PART FIVE: PROPERTY RIGHTS WITHIN THE COMMUNITY

The nature of living in a planned community, with its wide array of properties and development types and its ongoing development activity, requires the creation of special property rights and provisions to address the needs and responsibilities of the Owners, Declarant, the Association, and others within or adjacent to the Community.

Article XI Easements

11.1. Easements in Common Area.

Declarant grants to each Owner a right and easement of use, access, and enjoyment in and to the Common Area, subject to:

(a) The Governing Documents and any other applicable covenants;

(b) Any restrictions or limitations contained in any deed conveying the property to the Association;

(c) The Board's right to:

(i) adopt rules regulating Common Area use, including rules limiting the number of guests who may use the Common Area, and charge use fees for such use;

(ii) suspend the right of an Owner to use any Common Area amenity (A) for any period during which any assessment or other charge against the Owner's Lot remains delinquent, and (B) for a period not to exceed 30 days for a single violation, or for a longer period in the case of any continuing violation, of the Governing Documents;

(iii) dedicate or transfer all or any part of the Common Area, subject to any approval requirements set forth in this Declaration;

(iv) rent any portion of any clubhouse or other Common Area recreational facilities on an exclusive or non-exclusive short-term basis to any Person;

(v) permit use by the general public, which use may be subject to admission charges, membership fees, or other user fees established in the Board's discretion; and

(vi) mortgage, pledge, or hypothecate any or all of the Common Area as security for money borrowed or debts incurred; and

(d) The rights of certain Owners to the exclusive use of those portions of the Common Area designated "Limited Common Areas," as described in Article XII.

Any Owner may extend his or her right to use the Common Area to the members of his or her family, tenants, and social invitees, as applicable, subject to reasonable Board regulation. An Owner who leases his or her Lot shall be deemed to have assigned all such rights to the tenants of such Lot for the lease term.

Notwithstanding the above, except for registered guests of the WaterColor Inn, the guests, patrons, or employees of Non-Residential Lots shall not have a right or easement to use the Association's beach club or other Common Area recreational facilities (including, without limitation, any swim, tennis, or boating facility, or any restaurant or snack facility the Association owns). Such Persons may use these facilities only with the Association's express permission, which it shall not be required to give. Registered guests of the WaterColor Inn shall have a right to use and enjoy the Association's beach club and other Common Area recreational facilities for the period during which they are permitted to occupy the WaterColor Inn as a registered guest.

Any Person's use and enjoyment of the Common Area is subject to the Board's authority to promulgate and enforce Use Restrictions and reasonable rules and regulations governing such use and to charge use, consumption, or membership fees as provided for in this Declaration. The rules and regulations and fees may be different for different classifications of users, including, but not limited to, Owners of Residential Lots, Owners and guests or permitted users of Non-Residential Lots, guests or social invitees unaccompanied by Owners, or otherwise. The posting of rules and regulations and fees in a conspicuous manner and location within WaterColor or the publication in a community newsletter of general circulation within WaterColor shall be deemed sufficient notice to all permitted users; provided, the Board, in its discretion, may provide notice of rules, regulations, and fees by other means or methods.

11.2. Easements of Encroachment.

Declarant grants easements of encroachment, and for maintenance and use of any permitted encroachment, between each Lot and any adjacent Common Area and between adjacent Lots. A permitted encroachment is a structure or fixture which extends unintentionally from one person's property on to another's a distance of less than three feet, as measured from any point on the common boundary along a line perpendicular to such boundary. An encroachment easement shall not exist if the encroachment results from willful and knowing conduct on the part of, or with the knowledge and consent of, the Person claiming the benefit of such easement.

11.3. Easements for Utilities, Etc.

(a) Installation and Maintenance. Declarant reserves for itself, so long as Declarant or any Declarant Affiliate owns any property described in Exhibit "A" or "B," and grants to the Association and utility providers, perpetual, non-exclusive easements throughout WaterColor (but not through a structure) to the extent reasonably necessary to:

(i) install utilities and infrastructure to serve WaterColor, cable and other systems for sending and receiving data and/or other electronic signals, drainage systems, and security and similar systems;

(ii) install walkways, pathways and trails, street lights, and signage on property which Declarant or the Association owns or within public rights-of-way or easements reserved for such purpose on a Plat;

(iii) inspect, maintain, repair, and replace the utilities, infrastructure, and other improvements described above; and

(iv) access and read utility meters.

