

BY-LAWS
OF
WATERWOOD TOWNHOMES ASSOCIATION, INC.

ARTICLE I

DEFINITIONS

Section 1. "Sub-Association" shall mean and refer to the WATERWOOD TOWNHOMES ASSOCIATION, INC., a corporation not for profit organized and existing under Chapter 617, Florida Statutes (1979), as amended.

Section 2. The "Supplemental Declaration" shall mean and refer to that certain WATERWOOD TOWNHOMES SUPPLEMENTAL DECLARATION OF COVENANTS AND RESTRICTIONS dated November 20, 1981, and recorded in the Public Records of Lake County, Florida.

Section 3. "The Properties" shall mean and refer to the lands encompassed by the recorded plat of WATERWOOD TOWNHOUSES, according to the plat thereof as recorded in Plat Book 25, Pages 44 and 45, of the Public Records of Lake County, Florida.

Section 4. "Limited Common Properties" shall mean and refer to those areas of land, open spaces and green belts, and all improvements located thereon, shown on the recorded subdivision plat of The Properties, and as defined in the Supplemental Declaration.

Section 5. "Lot" shall mean and refer to any plot of land set aside for purposes of improvement as a residential homesite, intended to be subject to exclusive ownership and possession, and shown upon the recorded subdivision plat of The Properties.

Section 6. "Owner" shall mean and refer to the record owner, whether one (1) or more persons or entities, of the fee simple title to any Lot situated upon The Properties, including the Developer with respect to an unsold Lot, but, notwithstanding any applicable theory of the law of mortgages, "Owner" shall not mean or refer to the mortgagee of any Lot unless and until such mortgagee has acquired title pursuant to foreclosure or any proceeding in lieu of foreclosure. Every Owner shall be treated for all purposes as a single Owner for each Lot held, irrespective of whether such ownership is joint, in common or tenancy by the entirety.

Section 7. "Member" shall mean and refer to each Owner who is a member of the Sub-Association as provided in Article III, Section 1, hereof.

EXHIBIT "B"

Section 8. "Developer" shall mean and refer to Waterwood, Inc., a Florida corporation, its successors and assigns.

ARTICLE II

LOCATION

Section 1. The principal office of the Sub-Association shall be located at Waterwood Drive, Yalaha, Florida 32797.

ARTICLE III

MEMBERSHIP

Section 1. Every person or entity who is a record Owner of a fee or undivided fee interest in any Lot which is subject to assessment by the Sub-Association shall be a Member of the Sub-Association, provided that any such person or entity who holds such interest merely as a security for the performance of any obligation shall not be a Member.

Section 2. The membership of each Owner in and to the Sub-Association shall be appurtenant to the Lot giving rise to such membership and shall not be assigned, transferred, pledged, hypothecated, conveyed or alienated in any way except upon the transfer of title to said Lot and then only to the transferee of title of such Lot. Any attempt to make a prohibited transfer shall be void. Any transfer of title to a Lot shall operate automatically to transfer the membership in the Sub-Association appurtenant thereto to the new Owner thereof.

Section 3. The rights of membership are subject to the payment of annual and special assessments levied by the Sub-Association, the obligation of which assessments is imposed against each Owner of, and becomes a lien upon, the property against which such assessments are made.

Section 4. The manner of collection of annual and special assessments described in Section 3 hereof, and the effect of non-payment of same, shall be as provided for in the Supplemental Declaration.

ARTICLE IV

VOTING RIGHTS

Section 1. The Sub-Association shall have two (2) classes of voting membership:

Class A.

Class A Members shall be all those Owners as defined in Article III, Section 1, herein, with the exception of the Developer. Class A Members shall be entitled to one (1) vote for each Lot in which they hold the interest required for membership by Article III, Section 1. When more than one (1) person holds such interest or interests in any Lot, all such persons shall be Members and the vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any such Lot.

Class B.

The Class B Member shall be the Developer. The Class B Member shall have three (3) votes for each Lot owned by the Developer.

The Class B membership shall cease and become converted to Class A membership and entitled to vote as such on the happening of any of the following events, whichever occurs earlier:

(a) When the total votes outstanding in the Class A membership equals or exceeds the total votes outstanding in the Class B membership; or

(b) At the expiration of ten (10) years after the date of recording of the Supplemental Declaration.

From and after the happening of these events, whichever occurs earlier, the Class B Member shall be deemed to be a Class A Member entitled to one (1) vote for each Lot in which it holds the interests required for membership under Article III.

