

**BYLAWS
OF
WATERFORD LAKES HOMEOWNERS ASSOCIATION, INC.**

A Florida Corporation Not For Profit

1. IDENTITY.

1.1 Applicability. These are the By-Laws of WATERFORD LAKES HOMEOWNERS ASSOCIATION, INC. (the "Association"), a Florida corporation not for profit organized pursuant to the provisions of Chapters 617, Florida Statutes. The purpose and object of the Association shall be to administer the operation and management of WATERFORD LAKES HOMEOWNERS ASSOCIATION, INC. to be established in accordance with the Declaration of Covenants, Conditions and Restrictions of WATERFORD LAKES (the "Declaration") upon certain real property in VOLUSIA County, Florida, as set forth in the Declaration. The provisions of these By-Laws are applicable to the Association and are subject to the provisions of the Declaration, and the Articles. All members of the Association, as defined in the Articles, and their invitees, including, without limitation, all present or future owners and tenants of lots in the "Property", as such is defined herein and in the Declaration, and other persons using the lots or any of the facilities thereof in any manner, are subject to these By-Laws, the Articles and the Declaration.

1.2 Office. The office of the Association shall be at 920 South Third Street, Suite B, Neptune Beach, Florida 32266, or at such other place as may be established by resolution of the Board of Directors.

1.3 Fiscal Year. The fiscal year of the Association shall be the first day of January through the last day of December.

1.4 Seal. The seal of the Association shall bear the name of "WATERFORD LAKES HOMEOWNERS ASSOCIATION, INC.", the word "Florida", the words "Corporation Not For Profit", and the year of incorporation.

2. DEFINITIONS.

2.1 Association. "Association" shall mean and refer to WATERFORD LAKES HOMEOWNERS ASSOCIATION, INC., a corporation not-for-profit, organized or to be organized pursuant to Chapter 617, Florida Statutes, and its successors and assigns.

2.2 Owner. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Lot which is a part of the Property and the Future Development Property if such property is developed and annexed as herein set forth, including contract sellers, but excluding those

having such interests merely as security for the performance of an obligation. The term "Owner" shall not mean or refer to any mortgagee or grantee or beneficiary under a deed of trust or security deed unless and until such mortgagee, grantee or beneficiary has acquired title pursuant to foreclosure or any proceeding or conveyance in lieu of foreclosure.

2.3 Property. "Property" shall mean and refer to that certain real property more particularly described in the Declaration.

2.4 Common Area. "Common Area" shall mean and refer to that portion of the Property which is not a part of a lot and which is intended for the common use and enjoyment of the owners, and which shall be conveyed by the Developer to the Association pursuant to the provisions of this Declaration.

2.5 Lot. "Lot" shall mean and refer to any of the plat of land shown upon the recorded subdivision plat of the Property and the Future Development Property if such property is developed and annexed as herein set forth, with the exception of the Common Area and dedicated roads.

2.6 Maintenance Area. "Maintenance Area" shall mean and refer to those portions of the Property or improvements thereto which are not owned by the Association, but are maintained by the Association from time to time, including without limitation, all of stormwater systems to be constructed in accordance with the requirements of the St. Johns River Water Management District, the Department of Environmental Protection and/or the U.S. Army Corps of Engineers and the surface waters of any areas designated as "Lakes" or "Drainage Easements" or "Maintenance Area" on the recorded plats, medians or rights of way abutting public streets, the entrance way(s) to the subdivision including landscaping, fencing and signage, and decorative or border fencing or walls and any access gates as may be constructed by the Developer upon the property boundaries.

2.7 Declaration. "Declaration" shall mean and refer to that certain Declaration of Covenants, Conditions and Restrictions of WATERFORD LAKES as recorded in Official Records Volume _____, page _____, et seq., public records, Volusia County, Florida.

2.8 Developed Lot. "Developed Lot" shall mean and refer to any Lot owned by anyone other than Developer.

2.9 Undeveloped Lot Owned By Developer. "Undeveloped Lot Owned By Developer" shall mean and refer to any Lot which is owned by Developer.

2.10 Developer. "Developer" shall mean and refer to WATERFORD LAKES, L.L.C., its successors and assigns if such

successors or assigns should acquire more than one undeveloped lot for the purpose of development and have an assignment by Developer's Rights from WATERFORD LAKES, L.L.C.

