner. Written notice of the Assessment shall

thereupon be sent to every Owner subject thereto. In the event that any Lot is subject to an assessment for only part of a calendar year, then the amount of such assessment shall be prorated based on the portion of the assessment period for which such Lot is subject to an assessment.

In the event that two Lots are combined for the purpose of providing one building site, such Owner shall pay an assessment for each of the original lots as if they had not been combined.

Each annual Assessment shall be fully payable in advance on the 1st day of January each year, but the Board of Directors of the Association shall have the option to permit payments in such installments and at such times as it shall determine. The exact amount of each annual Assessment shall be fixed by the Board of Directors of the Association.

The Association shall, upon demand at any time, furnish to any Owner liable for any assessment, a certificate in writing, signed by an officer of the Association or by the Association Manager, setting forth whether said assessment has been paid. Such certificate shall be in recordable form and shall be conclusive evidence of payment status of any assessment therein stated to have been paid.

This Section shall not be amended as provided in Article XIV, Section 11 of this Declaration, to eliminate or substantially impair the obligations to fix the assessment at an amount sufficient to properly maintain and operate the Common Area and perform the exterior maintenance required to be performed by the Association under this Declaration.

Section 4. Special Assessments for Capital Improvements. In addition to the annual assessments, the Association may levy, in any assessment year, a special assessment applicable to that year only, for the purpose of defraying unexpected repair or replacement of a described capital improvement upon the Common Area, including the necessary fixtures and personal property related thereto. Provided that any such assessment shall have the assent of at least fifty-one (51%) percent of the votes of each class of Members who are voting in person or by proxy at a meeting duly called for this purpose, written notice of which shall be sent to all Members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. The due date of any specified assessment shall be fixed in the Resolution authorizing such assessment.

Section 5. Paid Professional Manager. The Board of Directors of the Association may employ a professional manager or managerial firm to supervise all the work, labor, services and material required in the operation and maintenance of the Common Area and in the discharge of the Association's duties.

Section 6. Effect of Non-Payment of Assessment. The Personal Obligation of the Owner: The Lien, Remedies of Association. If any assessments (or reimbursement under Article IV Section 2 of this Declaration) is not paid on the date when due, then

such assessment shall be deemed delinquent and shall, together with such interest thereon and cost of collection thereof as are hereinafter provided, continue as a lien on the Lot(s), which shall bind such Lot(s) in the hands of the then Owner, his heirs, devisees, personal representatives, successors and assigns. The personal obligation of the then Owner to pay such assessment or reimbursement, however, shall remain his personal obligation and will also pass on to his successor in title.

Any assessment not paid within thirty (30) days after the due date shall be subject to such late charges and shall bear interest at a rate per annum as shall be determined by the Board of Directors of the Association, such interest rate shall not exceed the highest rate of interest allowed by law. The initial late charge imposed for late payment of any assessment is \$25.00 and shall be charged as to any assessment that is not paid within thirty (30) days of due date. The initial interest rate for late payment is eighteen (18%) percent per year (1.5% per month) which shall commence to accrue on any assessment or other account balance that is not paid within thirty (30) days of the date due. The initial date upon which liens may be filed for failure to make payment of assessments and other charges is thirty (30) days after the due date. The Board of Directors may change the initial late charge, interest rate, due dates and lien assessment date by majority vote of the directors.

The Association may bring legal action against the then Owner personally obligated to pay the same or may enforce or foreclose the lien against the Lot(s) in the same manner as a mortgage is foreclosed; and in the event a judgment is obtained, such judgment shall include interest on the assessment or reimbursement as above provided and a reasonable attorney's fee to be fixed by the court, together with the costs of the action. The Association may further file a notice of lien in the public records of Flagler County, Florida. The Association, by and through its Board of Directors, shall have the authority to compromise and settle claims for assessments upon a majority vote upon good cause shown.

Section 7. Subordination of the Lien to Mortgages. The lien of the assessments (and reimbursement) provided for herein shall be subordinate to the lien of any mortgage or mortgages now or hereafter placed upon any Lot subject to assessment and reimbursement; provided, however, that such subordination shall apply only to assessments which have become due and payable prior to sale or transfer of such property pursuant to a decree of foreclosure, or any proceeding in lieu of foreclosure. Such sale or transfer shall not relieve such property from liability for any assessments or reimbursements thereafter becoming due, nor from the lien of any subsequent assessment or reimbursement.

Section 8. Exempt Property. All Common Area subject to this Declaration shall be exempted from the assessments, charges and liens created herein.

ARTICLE VIII

Architectural Standards and Control

The Board of Directors shall have the authority and standing, on behalf of the Association to enforce in courts of competent jurisdiction decisions of the Committee established in Section 1 of this Article VIII. This Article may not be amended without the Declarant's written consent, so long as the Declarant owns any land subject to this Declaration or subject to annexation to this Declaration.

No construction, which term shall include, without limitation, staking, clearing, excavation, grading, and other site work, and no planting or removal of plants, trees, or shrubs shall take place on any lot except in strict compliance with this Article, until the requirements hereof have been fully met and until the approval of the Architectural Review Committee has been obtained.

Section 1. Architectural Review Committee. The Architectural Review Committee (ARC) shall have exclusive jurisdiction over all construction on any portion of the Properties. The ARC shall prepare and, on behalf of the Board of Directors, shall promulgate Design and Development Guidelines ("Guidelines") and Application and Review Procedures ("Procedures"). The Guidelines and Procedures shall be those of the Association, and the ARC shall have sole and full authority to prepare and to amend the Guidelines and Procedures. It shall make both available to Owners, builders, and developers who seek to engage in development of or construction upon all or any portion of the Subdivision and who shall conduct their operations strictly in accordance therewith. However, the failure to promulgate the Procedures shall in no way abrogate the authority of the ARC to review and approve all construction as set forth herein.

As long as Declarant owns any Lots which are subject to this Declaration or retains the right to add additional phases, the Declarant retains the right to appoint all members of the ARC, which shall consist of at least three (3), but no more than five (5) persons. The members of the ARC do not have to be Owners. There shall be no surrender of this right prior to that time except in a written instrument in recordable form executed by Declarant. Upon the expiration of such right, the Board of Directors shall appoint the members of the ARC. The ARC shall also have exclusive jurisdiction over modifications, additions, or alterations made on or to existing Lots, Buffer Areas, open spaces and Common Areas. The right of approval herein reserved and granted shall include, without limitation, the right to designate or re-designate which Lot line shall be the "front" in the case where a Lot is bordered by more than one street.

The ARC may promulgate detailed standards and procedures governing its areas of responsibility and practice. However, the failure to promulgate such standards and procedures shall in no way abrogate the authority of the ARC to review and approve all construction as set forth herein. In addition thereto, the following shall apply: Plans and specifications showing the nature, kind, shape, color, size, materials and location of such modifications, additions, or alterations shall be submitted in advance to the ARC for approval as to quality of workmanship and design and harmony of external design with existing structures, and as to location in relation to surrounding structures, topography, and finish grade elevation. No permission or approval shall be required to

remain in accordance with an originally approved color scheme, or to rebuild in accordance with originally approved plans and specifications. Nothing contained herein shall be construed to limit the right of the Owner to remodel the interior or his/her Dwelling or to paint the interior any color desired. In the event the ARC fails to approve or to disapprove such plans or to request additional information reasonably required within forty-five (45) days after submission, the plans shall be deemed approved; provided, however, that no such failure to act shall be deemed an approval of any matters specifically prohibited by any other provision of this Declaration, or any matter not contained in the submittal to the ARC. Refusal or approval of plans, specifications, and plot plans or any of them may be based on any grounds, including purely aesthetic grounds, which, in the sole and uncontrolled discretion of the ARC, may deem sufficient. The approvals required pursuant to this Article shall be in writing and are in addition to any approvals required by other applicable governmental authority.

All reasonable costs incurred by the ARC in reviewing and approving applications to the ARC shall be the responsibility of the applicant. Unless specifically waived by the ARC, all applications and submissions must be accompanied by a review fee of \$250.00 or such other sum as is established by the ARC from time to time. In addition, at the time of submittal to the ARC, all owners shall reimburse Declarant the sum of \$1,500.00, per lot, for the central irrigation system. The staffing and administration of the ARC may be paid for by the Association, and may be contracted for or provided in-house.

Actual construction of Dwellings and other improvements shall be the responsibility of the Owner of the Lot and the Owner's builder. Any permission granted for construction under this covenant and any designation of approved licensed contractors shall not constitute or be construed as an approval, warranty or guaranty, expressed or implied, by the Declarant or the ARC or its designated agent of the structural stability, design or quality of any building or other improvement or of the contractor who constructs such buildings or other improvements.

Section 2. Buildings, Fences, Walls, Etc. No building, fence, wall, deck, trellis, gazebo, boat house, or other structure, and no change in topography, landscaping, or any other item originally approved by the ARC, shall be commenced, erected, or maintained upon the Properties, nor shall any exterior addition to or change be made until the plans and specifications showing the nature, kind, shape, height, materials, color, and locations of the same shall have been submitted to and approved in writing as to the harmony of the external design and location in relation to the surrounding structures and topography by the ARC. Any change in exterior appearance of any building, wall, fence, or other structural improvements and any change in the appearance of the landscaping shall be deemed an alteration requiring approval.

Section 3. Docks, piers, landings, wharfs and seawalls/bulkheads. No dock, pier, landing, wharf, seawall/bulkhead or other structure shall be constructed, placed or allowed to remain on any body of water, water course or the Intracoastal Waterway, without the approval of the ARC and in appropriate cases governmental entities having jurisdiction. In order to obtain such approval, plans must be submitted specifying the

location, color, height, finish and other details of such proposed facility. The ARC reserves the right to require uniformity of design and to submit approved designs for docks, piers, landings, wharfs, seawalls/bulkheads or other structures. The ARC has the right to disapprove such plans on any grounds including but not limited to aesthetic considerations. Any approved dock, pier, landing, wharf, seawall/bulkhead or other structure must be well maintained by the Owner and, if not maintained as required, enforcement of this requirement may be enforced as provided herein in cases of violations of these covenants.

Section 4. Compliance with Stormwater Management Acts. All construction within Shelter Cove shall comply with all appropriate stormwater management acts promulgated by any appropriate governmental agency. Approval by the ARC shall not be deemed approval by such governmental agency.