Anything herein to the contrary notwithstanding, for so long as the Developer is the Owner of two (2) or more of the Lots intended to be developed within The Properties, no vote, decision or action which requires an approval or a vote of two-thirds (2/3) or more of the Members of the Sub-Association voting on said matter, irrespective of class, shall be effective or implemented until Developer has approved of or consented to same in writing directed to the Board of Directors of the Sub-Association.

The vote or votes for each Lot must be cast as a single vote, and fractional votes shall not be allowed. In the event that joint or multiple Owners are unable to agree among themselves as to how their vote or votes shall be cast, they shall lose their right to vote on the matter in question. If any Owner or Owners cast a vote representing a certain Lot, it shall thereafter be conclusively presumed for all purposes that he was or they were acting with the authority and consent of all other Owners of the

same Lot. In the event more than one (1) is cast for a particular Lot, none of said votes shall be counted and said votes shall be deemed void.

In the event that more than one (1) person shall at any time be the Owner of any Lot, all such persons shall be Members and the vote for each such Lot shall, subject to the provisions of the foregoing paragraph, be exercised as such persons among themselves shall determine. In no event shall more than one (1) Class A vote be cast with respect to any Lot. For purposes of determining the votes allowed under this Article, no tenant or lessee of a Lot shall be entitled to any voting rights in the Sub-Association.

ARTICLE V

PROPERTY RIGHTS AND RIGHTS OF ENJOYMENT OF LIMITED COMMON PROPERTY

Section 1. Each Member shall be entitled to the use and enjoyment of the Limited Common Properties and facilities as provided by the Supplemental Declaration application to The Properties.

Section 2. Any Member may delegate his rights and enjoyment in the Limited Common Properties and facilities to the members of his family who reside upon The Properties, to any of his tenants who reside thereon under a leasehold interest, or to his guests, licensees or invitees for the duration of their visit; provided, however, such use shall at all times be consistent with the requirements of the Supplemental Declaration, the Sub-Association Articles of Incorporation, these By-Laws, and the Rules and Regulations of the Sub-Association.

ARTICLE VI

SUB-ASSOCIATION PURPOSES AND POWERS

Section 1. The purpose for which the Sub-Association is organized is to promote the recreation, health, safety, and welfare of the residents within The Properties and such additions thereto as may hereafter be brought within the jurisdiction of this corporation by annexation, merger or consolidation.

Section 2. The corporation does not contemplate pecuniary gain or profit, direct or indirect, to its Members and the Sub-Association shall make no distributions of income to its Members, directors or officers.

Section 3. Mergers and Consolidations. Subject to the provisions of the Supplemental Declaration, and to the extent permitted by law, the corporation may participate in mergers and consolidations with other non-profit corporations organized for the same purposes, provided that such merger or consolidation shall have the assent of two-thirds (2/3) vote of the Members who are voting in person or by proxy at a meeting duly called for this purpose, written notice of which shall be mailed to all Members at least thirty (30) days in advance and shall set forth the purpose of the meeting.

Section 4. Dedication, Conveyance or Encumbrance of Properties. The corporation shall have power to convey, dedicate or encumber its real properties only as authorized in the Supplemental Declaration.

ARTICLE VII

BOARD OF DIRECTORS

Section 1. The affairs of the Sub-Association shall be managed by a Board of Directors consisting of no less than three (3) directors, nor more than seven (7); however, the Board shall consist of an odd number. The initial Board of Directors shall consist of three (3) directors who shall hold office until the election of their successors as specified in Article VIII herein.

Section 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:

- | | |
|------------------|--|
| Frank G. Proie | Waterwood Drive
Yalaha, Florida 32797 |
| Robert Zahradnik | Waterwood Drive
Yalaha, Florida 32797 |
| Carrie Zahradnik | Waterwood Drive
Yalaha, Florida 32797 |

Subject to the provisions hereof and of the Supplemental Declaration and Sub-Association Articles of Incorporation, vacancies in the Board of Directors shall be filled by appointment by the remaining directors, any such appointed director to hold office until his successor is elected by the Members, who may make such election at the next annual meeting of the Members or at any special meeting duly called for that purpose.

ARTICLE VIIIELECTION OF DIRECTORS;
NOMINATING COMMITTEE; ELECTION COMMITTEE

Section 1. Election to the Board of Directors shall be by written ballot as hereinafter provided. At any election, the Members or their proxies may cast, in respect of each vacancy for which those Members are entitled to vote, as many votes as they are entitled to exercise under the provisions of the Declaration and these By-Laws. The persons receiving the largest number of votes shall be elected.