2.11 Board of Directors. "Board of Directors" shall mean and refer to the Association's Board of Directors.

2.12 Articles. "Articles shall mean and refer to the Articles of Incorporation of the Association.

2.13 Association Expenses. "Association Expenses" shall mean and refer to the expenses and charges described in this Declaration incurred or to be incurred by the Association and assessed or to be assessed against the Lots and the Owners thereof.

2.14 Assessment. The term "Assessment" as used herein shall mean and refer to a share of Association Expenses required for the payment of the Association Expenses which from time to time shall be assessed against the Lots and the Owners and the Authorized Users.

2.15 Assessment Period. "Assessment Period" shall be the same period as a calendar year, from January 1 to December 31 of any given year.

2.16 Member. "Member" shall mean and refer to all those Owners who are members of the Association as provided in Section 1 of Article II of the Declaration.

3. MEMBERSHIP, VOTING, QUORUM, PROXIES.

3.1 Membership. The qualification of members of the Association (the "Members"), the manner of their admission to membership and termination of such membership, and voting by Members, shall be as set forth in Article IV of the Articles and Article II, Section 1 of the Declaration, the provisions of which are incorporated herein by reference.

3.2 Quorum. A quorum at meetings of Members shall consist of persons entitled to cast a majority of votes of the membership entitled to vote upon any matter or matters arising at said meeting.

3.3 Voting. The classes of voting membership and manner of voting shall be as set forth Section 2.2 of the Declaration, subject to the additional terms and conditions set forth herein:

(a) There shall be two (2) classes of voting memberships as follows:

Class A - Class A Members shall be all Owners who have taken title to one or more Lots from the

Developer, which shall include Lots on Future Development Property, if such property is annexed as herein provided. Class A Members shall be entitled to one vote for each Lot in which they hold an interest required for membership. When more than one person holds such interest in a Lot, all such persons shall be Members. The vote for such Lot shall be exercised as they determine but in no event shall more than one vote be cast with respect to any Lot.

Class B - The Class B Member shall be Developer, which shall be initially entitled to a number of votes equal to the number of Lots within the Property, plus one. The total number of votes of the Class B Member shall increase as herein set forth each time a portion of the Future Development Property is annexed as provided in these By-Laws and the Declaration. Class B membership shall terminate upon the happening of one of the following events, whichever occurs earlier: (i) when Developer has conveyed one hundred percent (100%) of the Lots located on the Property is developed as herein provided, or (ii) at such earlier time as the Developer may elect, in its sole discretion, to terminate the Class B Membership.

(b) If a Lot is owned by one person, his right to vote shall be established by the record title to his Lot.

(c) If any Lot is owned by more than one person or a partnership, corporation, trust, or any other association or entity, the person entitled to cast the vote for the Lot shall be designated by a certificate signed by all of the record owners of the Lot or by the President, general partner or other chief executive officer of the respective entity and filed with the Secretary of the Association. Such certificates shall be valid until revoked or until superseded by a subsequent certificate or until ownership of the Lot is changed. A certificate designating the person entitled to cast the vote of a Lot may be revoked by any owner of that Lot. If such a certificate is not on file, the vote of such owners shall not be considered in determining the requirement for a quorum nor for any other purpose.

(d) The Developer shall be entitled to cast the number of votes as set forth in subparagraph (a) hereof under Class B Membership.

3.4 Vote Required. Except as otherwise required under the provisions of the Articles, these By-Laws or the Declaration, or where the same otherwise may be required by law, at any meeting of

the general membership of the Association, duly called and at which a quorum is present, the acts approved by the affirmative vote of a majority of the votes present at such meeting shall be binding upon the Members.

3.5 Proxies. At any meeting of the Members, every Member having the right to vote shall be entitled to vote in person or by proxy. Any proxy given shall be effective only for the specific meeting for which originally given. Every proxy shall be revocable at any time at the pleasure of the Lot owner executing it.

4. MEMBERS' MEETINGS.

4.1 Annual Meeting. The annual meeting of the Members shall be held at the office of the Association or such other place in Duval County, Florida, and at such time as may be specified in the notice of the meeting, on or before the first Tuesday in October of each year for the purpose of electing Directors and of transacting any other business authorized to be transacted by the Members; provided, however, that if that day is a legal holiday, the meeting shall be held on the next succeeding Tuesday, or such day as the Directors shall determine and include in the notice of meeting.