Section 5. Declarant's right to exercise Architectural Review Authority. Notwithstanding the above sections, Declarant, in Declarant's sole judgment and discretion, reserves the right and option to exercise Architectural Review Authority without establishing an ARC until such time as Declarant relinquishes Class B membership status.

ARTICLE IX.

Exterior Maintenance, Reasonable Access and Maintenance of Common Area

Section 1. Exterior Maintenance. The Owner shall maintain the structures and ground on each Lot at all times in a neat and attractive manner. Upon the Owner's failure to do so, the Declarant, or the Association (after the termination of Class B membership status of Declarant) may, at its option, after giving the Owner ten (10) days written notice sent to his last known address, or to the address of the subject premises, have the grass, weeds, shrubs and vegetation or dangerously leaning trees or limbs removed from such Lot, and replaced, and may have any portion of the Lot resodded or landscaped, all of which shall not be deemed a trespass, and all expenses of the Association under this provision shall be a lien and a charge against the Lot on which the work is done and the personal obligation of the then Owner of such Lot. The Declarant or the Association, and its assigns, may likewise, after giving the owner 10 days written notice sent as aforesaid, enter upon such Lot(s) to remove any trash, debris or garbage which has collected on said Lot(s) without such entrance and removal being deemed a trespass, all at the expense of the owner of said Lot. Upon the Owner's failure to maintain the exterior of any structure in good repair and appearance, the Association may, at its option, after giving the Owner thirty (30) days written notice sent to the Owner's last known address, make repairs and improve the appearance in a reasonable and workmanlike manner. The cost of any of the work performed by the Association upon the Owner's failure to do so shall be immediately due and owing from the Owner of the Lot and shall constitute and assessment against

the Lot on which the work was performed, collectible in a lump sum secured by a lien against the Lot as herein provided.

Section 2. Access at Reasonable Hours. For the purpose of performing its function under this or any other Article of the Declaration, and to make necessary surveys in connection therewith, the Association, by its duly authorized agent and employees, or the Declarant during the period of development, shall have the right to enter upon any Lot at any reasonable hours, on any day except Sundays and holidays, on reasonable prior notice.

Section 3. Maintenance of Common Area. It shall be the responsibility of the Association to maintain the Common Area. However, should the Declarant (prior to conveyance to the Association) or the Association (after the termination of the Class B status of Declarant), decide to transfer any portion or all of the areas designated or to become, by conveyance, Common Area, to governmental authority, as they have the right to do so, such duty to maintain same shall cease as to that portion so transferred.

Section 4. Removal of Obstruction, Debris, and Materials. The Association may remove any obstructions of any nature located within road right-of-ways or other Common Area (including trees, shrubs, and mailboxes) which, in the opinion of the Association, either might produce a hazard or might interfere with the maintenance of roads.

ARTICLE X.

Rights of Mortgagees

Rights of Mortgagees or Third Parties. Should a mortgagee or third party acquire the rights of Declarant, by way of foreclosure or otherwise in adjoining or neighboring property contained within the property contiguous to the property subject to this declaration, as same may exist from time to time, it shall be allowed full use of all rights, easements, rights-of-way and utilities contained within the Subdivision for the purpose of serving such adjoining or neighboring areas. These rights shall also inure to the benefit of Declarant should it retain or be the Owner of any portion of said property. Any of such parties may elect to bring additional phases under this Declaration.

ARTICLE XI.

Insurance and Casualty Losses

Section 1. Insurance. Association's Board of Directors, or its duly authorized agent shall have the authority to and shall obtain blanket all-risk insurance, if reasonably available, for all insurable improvements on the Common Areas. If blanket

all-risk coverage is not reasonably available, then, at a minimum, an insurance policy providing fire and extended coverage shall be obtained. This insurance shall be in an amount (as determined by the insurance underwriter) sufficient to cover one hundred (100%) of the replacement cost of any repair or reconstruction in the event of damage or destruction from any insured hazard.

The Board shall also obtain a public liability policy covering the Common Areas, Association, and its Members for all damage or injury caused by the negligence of Association or any of its Members or agents. The public liability policy shall have a least a One Million and no/100 (\$1,000,000.00) Dollar limit as respects to bodily injury, and a Three Hundred Thousand and no/100 (\$300,000.00) Dollar minimum property damage limit.

Premium for all insurance required under this Section shall be common expenses of the Association. This policy may contain a reasonable deductible and the amount thereof shall be added to the face amount of the policy in determining whether the insurance at least equal the full replacement costs. The deductible shall be a common expense of the Association.

Cost of insurance coverage obtained by Association for the Common Area shall be included in the assessment.

All such insurance coverage obtained by the Board of Directors shall be written in the name of the Association as Trustee for the respective benefitted parties, as further identified in (b) below. Such insurance shall be governed by the provisions hereinafter set forth:

(a) All policies on the Common Area shall be for the benefit of Association and
Declarant shall be named as additional insured;

(b) Exclusive authority to adjust losses under policies in force on the Common
Areas obtained by Association shall be vested in Association's Board of Directors.

(c) In no event shall the insurance coverage obtained and maintained by Association's Board of Directors hereunder be brought into contribution with insurance purchased by individual Owners; and

The Association may purchase officer's and directors' liability insurance, if reasonably available, and the Board of Directors of the Association approves the purchase of same. However, every director and every officer of the Association shall be indemnified by the Association against all expenses and liabilities, including attorney's fees, reasonably incurred by or imposed upon him/her in connection with any proceeding to which he/she may be a party, or in which he/she may become involved

by reason of his/her being or having been a director or officer of the Association, whether or not he/she is a director or officer at the time such expenses are incurred, except in such cases wherein the director or officer is adjudged guilty of willful misfeasance or malfeasance in the performance of his duties; provided, that in the event of any claim for reimbursement or indemnification hereunder based upon a settlement by the director or officer seeking such reimbursement or indemnification, the indemnification herein shall only apply if the Board of Directors approves such settlement and reimbursement as being in the best interest of the Association. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such director or officer may be entitled.

Section 2. Disbursement of Proceeds. Proceeds of insurance policies shall be disbursed as follows:

(a) If the damage or destruction for which the proceeds are paid is to be repaired or reconstructed, the proceeds, or such portion thereof as may be required for such purpose, shall be disbursed in payment of such repairs or reconstruction as hereinafter provided. Any proceeds remaining after defraying such costs of repairs or reconstruction to the Common Area or, in the event no repair or reconstruction is made, shall be retained by and for the benefit of Association and placed in a capital improvements account.

(b) If it is determined as provided in Section 4 of this Article, that the damage or destruction to the Common Area for which the proceeds are paid shall not be repaired or reconstructed, such proceeds shall be disbursed in the manner provided for excess proceeds in Subsection (a) above. However, repair or replacement of the affected Common Area must be made unless prevented by law or governmental rule or regulation.

Section 3. Damage and Destruction.

(a) Immediately after the damage or destruction by fire or other casualty to all or any part of the Properties covered by insurance written in the name of the Association, the Board of Directors, or its duly authorized agent, shall proceed with the filing and adjustment of all claims arising under such insurance and obtain reliable and detailed estimates of the cost of repair or reconstruction of the damaged or destroyed Common Areas. Repair or reconstruction, as used in this paragraph, means repairing or restoring the Common Areas to substantially the same condition in which they existed prior to the fire or other casualty.

(b) Any damage or destruction to the Common Area shall be repaired or reconstructed unless the Voting Members representing at least seventy-five (75%) percent of the total vote of the Association, shall decide within sixty (60) days after the casualty not to repair or reconstruct. If for any reason either the amount of the

insurance proceeds to be paid as a result of such damage or destruction, or reliable and detailed estimates of the cost of repair or reconstruction, or both, are not made available to the Association within said period, then the period shall be extended until such information shall be made available: provided, however, such extension shall not exceed sixty (60) additional days. No mortgage shall have the right to participate in the determination of whether a Common Area damaged or destroyed shall be repaired or reconstructed.

(c) In the event that it should be determined in the manner described above that the damage and destruction shall not be repaired or reconstructed and no alternative improvements are authorized, then, and in that event, the affected portion of the Common Area shall be restored to their natural state and maintained by the Association in a neat and attractive condition.

Section 4. Repair and Reconstruction. If the damage or destruction for which the insurance proceeds are paid is to be repaired or reconstructed, and such proceeds are not sufficient to defray the cost thereof, the Board of Directors shall, without the necessity of a vote of the Members, levy a special assessment against all Owners in proportion to the number of Lots owned; provided, if the damage or destruction involves a Lot(s), only Owners of the affected Lot(s) shall be subject to such assessment. Additional assessments may be made in a like manner at any time during or following completion of any repair or reconstruction.

ARTICLE XII.

Dispute Resolution and Limitation on Litigation

Section 1. Agreement to Avoid Litigation. The Declarant, the Association, its officers, directors, and committee members, all Persons subject to this Declaration, any Builder, and any Person not otherwise subject to this Declaration who agrees to submit to this Article (collectively, "Bound Parties") agree to encourage the amicable resolution of disputes involving the Subdivision, without the emotional and financial costs of litigation. Accordingly, each Bound Party covenants and agrees that those claims, grievances or disputes described in Section 2 below ("Claims") shall be resolved using the procedures set forth in Section 3 below in lieu of filing suit in any court.

Section 2. Claims. Unless specifically exempted below, all claims, grievances or disputes arising out of or relating to the interpretation, application or enforcement of the Governing Documents, or the rights, obligations and duties of any Bound Party under the Governing Documents or relating to the design or construction of improvements on the Properties shall be subject to the provisions of Section 3 below.

Notwithstanding the above, unless all parties thereto otherwise agree, the following shall not be Claims and shall not be subject to the provisions of Section 3 below:

- a. any suit by the Association against any Bound Party to enforce the provisions of Article VII (Assessments for the Maintenance and Operation of Common Area and Facilities);
- b. any suit by the Association to obtain a temporary restraining order, or other mandatory or prohibitive equitable relief, and such other ancillary relief as permitted to enforce the provisions of Article II (Uses of Property) or VIII (Architectural Standards and Control);
- c. Any suit in which any indispensable party is not a Bound Party; and
- d. any suit which otherwise would be barred by any applicable statute of limitations.

With the consent of all parties thereto, any of the above may be submitted to the alternative dispute resolution procedures set forth in Section 3 below.