Section 2. Nominations for election to the Board of Directors shall be made by a Nominating Committee, which shall be one of the Standing Committees of the Sub-Association.

Section 3. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two (2) or more other persons who shall be either (1) Members of the Sub-Association, or (2) agents, representatives, or employees of the Developer. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the 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.

Section 4. The Nominating Committee shall make as many nominations for the election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among members or nonmembers of the Committee as the Committee in its discretion shall determine. Nominations shall be placed on a written ballot as provided in Section 5 and shall be made available in advance of the time fixed in Section 5 for the mailing of such ballots to Members.

Section 5. All elections to the Board of Directors shall be made on written ballot which shall: (a) describe the vacancies to be filled; (b) set forth the names of those nominated by the Nominating Committee for such vacancies; and (c) contain a space for write-in vote by the Members for each vacancy. Such ballots shall be prepared and mailed by the Secretary to the Members at least fourteen (14) days in advance of the date set forth therein for a return (which shall be a date not later than the day before the annual meeting or special meeting called for the elections).

Section 6. Each Member shall receive as many ballots as he has votes. Notwithstanding the fact that a Member may be entitled to several votes, he shall exercise on any one (1) ballot only one (1) vote for each vacancy shown thereon. The completed

ballot shall be returned as follows: Each ballot shall be placed in a sealed envelope marked "Ballot" but not marked in any other way. Each such "Ballot" envelope shall contain only one (1) ballot, and the Members shall be advised that because of the verification procedures of Section 7, the inclusion of more than one (1) ballot in any one (1) "Ballot" shall disqualify the return. Such "Ballot" envelope, or envelopes (if a Member or his proxy is exercising more than one (1) vote), shall be placed in another sealed envelope which shall bear on its face the name and signature of the Member or his proxy, the number of ballots being returned, and such other information as the Board of Directors may determine will serve to establish his right to cast the vote or votes presented in the ballot or ballots contained therein. The ballots shall be returned to the Secretary at the following address:

Post Office Box 337
Yalaha, Florida 32797

or at such other address as shall be designated by the Secretary.

Section 7. Upon receipt of each return, the Secretary shall immediately place it in a safe or other locked place until the day set for the annual or other special meeting on which the elections are to be held. On that day the external envelopes containing the "Ballot" envelopes shall be turned over, unopened, to an Election Committee which shall consist of five (5) Members appointed by the Board of Directors. The Election Committee shall then adopt a procedure which shall: (a) establish that the number of envelopes marked "Ballot" corresponds to the number of votes allowed to the Member or his proxy identified on the outside envelope containing them; and (b) verify that the signature of the Member or his proxy on the outside envelope is genuine; and (c) if the vote is by proxy that a proxy has been filed with the Secretary as provided in Article XIV, Section 2, and that such proxy is valid. Such procedure shall be designed and carried out in such manner that the vote of any Member or his proxy shall not be disclosed to anyone, even the Election Committee.

The outside envelopes shall thereupon be placed in a safe or other locked place and the Election Committee shall proceed to the opening of the "Ballot" envelopes and the counting of the votes. If any "Ballot" envelope is found to contain more than one (1) "Ballot", all such ballots shall be disqualified and shall not be counted. Immediately after the announcement of the results, unless a review of the procedure is demanded by the Members present, the ballots and the outside envelopes shall be destroyed.

ARTICLE IX

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. A Board of Directors shall have power:

(a) To call special meetings of the Members whenever it deems necessary and it shall call a meeting at any time upon written request of one-fourth (1/4) of the voting membership, as provided in Article XIII, Section 2, herein.

(b) To appoint and remove at pleasure all officers, agents and employees of the Sub-Association, prescribe their duties, fix their compensation, and require of them such security or fidelity bond as it may deem expedient. Nothing contained in these By-Laws shall be construed to prohibit the employment of any Member, officer or director of the Sub-Association in any capacity whatsoever.

(c) To establish, levy and assess, and collect the assessments or charges referred to in Article III, Section 3, herein and in Article IV of the Supplemental Declaration.

(d) To adopt and publish Rules and Regulations governing the use of the Limited Common Properties and facilities and the personal conduct of the Members and their guests or tenants thereon.

(e) To exercise for the Sub-Association all powers, duties and authority vested in or delegated to this Sub-Association by the Supplemental Declaration, the Articles of Incorporation and these By-Laws; subject, however, to the limitations therein and herein contained.