4.2 Special Meetings. Special meetings of the entire membership of the Association shall be held whenever called by the President or Vice President or by a majority of the Board of Directors, and must be called by such officers upon receipt of a written request from Members entitled to cast a majority of the votes of the entire membership.

4.3 Notice of Meetings.

(a) Generally. Written notice of all meetings of Members shall be given by the Secretary or, in the absence of the Secretary, another officer of the Association, to each Member or class of Members, if any, unless waived in writing. Each notice shall state the time and place of an purpose for which the meeting is called.

(b) Annual. Notice of the Annual Meeting shall be given to each Member not less than fourteen (14) days nor more than sixty (60) days prior to the date set for the meeting, and shall be delivered personally to each Member. If delivered personally, receipt of notice shall be signed by the Member, indicating the date received and shall constitute that Member's waiver of his right to receive notice by mail. If mailed, such notice shall be deemed 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.

(c) Special. Notice of Special Meetings shall be given to each Member not less than fourteen (14) days nor more than sixty (60) days prior to the date set for the meeting and shall be mailed by first class mail or delivered personally to the Member.

(d) Waiver. Any Member may, in writing signed by such Member, waive such notice, and such waiver, when filed in the records of the Association, whether before, at or after the holding of the meeting, shall constitute notice to such Member.

(e) Adjourned Meetings. If any meeting of Members cannot be held because a quorum is not present, or because a greater percentage of the membership required to constitute a quorum for a particular purpose is not present, wherever the latter percentage of attendance may be required as set forth in the Articles, the By-Laws or the Declaration, the Members who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum, or the required percentage of attendance, if greater than a quorum, is present.

4.4 Presiding Officer and Minutes. At meetings of Members, the Chairman of the Board, or in his absence, the President, shall preside, or in the absence of both, the Members present shall select a chairman of the meeting. Minutes shall be kept in a business like manner and available for inspection by the Directors, Lot owners and their authorized representatives during normal business hours at the principal office of the Association. The Association shall retain these minutes for a period of not less than seven (7) years.

5. BOARD OF DIRECTORS.

5.1 First Board and Developer Control. The affairs of the Association shall be managed by a Board of Directors. The first Directors shall consist of three (3) persons as designated in the Articles of Incorporation. WATERFORD LAKES, L.L.C., "Developer", reserves the right to appoint Directors to the Board as specified in the Articles, and as described herein.

5.2 Election of Directors. Directors shall be elected in the following manner:

(a) The Board of Directors shall be elected by the Members from among the membership of the Association at the annual membership meeting, by affirmative vote of a plurality of the votes cast at such meeting, however, the Developer shall have the right to elect all the Directors of the Board subject to the following:

1. Lot owners other than the Developer shall be entitled to elect a majority of the Members of the Board of Directors upon the first to occur of the following:

(a) The Developer has conveyed one hundred percent (100%) of Lots (including lots in the Future Development Property as provided in the Declaration); or

(b) Developer elects to terminate the Class B Membership, in its sole discretion.

(b) Vacancies on the Board may be filled, through the unexpired term thereof, by the remaining Directors except that, should any vacancy on the Board be created in a directorship previously filled by any person appointed by Developer, such vacancy shall be filled by Developer appointing by written instrument delivered to any officer of the Association, the successor Director, who shall fill the vacated directorship for the unexpired term thereof.

(c) In the election of Directors, there shall be appurtenant to each Lot one (1) vote for each Director to be elected, and the Developer shall be entitled to cast the number of votes allocated to it under Section 3.3(a) hereof.

(d) At the first annual meeting, the members will elect three (3) directors, with one directorship to be designated as a two year term director and the other two to be for one year terms. At the next succeeding annual meeting, one of such one year term directorships shall be, from that point on, designated as a two year term directorship. The intent hereof is to stagger the terms of the directorships so that there shall be only two directors elected each year with one member of the old board continuing on the new board. Therefore, there shall be two directorships of two year terms being up for election in different years, and the third directorship shall always remain a one year term directorship.

(e) In the event that Developer selects any person or persons to serve on the initial Board, Developer shall have the absolute right at any time, in its sole discretion to replace any such person or persons with another person or persons designated by Developer to serve on the Board. Replacement of any person or persons designated by Developer to serve on any Board shall be made by written instrument delivered to any officer of the Association, which instrument shall specify the name or names of the person or persons designated as successor or successors to the persons so removed from the Board. The removal of any Director and designation of his successor shall be effective immediately upon delivery of such written instrument by Developer to any officer of the Association.