Section 3. Mandatory Procedures.

a. Any Bound Party having a claim ("Claimant") against another Bound Party ("Respondent") (collectively the "Parties") shall notify each Respondent in writing (the "Notice"), stating plainly and concisely:

1. The nature of the Claim, including the Persons involved and Respondent's role in the Claim;
2. The legal basis of the Claim (i.e., the specific authority out of which the Claim arises);
3. Claimant's proposed remedy; and
4. That Claimant will meet with Respondent to discuss in good faith ways to resolve the Claim.

b. Negotiation and Mediation.

1. The Parties shall make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiations. If requested in writing, accompanied by a copy of the Notice, the Board may appoint a representative to assist the Parties in resolving the dispute by negotiation.
2. If the Parties do not resolve the Claim within 30 days of the date of the Notice (or within such other period as may be agreed upon by the Parties) ("Termination of Negotiations"), Claimant shall have 30 additional days to submit the Claim to mediation under the auspices of any Flagler County, Florida dispute resolution

center or such other independent agency providing similar services upon which the Parties mutually agree.

3. If Claimant does not submit the Claim to mediation within 30 days after Termination of Negotiations, or does not appear for the mediation, Claimant shall be deemed to have waived the Claim, and Respondent shall be released and discharged from any and all liability to Claimant on account of such Claim; provided however, nothing herein shall release or discharge Respondent from any liability to any Person other than the Claimant.

4. Any settlement of the Claim through mediation shall be documented in writing by the mediator. If the Parties do not settle the Claim within 30 days after submission of the matter to the mediation process, or within such time as determined by the mediator, the mediator shall issue a notice of termination of the mediation proceedings ("Termination of Mediation"). The Termination of Mediation notice shall set forth that the Parties are at an impasse and the date that mediation was terminated.

5. Within five (5) days after the Termination of Mediation, the Claimant shall make a final written settlement demand ("Settlement Demand") to the Respondent and the Respondent shall make a final written settlement offer ("Settlement Offer") to the Claimant. If the Claimant fails to make a Settlement Demand, Claimant's original Notice shall constitute the Settlement Demand. If the Respondent fails to make a Settlement Offer, Respondent shall be deemed to have made a "zero" or "take nothing" Settlement Offer.

c. Final and Binding Arbitration.

1. If the Parties do not agree in writing to a settlement of the Claim within 15 days of the Termination of Mediation, the Claimant shall have 15 additional days to submit the Claim to arbitration in accordance with the Rules of Arbitration of the American Arbitration Association or such rules as may be required by the agency providing the arbitrator. If not timely submitted to arbitration or if the Claimant fails to appear for the arbitration proceeding, the Claim shall be deemed abandoned, and Respondent shall be released and discharged from any and all liability to Claimant arising out of such Claim; provided, however, nothing herein shall release or discharge Respondent from any liability to Persons other than the Claimant.

1. This subsection (c) is an agreement to arbitrate and is specifically enforceable under the applicable arbitration laws of the State of Florida. The arbitration award (the "Award") shall be final and binding, and judgment may be entered upon it in any court of competent jurisdiction to the fullest extent permitted under the laws of the State of Florida.

Section 4. Allocation of Costs of Resolving Claims.

a. Subject to Section 4(b), each Party shall bear its own costs, including any attorney's fees incurred, and each Party shall secure equally all charges rendered by the mediator(s) and all filing fees and costs of conducting the arbitration proceeding ("Post Mediation Costs").

b. Any Award which is equal to or more favorable to Claimant than Claimant's Settlement Demand shall add Claimant's Post Mediation Costs to the Award, such costs to be borne equally by all Respondents. Any Award which is equal to or less favorable to Claimant than any Respondent's Settlement Offer shall award to such Respondent its Post Mediation Costs.

Section 5. Enforcement of Resolution. If the Parties agree to resolve any Claim through negotiation in accordance with Section 3(b) and any Party thereafter fails to abide by the terms of the agreement reached through negotiation, or if, following arbitration, any Party, thereafter fails to comply with the Award, then the other Party may file suit or initiate administrative proceedings to enforce the agreement or Award without the need to again comply with the procedures set forth in Section 3. In such event, the Party taking action to enforce the agreement or Award is entitled to recover from the noncomplying Party (or if more than one noncomplying Party, from all the Parties pro rata) all costs incurred in enforcing the agreement or Award, including without limitation, attorney's fees and court costs.

Section 6. Litigation. No judicial or administrative proceeding with an amount in controversy exceeding \$25,000.00 will be commenced or prosecuted by the Association unless approved by Members of the Association entitled to vote at a regular or special meeting at which a quorum is present, duly called, in whole or in part, for the purpose of approving the proceeding. This Section will not apply, however, to actions brought by the Association to enforce the provisions of this Declaration against Owners (including, without limitations, the foreclosure of liens); the imposition and collection of Assessments; proceedings involving challenges to ad valorem taxation; counterclaims brought by the Association in proceedings instituted against it; or actions brought by the Association to enforce written contracts with its suppliers and service providers. This Section will not be amended unless the amendment is approved by the requisite percentage of votes of Members of the Association, and pursuant to the same procedures, necessary to institute proceedings as provided above. This provision will apply in addition to the negotiation and arbitration provisions of this Article XIII, if applicable.

Section 7. Miscellaneous Alternative Dispute Resolution Provisions.

a. Conflicting Provisions. Any conflict or discrepancy between the terms and conditions set forth in this Article XIII and any term, condition or procedure of the American Arbitration Association, or any remedy allowed at law or in equity, the terms, conditions, procedures and remedies set forth herein will control.

b. TIME IS OF ESSENCE. All periods of time set forth herein or calculated

pursuant to provisions of this Article XIII will be strictly adhered to, TIME BEING OF THE ESSENCE thereof.

ARTICLE XIII

General Provisions

Section 1. Time of Essence. It is agreed that time is of the essence with regard to these restrictions, protective covenants, limitations, and conditions.

Section 2. Enforcement. Subject to the provisions of Article XIII hereof, in the event of a violation or breach of any of these restrictions by any Owner or agent, or agent of such Owner, Owners of Lots in the subdivision, or any of them, jointly or severally, Declarant, and/or Association shall have the right to proceed at law or in equity to compel a compliance to the terms hereof or to prevent the violation or breach in any such event or to recover damages. In addition to foregoing, Declarant, its successors and assigns, shall have the right to enter any Lot to determine if a violation of these restrictions may exist on such lot, or to determine that all construction on said lot is in compliance with the plans and specifications approved by the Architectural Review Committee, but Declarant, its successors and assigns shall be under no obligation to do so. In addition to foregoing, Declarant, its successors and assigns, shall have the right to enter any Lot whenever there shall have been placed on any Lot in the subdivision any sign or structure which is or may be in violation of these restrictions, to enter upon the property where such violations exists and summarily abate or remove the same at the expense of the Owner if, after three (3) days written notice of such violation, it shall not have been corrected by Owner. Any such entry and abatement or removal shall not be deemed a trespass. The failure to enforce any rights, reservations, restriction, or condition contained in this Declaration however long continued, shall not be deemed a waiver of the rights to do so hereafter as to the same breach or as to a breach occurring prior or subsequent thereto and shall not bar or affect its enforcement. Should Declarant or Association employ counsel to enforce any of the foregoing covenants, conditions, reservations, or restrictions because of a breach of the same, all costs incurred in such enforcement, including a reasonable fee for Declarant/Association's counsel, shall be paid by Owner of such Lot or Lots in breach thereof. Any amount assessed hereunder shall constitute a lien on such Lot and shall be enforceable as herein provided. Failure of Declarant, Association, or any Owner to enforce any covenant or restriction contained herein shall not be deemed a waiver of the right to do so thereafter. In addition, the Board of Directors shall have the authority to enforce the Covenants and Restrictions, including reasonable rules and regulations as outlined in the By-Laws, and to create and enforce reasonable fines and levies for violations of the Covenants and Restrictions, which fines and levies shall be deemed a lien against the properties owned by such violators.

Section 3. Responsibility of Declarant. Declarant herein shall not in any way or manner be liable or responsible for any violation of these restrictions by any person other than itself. In addition, nothing contained in this Declaration shall be deemed to

be a representation by Declarant with regard to the requirements of any government authority and it shall be the duty of each Owner to comply with any such requirements in addition to the provisions of this Declaration.

Section 4. Rule Against Perpetuities. In the event that any of the provisions hereunder are declared void by a court of competent jurisdiction by reason of the period of time herein stated for which the same shall be effective, then, in that event, such term shall be reduced to a period of time which shall not violate the rule against perpetuities or any other law of the State of Florida, and such provisions shall be fully effective for said reduced period of time.

Section 5. Binding Effect. All covenants, conditions, limitations, restrictions, easements, and affirmative obligations set forth in this Declaration shall be binding on the Owners of the Lot(s) and their respective heirs, successors, and assigns, and run with the land. All rights; easements and agreements reserved by or granted to Declarant herein shall inure to the benefit of Declarant, its successors and assigns including, without limitation, the right to develop and submit additional phases. Declarant reserves the right in addition to all other rights of Declarant, to assign its rights of consent and approval as set out in this Declaration and any amendment hereto or supplement thereof, to the Association, or any assignee of Declarant's development rights. At such time as Declarant, its successors and assigns no longer owns any Lots or property in the Subdivision, any right of approval reserved to Declarant by this Declaration shall be exercised by the Association.

Section 6. The Project. The terms "Shelter Cove", "Project", or any synonymous terms shall be deemed to mean the Land designated on Exhibit A. No areas lying outside of the Land on Exhibit A shall be considered a part of the Project unless and until such area has been submitted to the terms and provisions of this Declaration in accordance with the terms hereof.

Section 7. Duration. The covenants and restrictions of this Declaration shall run with and bind the land and shall inure to the benefit of and be enforceable by Declarant, Association, or Owner of any land subject to this Declaration, and their respective legal representatives, heirs, successors, and assigns. The covenants and restrictions of this Declaration may be terminated only by agreement of Owners to which at least ninety percent (90%) of the votes in the Association are allocated.

Section 8. Notice. Any notice required to be sent to any Member or Owner under the provisions of this Declaration shall be deemed to have been properly sent when personally delivered or mailed, postpaid, to the last known address of the person who appears as Member or Owner of the records of the Association at the time of such mailing.