Notwithstanding the above, Declarant reserves the right to deny access to any utility or service provider, to the extent permitted by law, or to condition such access on negotiated terms.

(b) Specific Easements. Declarant also reserves for itself the non-exclusive right and power to grant and Record such specific easements as may be necessary, in Declarant's sole discretion, to develop the property described in Exhibits "A" and "B." The location of the easement shall be subject to the written approval of the burdened property Owner, which approval shall not unreasonably be withheld, delayed, or conditioned.

(c) Minimal Interference. All work associated with the exercise of the easements described in subsections (a) and (b) of this Section shall be performed in such a manner as to minimize interference with the use and enjoyment of the property burdened by the easement. Upon completion of the work, the Person exercising the easement shall restore the property, to the extent reasonably possible, to the condition existing prior to the work. The exercise of these easements shall not extend to permitting entry into structures on a Lot, nor shall it unreasonably interfere with the use of any Lot and, except in an emergency, entry onto any Lot shall be made only after reasonable notice to the Owner or occupant.

11.4. Easements to Serve Additional Property.

Declarant reserves for itself and its duly authorized agents, successors, assigns, and mortgagees, an easement over the Common Area for enjoyment, use, access, and development of the property described in Exhibit "B," whether or not such property is made subject to this Declaration. This easement includes, but is not limited to, a right of ingress and egress over the Common Area for construction of roads and for connecting and installing utilities.

If the above easement grants permanent access to any property which is not submitted to this Declaration, Declarant, or its successors or assigns, shall enter into a reasonable agreement with the Association to share the cost of maintenance that the Association provides for the benefit of the easement holder. The shared maintenance costs may include maintenance to or along any roadway providing access to the benefited property.

11.5. Easements for Maintenance, Emergency, and Enforcement.

Declarant grants to the Association easements over WaterColor as necessary for the Association to fulfill its maintenance responsibilities under Section 7.2. The Association shall also have the right, but not the obligation, to enter upon any Lot for emergency, security, and safety reasons, to perform maintenance and to inspect for the purpose of ensuring compliance with and enforcing the Governing Documents. Any member of the Board, and its duly authorized agents and assignees, including committee members, and all emergency personnel in the performance of their duties may exercise such right. Except in an emergency situation, entry shall only be during reasonable hours and after notice to the Owner.

Declarant grants to the Association, subject to any required notice, an easement and right to enter a Lot to abate a Governing Document violation and/or to remove any structure, thing, or condition which violates the Governing Documents. Any costs incurred, including reasonable attorneys' fees, shall be assessed against the Lot Owner as a Benefited Assessment.

11.6. Easements for Lake and Pond Maintenance and Flood Water.

Declarant reserves for itself, the Association, and their successors, assigns, and designees, the nonexclusive right and easement, but not the obligation, to enter upon bodies of water and wetlands located within the Common Maintenance Areas to (a) install, operate, maintain, and replace pumps to supply irrigation water to the Common Maintenance Areas; (b) construct, maintain, and repair structures and equipment used for retaining water; and (c) maintain such areas in a manner consistent with the Community-Wide Standard. Declarant, the Association, and their successors, assigns, and designees shall have an access easement over and across any portion of the Community which abuts or contains bodies of water or wetlands to the extent reasonably necessary to exercise their rights under this Section.

Declarant further reserves for itself, the Association, and their successors, assigns and designees, a perpetual, nonexclusive right and easement of access and encroachment over the Common Area and Lots (but not inside a dwelling or other structure) adjacent to or within 100 feet of bodies of water and wetlands within WaterColor, in order to (a) temporarily flood and back water upon and maintain water over such portions of WaterColor; (b) alter in any manner and generally maintain the bodies of water and wetlands within the Common Maintenance Areas; and (c) maintain and landscape the slopes and banks pertaining to such areas. Anyone exercising these easements shall use reasonable care in and repair any damage resulting from their intentional exercise of the easements. Nothing herein shall be construed to make Declarant or any other Person liable for damage resulting from flooding due to natural occurrences or other occurrences not reasonably foreseeable or under the control of Declarant or such other Person.