5.3 Organizational Board Meeting. The organization meeting of a newly elected or designated Board shall be held within fifteen (15) days of their election or designation, at such time and place

as shall be fixed at the meeting at which they were elected, and no further notice of the organizational meeting shall be necessary; provided, that a quorum shall be present.

5.4 Regular Board Meeting. Regular meetings of the Board may be held at such time and place as shall determined from time to time by a majority of the Directors. Notice of regular meetings shall be given to each Director, personally or by mail, telephone or telegram, at least seven (7) days prior to the day named for such meeting, unless notice is waived.

5.5 Special Meetings. Special meetings of the Board may be called by the President, and must be called by the Secretary at the written request of one-third of the Directors. Notice of regular meetings shall be given to each Director, personally or by mail, telephone or telegram, at least seven (7) days prior to the day named for such meeting, unless notice is waived.

5.6 Board Minutes. Minutes of all meetings of the Board shall be kept in a businesslike manner and available for inspection by Members and Directors during normal business hours at the principal office of the Association or the office of the property management company, if any. The Association shall retain these minutes for a period of not less than seven (7) years.

5.7 Waiver of Notice. Any Director may waive notice of a meeting before, at or after the meeting, and such waiver shall be deemed equivalent to the giving of notice.

5.8 Quorum. A quorum at meetings of the Board shall consist of the Directors entitled to cast a majority of the votes of the entire Board. The acts of the Board approved by a majority of the votes present at a meeting at which a quorum is present shall constitute the acts of the Board of Directors, except as may be specifically otherwise provided in the Articles, these By-Laws or the Declaration. If any meeting of the Board cannot be held because a quorum is not present, or because the greater percentage of the Directors required to constitute a quorum for particular purposes is not present, wherever the latter percentage of attendance may be required as set forth in the Articles, these By-Laws or the Declaration, the Directors who are present may adjourn the meeting from time to time until a quorum, or the required percentage of attendance, if greater than a quorum is present. At any adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted at the readjoined meeting without further notice.

5.9 Action Without a Meeting. To the extent now or from time to time hereafter permitted by the laws of Florida, the Board may take any action which they might take at a meeting of the Board without a meeting; provided, that a record of all such actions so

taken, signed by each Director, shall be filed and retained in the minute book of the Association.

5.10 Removal. Directors may be removed from office with or without cause by the vote or written agreement of persons entitled to cast a majority of the votes of the membership, provided, however, that only the Developer can remove a member of the Board who was appointed by the Developer.

5.11 Presiding Officer. The presiding officer of meetings of the Board shall be Chairman of the Board, if such officer has been elected, or, if not, the President of the Association. In the absence of the presiding officer, the Directors present shall designate one of their number to preside.

5.12 Powers and Duties. All of the powers and duties of the Association shall be exercised by the Board, including those existing under the laws of Florida, the Articles, these By-Laws and the Declaration. Such powers and duties shall be exercised in accordance with the Articles, these By-Laws and the Declaration, and shall include, without limitation, the right, power and authority to:

(a) Make, levy and collect assessments, including without limitation assessments for reserves and for betterment to Association property, against Members and Members' Lots to defray the costs of the Development and the property owned by the Association and use the proceeds of assessments in the exercise of the powers and duties of the Association;

(b) Maintain, repair, replace, operate and manage the Common Areas wherever the same is required to be done and accomplished by the Association for the benefit of Members;

(c) Repair and reconstruct improvements after casualty;

(d) Make and amend regulations governing the use of the Common Areas in the Property, real and personal, provided that such regulations or amendments thereto shall not conflict with the restrictions and limitations which may be placed upon the use of such property under the terms of the Articles and Declaration;

(e) Contract for the management and maintenance of the property and to authorize a management agent to assist the Association in carrying out its powers and duties, including but not limited to the performance of such functions as the submission of proposals, collection of assessments, preparation of records, enforcement of rules and maintenance, repair and replacement of the common elements and property owned by the Association with funds as shall be made available by the Association for such purposes. Any such contract shall be terminable for cause upon the giving of

thirty (30) days prior written notice, and shall be for a term of from one (1) to three (3) years. Any such contract shall be renewable by consent of the Association and management. If such contract is negotiated by the Developer, the term of such contract shall not exceed two (2) years. The Association and its officers shall, however, retain at all times the powers and duties granted by the Declaration, including but not limited to the making of assessment, promulgation of rules and execution of contracts on behalf of the Association;

(f) Enforce by legal means the provisions of the Articles, these By-Laws, the Declaration and all regulations governing use of the Property.