(f) In the event that any member of the Board of Directors of this Sub-Association shall be absent from three (3) consecutive regular meetings of the Board of Directors, the Board may, by action taken at the meeting during which said third (3rd) absence occurs, declare the office of said absent director to be vacant.

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

(a) To cause to be kept a complete record of all of its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members or at any special meeting when such is requested in writing by one-fourth (1/4) of the voting membership, as provided in Article XIII, Section 2.

(b) To supervise all officers, agents and employees of this Sub-Association, and to see that their duties are properly performed.

(c) As more fully provided in Article IV of the Supplemental Declaration:

(1) To fix the amount of the assessment against each Lot for each assessment period;

(2) To prepare a roster of the lands within The Properties and assessments applicable thereto which shall be kept in the office of the Sub-Association and shall be open to inspection by any Member; and

(3) To send written notice of each assessment to every Owner subject thereto.

(d) To issue, or to cause an appropriate officer to issue, upon demand by any person, a recordable certificate setting forth whether any assessment has been paid. Such certificate shall be conclusive evidence of any assessment therein stated to have been paid.

ARTICLE X

DIRECTORS' MEETING

Section 1. A regular meeting of the Board of Directors shall be held on the 10th day of each month at 12:00 o'clock noon, provided that the Board of Directors may, by resolution, change the day and hour of holding such regular meeting.

Section 2. Notice of such regular meeting is hereby dispensed with. If the day for the regular meeting shall fall upon a holiday, the meeting shall be held at the same hour on the first day following which is not a holiday, and no notice thereof need be given.

Section 3. Special meetings of the Board of Directors shall be held when called by any officer of the Sub-Association or by any two (2) directors after not less than three (3) days' notice to each director.

Section 4. A transaction of any business at any meeting of the Board of Directors, however called and noticed, or whenever held, shall be valid as though made at a meeting duly held after regular call and notice if a quorum is present and, if either before or after the meeting, each of the directors not present signs a written waiver of notice, or a consent to a holding of

such meeting, or approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records and made part of the minutes of the meeting.

Section 5. The majority of the Board of Directors shall constitute a quorum thereof.

ARTICLE XI

OFFICERS

Section 1. The officers shall be a President, a Vice President, a Secretary, and a Treasurer. The President and Vice President shall be members of the Board of Directors.

Section 2. The officers shall be chosen by the majority of the Board of Directors.

Section 3. All officers shall hold office during the pleasure of the Board of Directors.

Section 4. The President shall preside at all meetings of the Board of Directors, shall see that orders and resolutions of the Board of Directors are carried out and sign all notes, checks, leases, mortgages, deeds and all other written instruments.

Section 5. The Vice President shall perform all duties of the President in his absence.

Section 6. The Secretary shall be the ex-officio Secretary to the Board of Directors, and shall record the votes and keep minutes of all proceedings in a book to be kept for that purpose. He shall sign all certificates of membership. He shall keep the records of the Sub-Association. He shall record in a book kept for that purpose the names of all Members of the Sub-Association together with their addresses as registered by such Members.

Section 7. The Treasurer shall receive and deposit in an appropriate bank account all monies of the Sub-Association and shall disburse all funds as directed by resolution of the Board of Directors, provided, however, that a resolution of the Board of Directors shall not be necessary for disbursements made in the ordinary course of business conducted within the limits of a budget adopted by the Board. The Treasurer shall sign all checks and notes of the Sub-Association; provided that such checks and notes shall also be signed by the President or the Vice President.

Section 8. The Treasurer shall keep proper books of account and cause an annual audit of the Sub-Association books to be made by a certified public accountant at the completion of each fiscal

year. He shall prepare an annual budget and an annual balance sheet statement and the budget and balance sheet statement shall be presented to the membership at its regular annual meeting.

ARTICLE XII

COMMITTEES

Section 1. The Standing Committees of the Sub-Association shall be: the Nominations Committee, the Recreation Committee, the Maintenance Committee, the Publicity Committee, and the Audit Committee.

Unless otherwise provided herein, each Committee shall consist of a Chairman and two (2) or more Members and shall include a member of the Board of Directors for Board contact. Committees shall be appointed by the Board of Directors prior to each annual meeting 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 Board of Directors may appoint such other committees as it deems desirable.

Section 2. The Nominations Committee shall have the duties and functions described in Article VIII hereof.

Section 3. The Recreation Committee shall advise the Board of Directors on all matters pertaining to the recreational program and activities of the Sub-Association and shall perform such other functions as the Board, in its discretion, determines.