Section 9. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no way affect any other provisions which shall remain in full force and effect.

Section 10. Amendment. These covenants, restrictions, easements, charges, and liens of this Declaration may be amended, changed, added to, derogated, or deleted at any time and from time to time upon the execution and recordation of any instrument executed by Owners holding not less than two-thirds (2/3) vote of the membership in the Association, provided, that so long as the Declarant (including a Successor Declarant designated by Declarant) is the Owner of any Lot affected by this Declaration, the Declarant's consent must be obtained. Provided further, that the provisions for voting of Class A and Class B Members as hereinabove contained in this Declaration shall also be effective in voting for changes in this Declaration.

Section 11. Minor Amendments; Additions or Corrections. Declarant reserves the right for a period of three years from initially recording this Declaration, to make minor amendments, additions or corrections to this Declaration and its exhibits. A "Minor Amendment" shall be defined as any amendment that does not materially alter the plan of development of Shelter Cove, and is not inconsistent with the Shelter Cove PUD or this Declaration. The issue of materiality of any amendment enacted under this paragraph, shall be determined by Declarant in its good faith discretion. Any amendment made by Declarant under this paragraph may be rescinded by the Association at any time after Declarant no longer has lots for sale in Shelter Cove.

Section 12. Assignment of Declarant Rights. Declarant reserves the right to assign its rights to a successor or assign who also assumes Declarant's responsibilities.

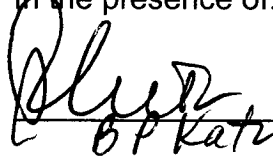
Section 13. Effective Date. This Declaration shall become effective upon its recordation in the Public Records of Flagler County, Florida.

Section 14. Plat. Reference to Exhibit A, "plat", "map" or other terms synonymous therewith shall mean and include Shelter Cove as recorded herewith and all subsequent revisions or additions to property subjected to these Covenants and Restrictions as and when recorded in the Office of the Clerk of the Circuit Court, Flagler County, Florida.


IN WITNESS WHEREOF, A1A REALTY AND DEVELOPMENT, INC., has caused this instrument to be executed by its proper officers and its corporate seal to be affixed thereto on the 22 day of March, 2004.

In the presence of:

A1A REALTY AND DEVELOPMENT, INC.

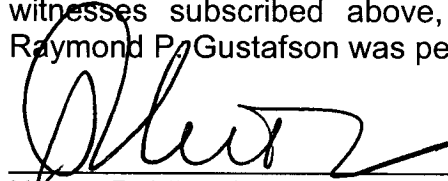

B.P. Katz

By: 
RAYMOND P. GUSTAFSON President


Stephanie Byram

STATE OF FLORIDA
COUNTY OF FLAGLER

Before me, the undersigned officer, on this 22 day of March, 2004, RAYMOND P. GUSTAFSON, PRESIDENT OF A1A REALTY AND DEVELOPMENT, INC., did acknowledge his execution of the above and foregoing instrument as his official act and deed deliver the within written Declaration of Protective Covenants, Restrictions, Easements, Charges and Liens for Shelter Cove; and that he/she with the other witnesses subscribed above, witnessed the execution thereof and that the said Raymond P. Gustafson was personally known to him/her.


Notary Public - State of Florida at Large
My Commission Expires:

 B Paul Katz
My Commission DD205010
Expires February 06, 2008

JOINDER AND CONSENT

The undersigned Bank of America, N.A., being the owner and holder of a mortgage recorded at Official Records Book 879, Page 1245, Public Records of Flagler County, Florida, encumbering the property known as Shelter Cove Subdivision, hereby joins in and consents to the provisions of the Declaration Of Protective Covenants, Restrictions, Easements, Charges And Liens For Shelter Cove as set forth hereinabove.

WITNESS OUR HAND AND SEAL, on this 23RD day of March, 2004

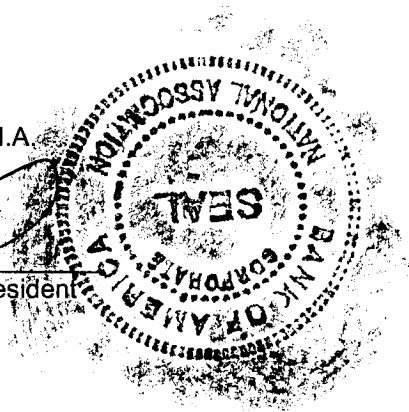
Signed, sealed and delivered
In the presence of:

Carolyn K. Kuhlke-Lowell
Carolyn K. Kuhlke-Lowell
Typed or printed name of witness)

Ann E. Muzzy
Ann E. Muzzy
Typed or printed name of witness)

BANK OF AMERICA, N.A.

By: [Signature]
Richard Wells, Vice President



STATE OF FLORIDA
COUNTY OF VOLUSIA

Before me, the undersigned officer, Richard Wells, Vice President of Bank of America, N.A., did acknowledge his execution of the above and foregoing instrument as his official act and deed and that he, with the other witnesses subscribed above, witnessed the execution thereof and that the said Richard Wells was personally known to him/her.

Ann E. Muzzy
Notary Public - State of Florida at Large
My Commission Expires:

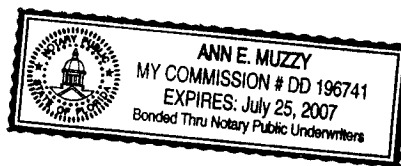


EXHIBIT "A"

SHELTER COVE SUBDIVISION as recorded at Plat Book 34, Page 36, Public Records of Flagler County, Florida, as more particularly described on said plat.

Together with Lot 7, Beverly Shores West Subdivision, as recorded at Plat Book 29, Page 29 Public Records of Flagler County, Florida.

EXHIBIT B

Construction Criteria for Docks and Boardwalks

General: Docks and piers shall conform to the standards of Chapter 40C-400.427 F.A.C. for single family docks and access piers. The requirements and conditions of the above referenced single family general permit are summarized below:

MINIMUM STANDARDS FOR DOCKS ON THE INTRACOASTAL WATERWAY

1. Single family docks and/or piers shall not accommodate the mooring of more than two watercrafts.
2. Single family docks and/or piers shall not exceed a total area of 2,000 square feet including all boat lifts, boat shelters, gazebos and terminal platforms.
3. Single family docks shall have a minimum depth of two feet below the mean low water level for tidal waters and two feet below the mean annual low water level for non-tidal waters for all areas designed for boat mooring and navigational access.
4. Single family docks and access piers shall be elevated to a minimum of 5 feet above the mean high water of ordinary high water and 3 feet above natural grade for uplands.
5. Floor spacings between the pier flooring panels shall be a minimum of 1-inch spacing to allow sunlight penetration to the underlying uplands.

SPECIFIC CONDITIONS

1. Single family docks and their associated mooring location(s) shall not occur over submerged grass beds, coral communities, or wetlands, except for the access walkway portion which may traverse these resources provided it is elevated as described above and contains handrails that are maintained in such a manner as to prevent the use of the access walkways for boat mooring and access, and does not exceed a width of 6 feet.
2. No wet bars or living quarters over wetlands or surface waters or on the pier and no structure shall be enclosed by walls or doors.
3. Single family dock and access piers shall not significantly impede navigability in the water body.
4. No dredging or filling is allowed associated with construction of the structures authorized herein, other than that required for installation of the actual pilings of the pier, boat lift, boat shelter, gazebos or terminal platform.
5. No fish cleaning facilities, boat repair facilities or equipment, or fueling facilities shall be permitted on the structures. In addition, no overboard discharges of trash, human or animal waste, or fuel shall occur from any structures authorized by the General Permit
6. There shall be no more than one pier per individual lot on the Intracoastal Waterway.
7. All docks in the canals shall be wharf style docks.



BOOK 1056 PAGE: 0724

FLORIDA DEPARTMENT OF STATE
Glenda E. Hood
Secretary of State

March 9, 2004

CSC
ATTN: TROY TODD

The Articles of Incorporation for SHELTER COVE HOMEOWNER'S ASSOCIATION, INC. were filed on March 9, 2004 and assigned document number N04000002394. Please refer to this number whenever corresponding with this office regarding the above corporation. The certification you requested is enclosed.

PLEASE NOTE: Compliance with the following procedures is essential to maintaining your corporate status. Failure to do so may result in dissolution of your corporation.

A corporation annual report must be filed with this office between January 1 and May 1 of each year beginning with the calendar year following the year of the filing/effective date noted above and each year thereafter. Failure to file the annual report on time may result in administrative dissolution of your corporation.

A federal employer identification (FEI) number must be shown on the annual report form prior to its filing with this office. Contact the Internal Revenue Service to insure that you receive the FEI number in time to file the annual report. To obtain a FEI number, contact the IRS at 1-800-829-3676 and request form SS-4.

Should your corporate mailing address change, you must notify this office in writing, to insure important mailings such as the annual report notices reach you.

Should you have any questions regarding corporations, please contact this office at the address given below.


Justin M Shivers, Document Specialist
Reinstatement Section

Letter Number: 404A00015769

Account number: 072100000032

Amount charged: 78.75

State of Florida



Department of State

I certify the attached is a true and correct copy of the Articles of Incorporation of SHELTER COVE HOMEOWNER'S ASSOCIATION, INC., a Florida corporation, filed on March 9, 2004, as shown by the records of this office.

The document number of this corporation is N04000002394.

Given under my hand and the
Great Seal of the State of Florida
at Tallahassee, the Capitol, this the
Ninth day of March, 2004



CR2EO22 (2-03)

Glenda E. Hood
Glenda E. Hood
Secretary of State

RECORDED
04 MAR -9 PM 6:55
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

ARTICLES OF INCORPORATION
OF

SHELTER COVE HOMEOWNER'S ASSOCIATION, INC.

(A corporation not for profit under the laws of the State of Florida)

In order to form a corporation under and in accordance with the provisions of the laws of the State of Florida for the formation of corporations not for profit, the undersigned hereby forms a corporation for the purpose and with the powers hereinafter mentioned; and to that end I do, by these Articles of Incorporation, set forth:

ARTICLE I

NAME

The name of the corporation shall be **SHELTER COVE HOMEOWNER'S ASSOCIATION, INC.**, for convenience the corporation shall be referred to in this instrument as "The Association".