(g) Pay all taxes and assessments which are liens against any part of the Property other than Lots and the appurtenances thereto, and assess the same against the Members and their respective Lots subject to such liens;

(h) Carry insurance for the protection of Members and the Association against casualty and liability, including Directors' liability insurance;

(i) Pay all costs of power, water, sewer and other utility services rendered to the Property or to the Association and not billed to the owners of the separate Lots;

(j) Employ personnel for reasonable compensation to perform the services required for proper administration of the purposes of the Association;

(k) Borrow money at prevailing rate and terms if it would not be feasible to charge the Members their proportionate share of the total estimated expenses. Any money received from the Developer shall be a loan to cover the deficit funding and shall be payable on demand, being evidenced by a promissory note.

6. OFFICERS.

6.1 Generally. The Board shall elect a President, Secretary, Treasurer, and as many Vice Presidents, Assistant Secretaries and Assistant Treasurers as the Board shall deem advisable from time to time. The President shall be elected from the membership of the Board, but no other officer need be a Director. The same person may hold two offices, the duties of which are not incompatible; provided, however, that the office of President and Vice President shall not be held by the same person, nor shall the office of President and Secretary or Assistant Secretary be held by the same person. The Board may from time to time elect such other officers, and designate their powers and duties, as the Board may deem necessary to properly manage the

affairs of the Association. Officers may be removed from office by the Board.

6.2 President. The President shall be the chief executive officer of the Association. He shall have all of the powers and duties which are usually vested in the office of President of a corporation not for profit, including but not limited to the power to appoint committees from among the Members from time to time, as he may in his discretion determine appropriate, to assist in the conduct of the affairs of the association. He shall have such additional powers as the Board may designate.

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

6.4 Secretary. The Secretary shall keep the minutes of all proceedings of the Board and the Members. He shall attend to the affairs of the Association. He shall have such additional powers as the Board may designate.

6.5 Treasurer. The Treasurer shall have custody of all of the property of the Association including funds, securities and evidences of indebtedness. He shall keep the assessment roll and accounts of the Members; he shall keep the books of the Association in accordance with good accounting practices, and he shall perform all other duties incident to the office of Treasurer.

6.6 Compensation. No compensation shall be paid to any officer of the Association except with the approval of the persons entitled to cast a majority of the votes of the membership reflected by a vote taken at a duly constituted membership meeting. No officer who is appointed by the Developer shall receive any compensation for his services as an officer. Nothing herein shall be construed so as to prohibit or prevent the Board of Directors from employing any Director or officer as an employee of the Association at such compensation as the Board shall determine, nor shall anything herein be construed so as to preclude the Board from contracting with a Director or officer or with any corporation in which a Director or officer of the Association may be stockholder, officer, Director or employee, for the management of the Association for such compensation as shall be mutually agreed between the Board and such officer, Director or corporation, for the purpose of making available to the owners of Lots such services as are contemplated by the provisions of Article as is these By-Laws. It is expressly contemplated that the first Board of Directors may enter into such contracts with persons who are initial officers or Directors of the Association, or with corporations having officers, Directors or employees who are also members of the first Board of Directors of the Association.

7. FISCAL MANAGEMENT. The provisions for fiscal management of the Association set forth in the Declaration and Articles of Incorporation shall be supplemented by the following provisions:

7.1 Books and Accounts. Books and accounts of the Association shall be kept under the direction of the Treasurer and in accordance with standard accounting procedures. Written summaries shall be supplied at least annually to members. Such records shall include, but not be limited to:

(a) A record of all receipts and expenditures.

(b) An account for each Lot which shall designate the name and address of the Lot owner, the amount of each assessment, dates and amounts in which the assessments come due, the amounts paid upon the account and the balance due.

7.2 Inspection of Books. Financial reports and the membership records shall be maintained in the office of the Association and shall be available to Members for inspection during normal business hours with forty-eight (48) hours prior notice to the holder of the reports and records. The Association shall issue an annual financial report to Lot owners.