Section 4. The Maintenance Committee shall advise the Board of Directors on all matters pertaining to the maintenance, repair or improvement of the Limited Common Properties and facilities of the Sub-Association, and shall perform such other functions as the Board, in its discretion, determines.

Section 5. The Publicity Committee shall inform the Members of all activities and functions of the Sub-Association and shall, after consulting with the Board of Directors, make such public releases and announcements as are in the best interests of the Sub-Association.

Section 6. The Audit Committee shall supervise the annual audit of the Sub-Association's books and approve the annual budget and balance sheet statements to be presented to the membership at its regular annual meeting as provided in Article XI, Section 8. The Treasurer shall be an ex-officio member of the Committee.

Section 7. With the exception of the Nominations Committee, each Committee shall have power to appoint a subcommittee from among its membership and may delegate to any such subcommittee any of its powers, duties and functions.

Section 8. It shall be the duty of each Committee to receive complaints from Members about any matter involving Sub-Association functions, duties and activities within its field of responsibility. It shall dispose of such complaints as it deems appropriate or refer them to such other Committee, director or officer of the Sub-Association as is further concerned with the matter presented. All such actions or decisions shall be subject to review by the Board of Directors.

ARTICLE XIII

MEETINGS OF MEMBERS

Section 1. The regular annual meeting of membership shall be held on the second Saturday of the month of June in each year, at the hour of 12:00 o'clock noon. If the day for the annual meeting of the Members shall fall upon a holiday, the meeting will be held on the same hour on the first day following which is not a holiday.

Section 2. Special meetings of the Members for any purpose may be called at any time by the President, the Vice President, the Secretary or Treasurer, or by any two (2) or more members of the Board of Directors, or upon written request of the Members who have a right to vote one-fourth (1/4) of all the votes of the entire membership or who have a right to vote one-fourth (1/4) of the votes of the Class A membership.

Section 3. Notice of any meetings shall be given to the Members by the Secretary. Notice may be given to the Member either personally or by sending a copy of the notice through the mails, postage thereon fully prepaid, to his address appearing on the books of the corporation. Each Member shall register his address with the Secretary, and notices of meetings shall be mailed to him at such address. Notice of any meeting, regular or special, shall be mailed at least six (6) days in advance of the meeting and shall set forth in general the nature of the business to be transacted; provided, however, that if the business of any meeting shall involve an election governed by Article VIII herein or any action governed by the Articles of Incorporation or by the Declaration applicable to The Properties, notice of such meeting shall be given or sent as therein provided.

Section 4. The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, one-tenth (1/10) of the votes of each class of membership shall constitute a quorum for

any action governed by these By-Laws. Any action governed by these By-Laws, the Articles of Incorporation or by the Supplemental Declaration shall require a quorum as therein provided.

ARTICLE XIV

PROXIES

Section 1. At all corporate meetings of Members, each Member shall vote either in person or by proxy in order for such vote to be effective.

Section 2. All proxies shall be in writing and filed with the Secretary. No proxy shall extend beyond the meeting for which it was given and any adjournments thereof. Every proxy shall automatically cease upon sale by the Member of his home, Lot, or other interest in The Properties.

ARTICLE XV

BOOKS AND PAPERS

Section 1. The books, records and papers of the Sub-Association shall at all times, during reasonable business hours, be subject to inspection by any Member.

ARTICLE XVI

CORPORATE SEAL

Section 1. The Sub-Association shall have a seal in circular form having within its circumference the words: Waterwood Townhomes Association, Inc.

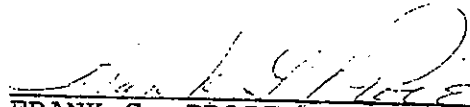
ARTICLE XVII

AMENDMENT


Section 1. These By-Laws may be amended, at any regular or special meeting of the Members, by a vote of two-thirds (2/3) of the Members present in person or by proxy, provided that those provisions of these By-Laws which are governed by the Articles of Incorporation of this Sub-Association may not be amended except as provided in the Articles of Incorporation or applicable law; and provided further that any matter stated herein to be or which is in fact governed by the Supplemental Declaration may not be amended except as provided in the Supplemental Declaration.

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

IN WITNESS WHEREOF, the undersigned, being all of the directors of WATERWOOD TOWNHOMES ASSOCIATION, INC., have hereunto set their hands this 9th day of February, 1982.


FRANK G. PROIE


ROBERT ZAHRADNIK


CARRIE ZAHRADNIK