ARTICLE II

PURPOSE

2.1 The purpose for which the Association is organized is to provide an entity to carry out and accomplish the purposes described in the Declaration of Covenants and Restrictions for SHELTER COVE PUD Subdivision (hereinafter called "The Declaration"), as recorded in the Public Records of Flagler County, Florida, and to undertake the management, maintenance, operation, ownership and other duties relating to the property for the common benefit of lots described in the above Declaration. In particular, without limitation, the Association shall operate, maintain, and manage the surface water or stormwater management system within the subdivision in a manner consistent with the St.

Johns River Water Management District permit No. 40-035-25991-3 requirements and applicable District rules, and shall assist in the enforcement of the Declaration of Covenants and Restrictions which relate to the surface water or stormwater management system.

ARTICLE III

POWERS

The Association shall have the following powers:

3.1 The Association shall have all of the common law and statutory powers of a corporation not for profit not in conflict with the terms of these Articles.

3.2 The Association shall have the power to administer and enforce the provisions of the Declaration more fully described in Article II above and all of the power reasonably necessary to carry out the responsibilities and duties conferred upon it by the Declaration, as it may be amended and supplemented from time to time, including but not limited to, the following:

(a) To make and establish reasonable rules and regulations regarding the use of Association property subject to its jurisdiction.

(b) To make and collect assessments against members of the Association to defray the cost, expenses and losses of the Association, including without limitation, levying and collecting adequate assessments against the members of the Association for the costs of maintenance and operation of the surface water or stormwater management systems, including but not limited to work within the retention areas, drainage structures and drainage easements.

(c) To use the proceeds of assessments in the exercise of its powers and duties.

(d) To own, maintain, repair, replace, operate and manage the Association property, including the right to reconstruct improvements after casualty and to make and construct additional improvements upon the Association property.

(e) To purchase insurance upon the Association property and improvements and insurance for the protection of the Association and its members.

(f) To enforce by legal means the provisions of the Declaration of Covenants and Restrictions, as amended from time to time, these Articles of Incorporation, the By-Laws of the Association which may be hereafter adopted and the rules and regulations governing the use of the Association property.

(g) To contract for the management of the Association property and to delegate to such contractor all powers and duties of the Association except such as are specifically required by the Declaration of Covenants and Restrictions to have approval of the Board of Directors or the membership of the Association.

(h) To borrow money and to mortgage, pledge, or hypothecate the assets of the Association as security for the repayment thereof.

(i) To employ personnel and engage such professional assistance as may be necessary to perform the services required for the proper operation of the Association and its properties.

(j) To exercise, undertake and accomplish all of the rights, duties and obligations which may be granted to or imposed upon the Association pursuant to the Declaration of Covenants and any Declaration supplementary thereto.

(k) To organize, promote and support undertakings and activities for the benefit and

general welfare of its members.

3.3 All funds and the titles to all properties acquired by the Association, and their proceeds shall be held for the benefit of the members of the Association in accordance with the provisions of the Declaration, these Articles of Incorporation and the By-Laws.

3.4 The Association shall make no distributions of income to its members, directors or officers.

ARTICLE IV

MEMBERS

The qualifications of the members, the manner of their admission to membership and termination of such membership and voting by members shall be as follows:

4.1 The membership of the Association shall consist of every person who is the record owner of a fee estate or life estate in any lot in the subdivision.

4.2 Immediately upon the divestment of a member's ownership interest in a lot, regardless of the means by which such ownership may be divested, such owner's membership shall terminate. Any successor owner shall be entitled to membership upon providing written notice to the Association of such ownership interest. At the request of the Association, the successor owners shall provide the Association with a certified copy of the instrument evidencing his ownership interest.

4.3 The interest of a member in the funds and assets of the Association cannot be assigned, hypothecated or transferred in any manner except as an appurtenance to his lot. The funds and assets of the Association belong solely to the Association, subject to the limitation that the same be expended, held or used for benefit of the membership and in

the By-Laws which may be hereafter adopted.

4.4 On all matters on which the membership shall be entitled to vote, there shall be one vote appurtenant to each lot. Votes may be exercised or cast by the owner or owners of each lot as may be provided by the Declaration of Covenants and Restrictions and the By-Laws hereafter adopted by the Association.

ARTICLE V

PRINCIPAL OFFICE AND DESIGNATION OF RESIDENT AGENT

The principal office of the Association shall be located at 1 Florida Park Drive South, Atrium Suite, Palm Coast, Florida, 32137, but the Association may maintain offices and transact business in such other places within or without the State of Florida as may from time to time be designated by the Board of Directors. The Board of Directors shall also have the right to relocate the principal office. The initial resident agent of the Association shall be B. Paul Katz, whose address is 1 Florida Park Drive South, Atrium Suite, Palm Coast, Florida 32137. The Board of Directors may, from time to time, change the resident agent by designation filed in the office of the Secretary of State.

ARTICLE VI

DIRECTORS

6.1 The affairs of the Association will be managed by a Board consisting of not less than three (3) nor more than five (5) directors. The manner in which Directors are elected or appointed is set forth in the By-Laws of the Corporation. Directors need not be members of the Association.

6.2 The names and addresses of the members of the first Board of Directors, who

shall hold office until their successors are elected and have qualified, or until removed, are as follows:

<u>NAME</u>	<u>ADDRESS</u>
Raymond B. Gustafson	125 Rue de Nancy Melbourne Beach, FL 32951
B. Paul Katz	1 Florida Park Drive South, Atrium Suite Palm Coast, FL 32137
Melanie Broyles	47 Blaine Drive Palm Coast, FL 32137

6.3 The Board of Directors shall elect a President, Vice-President, Secretary and Treasurer, and as many Assistant Secretaries as the Board of Directors shall determine. The President shall be elected from among the membership of the Board of Directors, but no other officer be a Director. Unless otherwise determined in the By-laws, the same person may hold two or more offices.

ARTICLE VII
OFFICERS

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

<u>NAME</u>	<u>TITLE</u>	<u>ADDRESS</u>
Raymond P. Gustafson	President	125 Rue de Nancy Melbourne Beach, FL 32951

B. Paul Katz	Vice President	1 Florida Park Drive South, Atrium Suite Palm Coast, FL 32137
Melanie Broyles	Secretary- Treasurer	47 Blaine Drive Palm Coast, FL 32137

ARTICLE VIII

INDEMNIFICATION

Every director and every officer of the Association shall be indemnified by the Association against all expenses and liabilities, including counsel fees, reasonably incurred by or imposed upon him in connection with any proceeding or any settlement of any proceeding to which he may be a party or in which he may become involved by reasons of his being or having been a director or officer of the Association, whether or not he is a director or officer at the time such expenses are incurred, except when the director or officer is adjudged guilty of willful misfeasance or malfeasance in the performance of his duties; provided that in the event of a settlement the indemnification shall apply only when the Board of Directors approved such settlement and reimbursement as being of the best interest of the Association. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such director or officer may be entitled.

ARTICLE IX

BY-LAWS

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

ARTICLE X

TERM

The term of the Association shall be perpetual.

ARTICLE XI

AMENDMENTS

Except as otherwise herein provided, amendments to the Articles of Incorporation shall be proposed and adopted in the following manner:

11.1 Any amendment may be proposed by the Board of Directors of the Association acting upon a vote of a majority of the directors, or by members of the Association to whose lots 50% of the total votes are appurtenant, whether meeting as members or by instrument in writing signed by them.

11.2 Upon any amendment or amendments to these Articles of Incorporation being proposed by said Board of Directors or members, such proposed amendment or amendments shall be transmitted to the President of the Association or other officer of the Association in the absence of the President, who shall thereupon call a special meeting of the members of the Association for a day no sooner than ten (10) days nor later than thirty (30) days from the receipt by him of the proposed amendment or amendments, and it shall be the duty of the secretary to give the time and place of the meeting and reciting the proposed amendment or amendments in reasonably detailed form. Such notice shall be mailed to or presented personally to each member not less than ten (10) nor more than thirty (30) days before the date set for such meeting. If mailed, such notice shall be

deemed to be properly given when deposited in the United States mail, addressed to the member at his post office address as it appears on the records of the Association, the postage thereon prepaid. Any member may, by written waiver of notice signed by such member, waive such notice, and such waiver when filed in the records of the Association, whether before or after the holding of the meeting, shall be deemed equivalent to the giving of such notice to such member. In order to become effective, the proposed amendment or amendments must be approved by the affirmative vote of a majority of the total votes appurtenant to all lots subject to Association assessment.

A copy of each amendment, after it has become effective, shall be transcribed and certified in such form as may be necessary to register the same in the office of the Secretary of State of Florida, and upon the registration of such amendment or amendments with the Secretary of State, a certified copy thereof shall be recorded in the Public Records of Flagler County, Florida.

11.3 At any meeting held to consider any amendment or amendments of these Articles of Incorporation, the written vote of any member of the Association shall be recognized, if such member is not in attendance at such meeting or represented thereat by proxy, provided such written notice is delivered to the Secretary of the Association or prior to such meeting.

11.4 No amendment of these Articles shall be made that is in conflict with the Declaration of Covenants and Restrictions for Shelter Cove.

ARTICLE XII

INCORPORATORS

The names and addresses of the incorporators are as follows:

<u>NAME</u>	<u>ADDRESS</u>
B. Paul Katz	1 Florida Park Drive South, Atrium Suite Palm Coast, FL 32137

ARTICLE XIII

DISSOLUTION

In the event of the dissolution of the Association, all of its assets shall be transferred to either a successor entity or an appropriate governmental agency or public body to be maintained for the purposes for which the property in accordance with terms and provisions under which such property was being held by the Association. In the event of the termination, dissolution or final liquidation of the Association, the responsibility for the operation and maintenance of the surface water or stormwater management system must be transferred to and accepted by an entity which would comply with Section 40C-42.027, F.A.C., and be approved by the St. Johns River Water Management District prior to such termination dissolution or liquidation.

IN WITNESS WHEREOF, the subscriber has affixed his signature, this 5th

day of March, 2004.

B. Paul Katz
B. PAUL KATZ

STATE OF FLORIDA
COUNTY OF FLAGLER

I HEREBY CERTIFY that on this day, before me, a Notary Public duly authorized in the State and County named above to take acknowledgments, personally appeared B. PAUL KATZ to me personally known to be the persons described as subscribers in and who executed the foregoing Articles of Incorporation, and acknowledged before me that he subscribed to those Articles of Incorporation.