7.3 Annual Budget. The Board shall adopt, for, and in advance of, each fiscal year, a budget showing the estimated cost of performing all of the functions of the Association for the year. Each budget shall show the total estimated expenses of the Association for that year and shall contain an itemized breakdown of the common expenses, which shall include without limitation, the cost of operating and maintaining the Common Elements, taxes on Association property, wages and salaries of Association Employees, management, legal and accounting fees, office supplies, public utility services not metered or charged separately to Lots, premiums for insurance carried by the Association and any reserve accounts and/or funds which may be established from time to time by the Board. Each budget shall also show the proportionate share of the total estimated expenses to be assessed against and collected from the owner(s) of each Lot and due date(s) and amounts of installments thereof. Copies of the proposed budget and proposed assessments shall be transmitted to each Member at least thirty (30) days prior to the meeting of the Board of Directors at which the budgets will be considered, together with a notice of the time and place of said meeting, which shall be open to Lot owners. If any budget is subsequently amended, a copy shall be furnished to each affected Member. Delivery of a copy of any budget or amended budget to a Member shall not affect the liability of any Member for any such assessment, nor shall delivery of a copy of such budget or amended budget be considered as a condition precedent to the effectiveness of the budget and assessments levied pursuant thereto. Nothing herein contained shall be construed as a limitation upon the additional assessment in the event that nay

budget originally adopted shall appear to be insufficient to pay costs and expenses of operation and management, or in the event of emergencies.

7.4 Amount of Budget. If a budget is adopted by the board which requires assessment of the Lot owners in any budget year of an amount in excess of ten percent (10%) over the maximum assessment or the previous year's assessment established in accordance with Section 4.4 of the Declaration, a special meeting of the Members shall be held upon not less than ten (10) days written notice to each Member, but within thirty (30) days of the adoption of such budget, at which special meeting Members shall be entitled to approve or disapprove such budget and may consider only and enact only a revision of the budget. Approval of the budget and any such revision of the budget shall require a vote of not less than a majority of the votes of members of each class. The Board may, in any event, first propose a budget to the Members at any such meeting of Members or by writing, and if such budget or proposed budget be approved by a vote of a majority of the Members of each class of Members either at such meeting or by writing, such budget shall not thereafter be reexamined by the Lot owners in the manner hereinabove set forth.

In determining whether assessments are in excess of ten percent (10%) over the maximum assessment or previous year's assessment established in accordance with Section 4.4 of the Declaration in the prior budget year, there shall be excluded from the computation reasonable reserves made by the Board in respect of repair and replacement of Association property, or in respect of anticipated expenses by the Association which are not anticipated to be incurred on a regular or annual basis; and there shall be excluded from such computation assessments for betterment to Association property. Notwithstanding any of the foregoing, the facilities are added to the common elements by the developer, increase the annual assessment by more than ten percent (10%) of the Maximum Annual Assessment for the prior year without the consent of any Lot Owner or mortgagee, by an amount sufficient to cover the cost, maintenance and repair of said recreational or other facilities. Nothing contained herein shall be deemed to obligate the Developer to add any such facilities.

7.5 Notice of Adopted Budgets. Assessments shall be made against Members pursuant to procedures established by the Board, and in accordance with terms of the Declaration and Articles. Provided, however, that the lien or lien rights of the Association shall not be impaired by failure to comply with procedures established pursuant to these By-Laws.

7.6 Assessments. Unless otherwise determined by the Board of Directors, assessments shall be payable annually on the first day of each calendar year, but in no event shall amounts be payable less often than monthly. If an annual assessment is not adopted as

required, an assessment shall be presumed to have been made in the amount of the last prior assessment, and installments on such assessment shall be due upon each installment payment date until changed by an amended assessment. In the event the annual assessment proves to be insufficient, the budget and assessments may be amended at any time by the Board of Directors. Unpaid assessments for the remaining portion of the fiscal year for which an amended assessment is made and shall be payable in equal installments through the end of the fiscal year; provided, nothing herein shall serve to prohibit or prevent the Board of Directors from imposing a lump sum assessment in case of any immediate need or emergency.