WITNESS my hand and official seal in the County and State named above this 5th day of March, 2004.

Virginia E. Hosea
Notary Public, State of Florida at Large
My commission expires:



Virginia E. Hosea
MY COMMISSION # DD008095 EXPIRES
June 8, 2005
BONDED THRU TROY FAIN INSURANCE, INC.

**CERTIFICATE DESIGNATING PLACE OF BUSINESS OR DOMICILE
FOR THE SERVICE OF PROCESS WITHIN FLORIDA, NAMING
AGENT UPON WHOM PROCESS MAY BE SERVED**

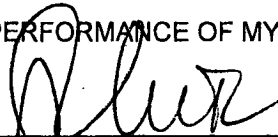
IN COMPLIANCE WITH SECTION 48.091, FLORIDA STATUTES, THE FOLLOWING IS
SUBMITTED:

FIRST: THAT SHELTER COVE HOMEOWNER'S ASSOCIATION, INC., DESIRING TO ORGANIZE
OR QUALIFY UNDER THE LAWS OF THE STATE OF FLORIDA, WITH ITS PRINCIPAL PLACE OF
BUSINESS AT 1 FLORIDA PARK DRIVE SOUTH, ATRIUM SUITE, PALM COAST, FLORIDA 32137,
STATE OF FLORIDA, HAS NAMED B. PAUL KATZ, ESQUIRE, LOCATED AT 1 FLORIDA PARK DRIVE
SOUTH, ATRIUM SUITE, PALM COAST, FLORIDA 32137 AS ITS REGISTERED AGENT AND OFFICER
TO ACCEPT SERVICE OF PROCESS WITHIN FLORIDA.



B. PAUL KATZ
DATE: 5 March 2004

HAVING BEEN NAMED TO ACCEPT SERVICE OF PROCESS FOR THE ABOVE-STATED
CORPORATION, AT THE PLACE DESIGNATED IN THIS CERTIFICATE, I HEREBY AGREE TO ACT IN
THIS CAPACITY, AND I FURTHER AGREE TO COMPLY WITH THE PROVISIONS OF ALL STATUTES
RELATIVE TO THE PROPER AND COMPLETE PERFORMANCE OF MY DUTIES.



B. PAUL KATZ, REGISTERED AGENT
DATE: 5 March 2004

FILED
04 MAR -9 PM 6:55
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

BY-LAWS
OF
SHELTER COVE
HOMEOWNER'S ASSOCIATION, INC.

ARTICLE I

Name, Principal Office and Definitions

Section 1. Name. The name of the Association shall be Shelter Cove Homeowner's Association, Inc. (hereinafter sometimes referred to as the "Association").

Section 2. Principal Office. The principal office of the Association in the State of Florida shall be located in Flagler County. The Association may have such other offices, either within or without the State of Florida as the board of Directors may determine or as the affairs of the Association may require.

Section 3. Definitions. The words used in these By-Laws shall have the same meaning as set forth in that Declaration of Restrictive Covenants for Shelter Cove and Declaration of Covenants, Conditions and Restrictions of Shelter Cove and Shelter Cove Homeowner's Association, Inc. (as amended, renewed or extended from time to time, and hereinafter sometimes referred to as the "Declaration"), unless the context shall prohibit.

ARTICLE II

Association: Membership, Meetings, Quorum, Voting, Proxies

Section 1. Membership. The Association shall have two (2) classes of membership, Class "A" and Class "B", as more fully set forth in the Declaration, the terms of which pertaining to membership are specifically incorporated herein by reference.

Section 2. Place of Meetings. Meetings of the Association shall be held at the principal office of the Association or at such other suitable place convenient to the Voting Members as may be designated by the Board of Directors either within the Properties or as convenient thereto as possible and practical.

Section 3. Annual Meetings. The first meetings of the Voting Members, whether a regular or special meeting, shall be held within one (1) year from the date of incorporation of the Association. The next annual meeting shall be set by the Board so as to occur no more than ninety (90) days and no less than sixty (60) days before the close of the Association's fiscal year.

Subsequent regular annual meetings of the Voting Members shall be held within thirty (30) days of the same day of the same month of each year thereafter at an hour set by the Board. Subject to the foregoing, the annual meeting shall be held at a date and time as set by the Board of Directors.

Section 4. Special Meetings. The President may call special meetings. In addition, it shall be the duty of the President to call a special meeting of the Association if so directed by resolution of a majority of a quorum of the Board of Directors or upon a petition signed by Voting Members who represent at least ten (10%) percent of the total membership of the Association. The notice of any special meeting shall state the date, time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice.

Section 5. Notice of Meetings. Written or printed notice stating the place, day and hour of any meeting of the Voting Members shall be delivered either personally or by mail, to each Voting Member entitled to vote at such meeting, not less than seven (7) nor more than forty-five (45) days before the date of such meeting, by or at the direction of the President or the Secretary of the officers or persons calling the meeting.

In the case of a special meeting or when required by statute or these By-Laws, the purpose or purposes for which the meeting is called shall be stated in the notice. No business shall be transacted at a special meeting except as stated in the notice.

If mailed, the notice of a meeting shall be deemed to be delivered when deposited in the United States mail addressed to the Voting Member at his address as it appears on the records of the Association, with postage thereon prepaid.

Section 6. Waiver of Notice. Waiver of notice of a meeting of the Voting Members shall be deemed the equivalent of proper notice. Any Voting Member may, in writing, waive notice of any meeting of the Voting Members, either before or after such meeting. Attendance at a meeting by a Voting Member or alternate shall be deemed waiver by such Voting Member of notice of the time, date and place thereof, unless such Voting Member specifically object to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting shall also be deemed waiver of notice of all business transacted thereat unless objection to the calling or convening of the meeting, of which proper notice was not given, is raised before the business is put to a vote.

Section 8. Voting. The voting rights of the Members shall be as set forth in the Declaration and Articles of Incorporation and such voting rights provisions are specifically incorporated herein.

Section 9. Proxies. Voting Members may vote in person or by proxy.

Section 10. Majority. As used in these By-Laws, the term "majority" shall mean those votes, owners or other group as the context may indicate totaling more than fifty (50%) percent of the total number.

Section 11. Quorum. Except as otherwise provided in these By-Laws or in the Declaration, the presence in person or by alternate of the voting Members representing fifty-one (51%) percent of the total vote of the Association shall constitute a quorum at all meetings of the Association. Any provision in the Declaration concerning quorums is specifically incorporated herein. So long as a quorum is present at the opening of the meeting, business may be transacted until adjournment notwithstanding the withdrawal of enough Voting Members to leave less than a quorum in attendance. Further, at any adjourned meeting at which a quorum is present at the reconvening of such meeting, any business may be transacted at the original meeting and notwithstanding the withdrawal of enough Voting Members to leave less than a quorum.

Section 12. Conduct of Meetings. The President shall preside over all meetings of the Association, and the Secretary shall keep the minutes of the meeting and record in a minute book all resolutions adopted at the meeting, as well as a record of all transactions occurring thereat.

Section 13. Action Without a Meeting. Any action required by law to be taken at a meeting of the voting Members, or any action which may be taken at a meeting of the voting Members, may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by all of the voting Members entitled to vote with respect to the subject matter thereof, and such consent shall have the same force and effect as a unanimous vote of the voting Members.

Article III
Board of Directors
Number, Powers, Meetings

A. Composition and Selection.

Section 1. Governing Body: Composition. The affairs of the Association shall be governed by a Board of Directors as defined in the Declaration. Each Director shall have one (1) vote. Except as provided in Section 2 of this Article, the Directors shall be Members. In the case of an Owner which is a corporation or partnership, the person designated in writing to the secretary of the Association as the representative of such corporation or partnership shall be eligible to serve as a director.

Section 2. Directors During Class "B" Control. The Directors shall be selected by the Class "B" Member acting in its sole discretion and shall serve at the pleasure of the Class "B" Member until the first to occur of the following:

- (i) Four months after the conveyance by Declarant of ninety (90%) percent of all Lots in Shelter Cove PUD, including any undeveloped acreage sold and conveyed by the Declarant to unrelated third parties; or
- (ii) Ten (10) years from date of recordation of this Declaration; or

(iii) when, in its discretion, the Class "B" member so determines and executes and records an instrument forfeiting its Class "B" membership.

Within thirty (30) days of one of the foregoing events, the Class "B" member shall call a meeting as provided in Article II, Section 4, of these By-Laws for special meetings, to advise the membership of the termination of the Class "B" member's control or, in the alternative, shall notify each member by U.S. Mail that the Class "B" Membership has terminated.

The Directors selected by the Class "B" member pursuant to this Section need not be Members as provided in Section 1 of this Article.

Section 3. Veto. This Section 3 may not be amended without the express, written consent of the Class "B" member, as long as the class "B" membership exists.

So long as the Class "B" membership exists, the Class "B" member shall have a veto power over all actions of the board and any committee, as is more fully provided in this Section. This veto power shall be exercisable only by the class "B" member, its successors, and assigns who specifically take this power in a recorded instrument. The veto power shall be as follows:

No action authorized by the board of directors or any committee shall become effective, nor shall any action, policy, or program be implemented until and unless:

(a) The Class "B" member shall have been given written notice of all meetings and proposed actions approved at meetings of the board or any committee by certified mail, return receipt requested, or by personal delivery at the address it has registered with the Secretary of the Association, as it may change from time to time, which notice complies as to the Board of directors meetings with this Article III, Sections 10 and 11, of these By-Laws as to regular and special meetings of the Directors and which notice shall, except in the case of the regular meetings held pursuant to the By-Laws, set forth in reasonable particularity the agenda to be followed at said meeting; and

(B) The Class "B" member shall be given the opportunity at any such meeting to join in or to have its representatives or agents join in discussion from the floor of any prospective action, policy, or program to be implemented by the Board, any committee, or the Association. The Class "B" member and its representatives or agents shall make its concerns, thoughts, and suggestions known to the members of the subject committee and/or the Board. The Class "B" member shall have and is hereby granted a veto power over any such action, policy, or program authorized by any committee or Board or the Association or any individual member of the Association if Board, Committee, or Association approval is necessary for said action. This veto may be exercised by the Class "B" member, its representatives, or agents at any time within ten (10) days following the meeting held pursuant to the terms and provisions hereof. Any veto shall not extend to the requiring of any action or counteraction on behalf of any committee, or the Board of the Association.