7.7 Special Assessments. Special assessments, if required and approved by the persons entitled to cast a majority of the votes of the membership at a duly convened meeting, shall be levied and paid in the same manner as heretofore provided for regular assessments. Special assessments can be of three kinds: (i) those chargeable to all Members in the same proportions as regular assessments to meet shortages or emergencies, to construct, reconstruct, repair or replace all or any part of the Common Area or Maintenance Area (including fixtures and personal property related thereto); (ii) those assessed against one Member alone to cover repairs or maintenance for which such Member is responsible and which he has failed to make, which failure impairs the value of or endangers the Common Area, the Maintenance Area or which are for expenses incident to the abatement of a nuisance within his Lot; and (iii) and for such other purposes as shall have been approved by the persons entitled to cast a majority of the votes of the membership at a duly convened meeting.

7.8 The Depository. The depository of the Association shall be such bank or banks or savings and loan association or associations as shall be designated from time to time by the Directors and in which the monies of the Association shall be deposited. Withdrawal of monies from such accounts shall be only by checks or withdrawals signed by such persons as are authorized by the Directors, provided that any management agreement may include in its provisions authority for the Manager to sign checks on behalf of the Association for payment of the obligations of the Association.

7.9 Audit. An audit of the accounts of the Association may be made from time to time as directed by the Board of Directors.

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

9. AMENDMENTS TO BY-LAWS. Amendments to these By-Laws shall be proposed and adopted in the following manner:

9.1 Proposal. Amendments to these By-Laws shall be proposed by the Board, acting upon a vote of a majority of the Directors, or by persons entitled to cast a majority of the votes of the membership whether meeting as Members or by instrument in writing signed by them.

9.2 Notice. Upon any amendment or amendments to these By-Laws being proposed, such proposed amendment or amendments shall be transmitted to the President of the Association, or acting chief executive officer in the absence of the President, who shall thereupon call a special meeting of the Members for a date not sooner than fourteen (14) days nor later than sixty (60) days from receipt by such officer of the proposed amendment or amendments, and it shall be the duty of the Secretary to give each Member written or printed notice of such meeting in the same form and in the same manner as notice of the call of a special meeting of the members is required as herein set forth; provided that proposed amendments to the By-Laws may be considered and voted upon at annual meetings of the Members.

9.3 Content of Amendment. No By-Law shall be revised or amended by reference to its title or number only. Proposals to amend existing By-Laws shall contain the full text of the By-Laws to be amended; new words shall be inserted in the text underlined and words to be deleted shall be lined through with hyphens. However, if the proposed change is so extensive that this procedure would hinder, rather than assist, the understanding of the proposed amendment, it is not necessary to use underlining and hyphens as indicators of words added or deleted, but instead a notation must be inserted immediately preceding the proposed amendment in substantially the following language: "Substantial rewording of bylaw. See bylaw . . . for present text." Nonmaterial errors or omissions in tea bylaw process shall not invalidate an otherwise properly promulgated amendment.

9.4 Voting. In order for such amendment or amendments to become effective, as long as there is a Class B Membership, it shall only take an affirmative vote of the Class B members. At such time as there is no Class B Membership, the same must be approved by an affirmative vote of a majority of the votes entitled to be cast at a regular or special meeting. Thereupon, such amendment or amendments to these By-Laws shall be transcribed, certified by the President and Secretary of the Association, and a copy thereof shall be filed in the records of the corporation.

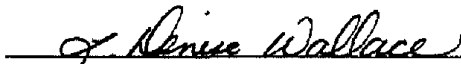
9.5 Written Vote. At any meeting held to consider such amendment or amendments to these By-Laws, the written vote of any Member shall be recognized if such Member is not present at such

meeting in person or by proxy, provided such written vote is delivered to the Secretary at or prior to such meeting.

9.6 Developer's Reservation. Notwithstanding the foregoing provisions of this Article 9, no amendment to these By-Laws which shall abridge, amend or alter the right of Developer to designate members of the Board of Directors of the Association, as provided in Article 5 hereof, or any other right of the Developer provided herein or in the Articles, or Declaration, may be adopted or become effective without the prior written consent of Developer. Anything herein to the contrary notwithstanding, for so long as there is a Class B membership, Developer shall have the right to fill vacancies on the Board of Directors, an amendment shall require only the unanimous consent of the Board of Directors, and no meeting of the Members nor any approval thereof need be had.

9.7 Amendments. These By-laws may be amended as provided in the Articles of Incorporation or any amendment thereto.

The foregoing was adopted as the By-Laws of WATERFORD LAKES HOMEOWNERS ASSOCIATION, INC., a corporation not for profit under the laws of the State of Florida, at the first meeting of the Board of Directors on NOVEMBER 20, 2000.


Secretary

APPROVED:


President