Section 4. Number of Directors. The number of Directors in the Association shall not be less than three (3) nor more than seven (7), as provided below. The initial Board shall consist of three (3) members as identified in the Articles of Incorporation. Except during the period of Class "B" control as provided in Section 2 of this Article, directors shall be elected from and shall represent the Voting Members.

Section 5. Nomination of Directors. Except with respect to directors selected by the Class "B" Member, nominations for election to the Board of Directors shall be made by a Nominating Committee. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and three (3) or more Members of the Association. The Nominating Committee shall be appointed by the Board of directors not less than thirty (30) days prior to each annual meeting of the Voting Members to serve from the close of such annual meeting until the close of the next annual meeting, and such appointment shall be announced at each such annual meeting. The Nominating Committee shall make as many nominations for election to the board of Directors as it shall in its discretion determine, but in no event less than the number of vacancies or terms to be filed. Nominations shall be permitted from the floor. All candidates shall have a reasonable opportunity to communicate their qualifications to the Members and to solicit votes.

Section 6. Election and Term of Office. At the first annual meeting of the membership after the termination of the Class "B" Control and at each annual meeting of the membership thereafter, directors shall be elected by the Voting Members. Directors shall be elected to serve staggered terms as follows: One (1) director shall be elected to serve for a term of three (3) years; One (1) director shall be elected to serve for a term of two (2) years; and One (1) director shall be elected to serve for a one (1) year term. If additional directors should be added, they will be elected for such term as the Voting Members shall select. Members of the Board of Directors shall hold office until their respective successors shall have been elected to serve any number of consecutive terms.

Section 7. Removal of Directors and Vacancies. Except with respect to directors selected by the Class "B" Member, Directors may be removed, with or without cause, by a majority vote of the Voting Members. Any director whose removal is sought will be give notice prior to any meeting called for that purpose. Upon removal of a director, a successor shall then and there be elected to fill the vacancy by the Voting Members responsible for such removable.

Any director who has three (3) consecutive unexcused absences from Board meetings or who is delinquent in the payment of any assessment for more than thirty (30) days may be removed by a majority of the directors present at a regular or special meeting at which a quorum is present, and a successor may be appointed by the board. In the event of the death, disability or resignation of a director, a vacancy may be declared by the Board and it may appointment a successor. Any director appointed by the Board shall serve for the remainder of the term such successor was appointed to fill.

Section 8. Voting Procedure for Directors. At any election of directors to the Board of Directors, each Voting Member may cast, in respect to each vacancy, as many votes as he or she is entitled to exercise under Article IV of the Declaration. The candidates receiving the largest number of votes shall be elected.

B. Meetings.

Section 9. Organizational Meetings. The first meeting of the Board of Directors following each annual meeting of the membership shall be held within ten (10) days thereafter at such time and place as shall be fixed by the Board.

Section 10. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by a majority of the Directors, but at least four (4) such meetings shall be held during each fiscal year with at least one (1) per quarter. Notice of the time and place of the meeting shall be communicated to Directors not less than four (4) days prior to the meeting; provided however, notice of a meeting need not be given to any Director who has signed a waiver of notice or a written consent to holding of the meeting.

Section 11. Special Meetings. Special meetings of the Board of Directors shall be held when called by written notice signed by the President or by a majority of directors. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice shall be given to each director by one of the following methods: (a) by personal delivery; (b) written notice by first class mail, postage prepaid, (c) by telephone communication, either directly to the director or to a person at the Director's office or home who would reasonably be expected to communicate such notice promptly to the director; or (d) by telegram, charges prepaid. All such notices shall be given by use of the director's telephone number and shall be sent to the director's address as shown on the records of the Association. Notices sent by first class mail shall be deposited into a United States mailbox at least four (4) days before the time set for the meeting. Notices given by personal delivery, telephone or telegraph shall be delivered, telephoned, or given to the telegraph company at least seventy-two (72) hours before the time set for the meeting.

Section 12. Waiver of Notice. The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if (a) a quorum is present, and (b) either before or after the meeting each of the directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting shall also be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

Section 13. Quorum of Board of Directors. At all meetings of the Board of Directors, a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the Board of Directors. A meeting at which a quorum is initially present may continue

to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting. If any meeting of the Board cannot be held because a quorum is not present, a majority of the directors who are present at such a meeting may adjourn the meeting until such time and place as they may determine. At the reconvened meeting, if a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

Section 14. Compensation. No director shall receive any compensation from the Association for acting as such unless approved by Members holding a majority of the total vote of the Association at a regular or special meeting of the Association; provided any director may be reimbursed for expenses incurred on behalf of the Association upon approval of a majority of the other directors.

Section 15. Conduct of Meetings. The President shall preside over all meetings of the Board of Directors, and the Secretary shall keep a minute book of meetings of the Board of Directors, recording therein all resolutions adopted by the Board of Directors and all transactions and proceedings occurring at such meetings.

Section 16. Open Meetings. Subject to the provisions of Section 17 of this Article, all meetings of the Board shall be open to all Voting Members, but Voting Members other than directors may not participate in any discussion or deliberation unless permission to speak is requested on his or her behalf by a director. In such case, the President may limit the time any Voting member may speak.

Section 17. Action Without a Formal Meeting. Any action to be taken at a meeting of the directors or any action that may be taken at a meeting of the directors may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors, and such consent shall have the same force and effect as a unanimous vote.

C. Power and Duties.

Section 18. Powers. The Board of Directors shall be responsible for the affairs of the Association and shall have all the powers and duties necessary for the administration of the Association's affairs and, as provided by law, may do all acts and things as are not by the Declaration, Articles, or these By-Laws directed to be done and exercised exclusively by the Voting Members or the membership generally.

The Board of Directors shall delegate to one of its members the authority to act on behalf of the Board of Directors on all matters relating to the duties of the managing agent or manager, if any, which might arise between meetings of the Board of Directors.

In addition to the duties imposed by these By-Laws or by any resolution of the Association that may be hereafter adopted, the Board of Directors shall have the power to and shall be

responsible for the following, in way of explanation, but not limitation:

(a) preparation and adoption of an annual budget in which there shall be established the contribution of each Owner to the Common Expenses;

(b) making assessments to defray the Common Expenses, establishing the means and methods of collecting such assessments, and establishing the period of the installment payments of the annual assessment; provided, unless otherwise determined by the Board of Directors, the annual assessment for each Lot's proportionate share of the Common Expenses shall be payable in equal monthly installments, or as determined by the Board of Directors;

(c) providing for the operation, care, upkeep, and maintenance of all of the Common Areas or other areas for which the Association has maintenance responsibility;

(d) designating, hiring, and dismissing the personnel necessary for the maintenance, operation, repair and replacement of the Association, its property, and the Common Areas and where appropriate, providing for the compensation of such personnel and for the purchase of equipment, supplies, and materials to be used by such personnel in the performance of their duties;

(e) collecting the assessments, depositing the proceeds thereof in a bank depository which it shall approve, and using the proceeds to administer the Association; provided, any reserve fund may be deposited, in the directors' best business judgment, in depositories other than banks;

(f) making amending rules and regulations;

(g) opening of bank accounts on behalf of the Association and designating the signatories required;

(h) making or contracting for the making of repairs, additions, and improvements to or alterations of the Common Area or other areas from which the Association has maintenance responsibility, in accordance with the other provisions of the Declaration and these By-Laws after damage or destruction by fire or other casualty;

(i) enforcing by legal means the provisions of the Declaration, these By-Laws, and the rules and regulations adopted by it, including the imposition of reasonable fines and bringing any proceedings which may be instituted on behalf of or against the Owners concerning the Association;

(j) obtaining and carrying insurance against casualties and liabilities, as provided in the Declaration and paying the premium cost thereof;

(k) paying the cost of all services rendered to the Association or its members and not chargeable to Owners;

(l) Keeping books with detailed accounts of the receipts and expenditures affecting the Association and its administration, specifying the maintenance and repair expenses and any other expenses incurred. The said books and vouchers accrediting the entries thereupon shall be available for examination by the Owners and mortgagees, their duly authorized agents, accountants, or attorneys, during general business hours on working days at the time and in a manner that shall be set and announced by the Board of directors for the general knowledge of the owners. All books and records shall be kept in accordance with generally accepted accounting principles;

(m) making available to any prospective purchaser of a Lot, any Owner of a Lot, any first Mortgagee, and the holders, insurers, and guarantors of a first Mortgage on any Lot, current copies of the Declaration, the Articles of Incorporation, the By-Laws, rules governing the Lot, and all other books, records, and financial statements of the Association; and

(n) permitting utility suppliers to use portions of the Common Area reasonably necessary to the ongoing development or operation of the Properties.

Section 19. Management Agent.

(a) The Board of Directors may employ for the Association a professional management agent or agents at a compensation established by the Board of Directors to perform such duties and services as the Board of Directors shall authorize. The Board of Directors may delegate to the managing agent or manager, subject to the Board's supervision, all of the powers granted to the Board of Directors by these By-Laws, other than the powers set forth in subparagraphs (a), (b), (f), (g), and (i) of Section 18 of this Article. The Declarant, or an affiliate of the Declarant, may be employed as managing agent or manager.

(b) No management contract may have a term in excess of one (1) year and must permit termination by either party without cause and without termination fee or penalty or ninety (90) days' or less written notice.

Section 20. Accounts and Reports The following management standards of performance will be followed unless the Board by resolution specifically determines otherwise:

(a) accrual accounting, as defined by generally accepted accounting principles, shall be employed;

(b) accounting and controls shall conform to generally accepted accounting principles;

(c) Cash accounts of the Association shall not be commingled with other accounts;

(d) no remuneration shall be accepted by the managing agent from vendors, independent contractors, or others providing goods and services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise; unless it benefits the Association;

(e) any financial or other interest which the managing agent may have in any firm providing goods or services to the Association shall be disclosed promptly to the Board of Directors;

(f) commencing at the end of the month in which the first Lot is sold and closed, financial reports shall be prepared for the Association at least quarterly containing:

(i) an income statement reflecting all income and expense activity for the preceding period on an accrual basis;

(ii) a variance report reflecting the status of all Association ledger accounts in an "actual" versus "approved" budget format;

(iii) a balance sheet as of the last day of the preceding period; and

(iv) a delinquency report listing all Owners who are delinquent in paying the assessments at the time of the report and describing the status of any action to collect such installments which remain delinquent (A monthly installment of the assessment shall be considered to be delinquent on the fifteenth (15th) day of each month unless otherwise determined by the Board of Directors) and

(g) an annual report as of the end of the fiscal year consisting of at least the following shall be distributed to all Members within one hundred twenty (120) days after the close of the fiscal year; (1) a balance sheet; (2) an operating (income) statement; and (3) a statement of changes in financial position for the fiscal year. The annual report referred to above shall be prepared on an audited, reviewed, or unaudited basis, as determined by the Board, by an independent certified public accountant, it shall be accompanied by the certificate of an authorized officer of the Association that the statements were prepared without audit from the books and records of the Association.

Section 21. Borrowing. The Board of Directors shall have the power to borrow money for the purpose of repair and restoration of the Common Areas without the approval of the membership; provided, however, the Board shall obtain Voting Member approval in the same manner provided in Article VI, Section 4, of the Declaration for special assessments in the event that the proposed borrowing is for the purpose of modifying, improving, or adding amenities, and the total amount of such borrowing exceeds or would exceed five (5%) percent of the budgeted gross expenses of the Association for that fiscal year.

Section 22. Rights of the Association. With respect to the Common Areas, and in accordance with the Articles of Incorporation and By-Laws of the Association, the Association shall have the right to contract with any Person for the performance of various duties and functions. Without limiting the foregoing, this right shall entitle the Association to enter into common management, operational, or other agreements with trusts, condominiums, cooperatives, or neighborhood and other owners or residents associations, both within and without the Properties. Such agreements shall require the consent of two-thirds (2/3) of all Directors of the Association.

The Association shall not be bound, either directly or indirectly, by any contract, lease, or other agreement (including any management contract) executed during the period of Class "B" control unless such contract, lease or other agreement contains a right of termination exercisable by either party without penalty at any time, with or without cause, upon not more than ninety (90) days notice to the other party.

Notwithstanding anything to the contrary contained herein, the Association, through its Board of Directors, shall have the right to enter into a declaration of easement and covenant to share costs or similar arrangement whereby the Association assumes maintenance responsibility for property which it does not own, or grants easements to entities which are not Members, in consideration for payment by the owner of such property or such nonmembers of all or a portion of the costs associated with such maintenance or use.

Section 23. Enforcement. The Board shall have the power to impose reasonable fines, which shall constitute a lien upon the property of the violating Owner, and to suspend an Owner's right to vote or to use the Common Area for violation of any duty imposed under the Declaration, these By-Laws, or any rules and regulations adopted hereunder; provided, however, nothing herein shall authorize the Association or the Board of Directors to limit ingress and egress to or from a Lot. In the event that any occupant of a Lot violates the Declaration, By-Laws, or a rule or regulation and a fine is imposed, the fine shall first be assessed against the occupant; provided, however, if the fine is not paid by the occupant within the time period set by the Board, the Owner shall pay the fine upon notice from the Association. The failure of the Board to enforce any provision of the declaration, By-Laws, or any rule or regulation shall not be deemed a waiver of the right of the board to do so thereafter.

(a) Notice. Prior to imposition of any sanction hereunder, except the suspension of voting rights for nonpayment of assessments, the board or its delegate shall serve the alleged violator with written notice describing (i) the nature of the alleged violation, (ii) the proposed sanction to be imposed, (iii) a period of not less than ten (10) days within which the alleged violator may present a written request to the Covenants Committee, if any, or Board of Directors for a hearing; and (iv) a statement that the proposed sanction shall be imposed as contained in the notice unless a challenge is begun within ten (10) days of the notice. If a timely challenge is not made, the sanction stated in the notice shall be imposed.

(b) Hearing. If a hearing is requested in a timely manner, the hearing shall be held in executive session affording the Owner a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of proper notice shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed.

(c) Appeal. Following a hearing before the Covenants Committee, the violator shall have the right to appeal the decision to the board of Directors. To perfect this right, a written notice of appeal must be received by the manager, President, or Secretary of the Association within thirty (30) days after the hearing date.

(d) Additional Enforcement Rights. Notwithstanding anything to the contrary herein contained, the Association, acting through the Board of Directors, may elect to enforce any provision of the Declaration, these By-Laws, or the rules and regulations of the Association, by self-help (specifically including, but not limited to the towing of vehicles that are in violation of parking rules and regulations) or by suit at law or in equity to enjoin any violation or to recover monetary damages or both without the necessity of compliance with the procedure set forth above. In any such action, to the maximum extent permissible, the Owner or occupant responsible for the violation of which abatement is sought shall pay all costs, including reasonable attorney's fees actually incurred.

ARTICLE IV

Officers

Section 1. Officers. The officers of the Association shall be a President, Vice President, Secretary, and Treasurer, to be elected from among the members of the Board. The Board of Directors may appoint such other officers, including one or more Assistant Secretaries and one or more Assistant Treasurers, as it shall deem desirable, such officers to have the authority and perform the duties prescribed from time to time by the Board of Directors. Any two (2) or more offices may be held by the same person, except the offices of President and Secretary.

Section 2. Election, Term of Office and Vacancies. The officers of the Association shall be elected annually by the Board of Directors at the first meeting of the Board of Directors following each annual meeting of the representatives of the membership, as herein set forth in Article III. A vacancy in any office arising because of death, resignation, removal, or otherwise may be filled by the Board of Directors for the unexpired portion of the term.

Section 3. Removal. Any officer may be removed by the Board of Directors whenever in its judgment the best interests of the Association will be served thereby.

Section 4. Powers and Duties. The officers of the Association shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as may from time to time be specifically conferred or imposed by the Board of Directors. The President shall be the chief executive officer of the Association. The Treasurer shall have primary responsibility for the preparation of the budget as provided for in the Declaration.

Section 5. Resignation. Any officer may resign at any time by giving written notice to the Board of Directors, the President, or the Secretary. Such resignation shall take effect on the date of the receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Agreements, Contracts, Deeds, Leases, Checks, Etc. All agreements, contracts, deeds, leases, checks and other instruments of the Association shall be executed by at least two (2) officers or by such other person or persons as may be designated by resolution of the Board of Directors.

ARTICLE V Committees

Section 1. General. Committees are hereby authorized to perform such tasks and to serve for such periods as may be designated by a resolution adopted by a majority of the directors present at a meeting at which a quorum is present. Each committee shall operate in accordance with the terms of the resolution of the Board of Directors designating the Committee or with rules adopted by the Board of Directors.

Section 2. Covenants Committee. In addition to any other committees which may be established by the Board pursuant to Section 1 of this Article, the Board of Directors may appoint a Covenants Committee consisting of at least three (3) and no more than five (5) members. Acting in accordance with the provisions of the Declaration, these By-Laws, and resolutions of the Board may adopt, the Covenants Committee, if established, shall be the hearing tribunal of the Association and conduct all hearings held pursuant to Article III, Section 23 of these By-Laws.

ARTICLE VI Miscellaneous

Section 1. Fiscal Year. The fiscal year of the Association shall be set by resolution of the Board of Directors.

Section 2. Parliamentary Rules. Except as may be modified by Board resolution, Robert's Rule of Order (current edition) shall govern the conduct of Association Proceedings when not in conflict with South Carolina law, the Articles of Incorporation, the Declaration, or these By-Laws.

Section 3. Conflicts. If there are conflicts or inconsistencies between the provisions of South Carolina law, the Articles of Incorporation, the Declaration, and these By-Laws, the provisions of South Carolina law, the Declaration, the Articles of Incorporation and the By-Laws (in that order) shall prevail.

Section 4. Books and Records.

(a) Inspection by Members and Mortgagees. The Declaration and By-Laws, membership register, books of account, and minutes of meetings of the Members, the Board, and committees shall be made available for inspection and copying by any Mortgagee, Member of the Association, or by his or her duly appointed representative at any reasonable time and for a purpose reasonably related to his or her interest as a Member at the office of the Association or at such other place within the Properties as the Board shall prescribe.

(b) Rules for Inspection. The Board shall establish reasonable rules with respect to:

(i) notice to be given to the custodian of the records;

(ii) hours and days of the week when such an inspection may be made; and

(iii) payment of the cost of reproducing copies of documents requested.

(c) Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a director includes the right to make extracts and a copy of relevant documents at the expense of the Association.

Section 5. Notices. Unless otherwise provided in these By-Laws, all notices, demands, bills, statements, or other communications under these By-Laws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by United States Mail, first class postage prepaid:

(a) if to a Member or Voting Member, at the address which the Member or Voting Member has designated in writing and filed with the Secretary or, if no such address has been designated, at the address of the Lot of such Member or Voting Member; or

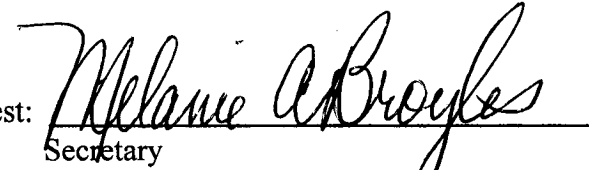
(b) if to the Association, the Board of Directors, or the managing agent, at the Principal Office of the Association or the managing agent, if any, or at such other address as shall be designated by notice in writing to the Members pursuant to this Section.

Section 6. Amendment. Prior to the conveyance of the first Lot, Declarant may unilaterally amend these By-Laws. After such conveyance, the Declarant may unilaterally amend these By-Laws so long as it still owns property described in Exhibit "A" to the Declaration for development as part of the Properties and so long as the amendment has no material adverse effect upon any right of any Member. Thereafter and otherwise, these By-Laws may be amended only by the affirmative vote (in person or by alternate) or written consent of Voting Members representing seventy-five (75%) percent of the total votes of the Association, including seventy-five (75%) percent of the votes of the Members other than the Declarant. However, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause. No amendment shall be effective until recorded in the public records of Flagler County, Florida.

IN WITNESS WHEREOF, the undersigned Shelter Cove Homeowner's Association, Inc. has caused this instrument to be executed this 22 Day of March, 2004.

**SHELTER COVE
HOMEOWNER'S ASSOCIATION, INC.**

By: 
Its: President

Attest: 
Its: Secretary