11.7 Easements for Cross-Drainage.

All portions of the Community shall be burdened with easements for natural drainage of stormwater runoff from other portions of the Community; provided, no Person shall alter the natural drainage on any Lot to increase materially the drainage of stormwater onto adjacent portions of the Community without the consent of the Owner(s) of the affected property, the Board, and Declarant as long as it or any Declarant Affiliate owns any property described in Exhibit "A" or "B" to the Declaration.

11.8. Rights to Stormwater Runoff, Effluent, and Water Reclamation.

Declarant reserves for itself and its designees all rights to ground water, surface water, stormwater runoff, and effluent located or produced within the Community, and each Owner agrees, by acceptance of a deed to a Lot, that Declarant shall retain all such rights. Such rights shall include the reservation of an easement over the Community for access, and for installation and maintenance of facilities and equipment to capture and transport such water, runoff, and effluent. This Section may not be amended without Declarant's consent, and the rights created in this Section shall survive termination of this Declaration.

Article XII Limited Common Areas

12.1. Purpose.

Certain portions of the Common Area may be designated as Limited Common Area and reserved for the exclusive use or primary benefit of Owners and occupants within a particular Neighborhood or Neighborhoods. For example, Limited Common Areas may include portions of a building, entry features, recreational facilities, landscaped medians and cul-de-sacs, lakes, and other portions of the Common Area within a particular Neighborhood or Neighborhoods. All costs associated with maintenance, repair, replacement, and insurance of a Limited Common Area shall be a Neighborhood Expense allocated among the Owners in the Neighborhood(s) to which the Limited Common Areas are assigned.

12.2. Designation.

Initially, any Limited Common Area shall be designated as such in a Supplemental Declaration, the deed conveying such area to the Association, or on a Plat; provided, any such assignment shall not preclude Declarant from later assigning use of the same Limited Common Area to additional Lots and/or Neighborhoods, so long as Declarant has a right to subject additional property to this Declaration pursuant to Section 9.1.

In addition, the Board may assign or reassign Limited Common Area upon the vote of Neighborhood Representatives representing a majority of the total Class "A" votes in the Association, and of Members representing a majority of the Class "A" votes within the Neighborhood(s) affected by the proposed assignment or reassignment. As long as Declarant or any Declarant Affiliate owns any property subject to this Declaration or which may become subject to this Declaration in accordance with Section 9.1, Declarant's written consent also is required.

12.3. Use by Others.

If a majority of Owners of Lots to which any Limited Common Area is assigned approve, the Association may permit Owners of other Lots or others to use all or a portion of such Limited Common Area and may require payment of reasonable user fees for such use. Any such fees shall be used to offset the expenses attributable to such Limited Common Area.

Article XIII Party Walls and Other Shared Structures

13.1. General Rules of Law to Apply.

Each wall, fence, driveway, or similar structure built as a part of the original construction on the Lots which serves and/or separates any two adjoining Lots shall constitute a party structure. To the extent not inconsistent with the provisions of this Section, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply to party structures. Any dispute arising concerning a party structure shall be handled in accordance with the provisions of Article XIV.

13.2. Maintenance; Damage and Destruction.

Unless otherwise specifically provided in additional covenants relating to such Lots, the Owners sharing the party structure shall share the cost of necessary or appropriate party structure repairs and maintenance equally.

If a party structure is destroyed or damaged by fire or other casualty, then to the extent that such damage is not covered by insurance and repaired out of the proceeds of insurance, any Owner sharing the structure may restore it and be entitled to contribution for the restoration cost in equal proportions from other sharing owners. However, such contribution will not prejudice the right to call for a larger contribution from the other users under any rule of law regarding liability for negligent or willful acts or omissions.

The right of any Owner to contribution from any other Owner under this Section shall be appurtenant to the land and shall pass to such Owner's successors-in-title.

PART SIX: RELATIONSHIPS WITHIN AND OUTSIDE THE COMMUNITY

The growth and success of WaterColor as a community in which people enjoy living, working, and playing requires good faith efforts to resolve disputes amicably, attention to and understanding of relationships within the community and with our neighbors, and protection of the rights of others who have an interest in the community.

Article XIV Dispute Resolution

14.1. Agreement to Encourage Resolution of Disputes Without Litigation.

(a) Declarant, the Association and its officers, directors, and committee members; all Persons subject to this Declaration, and any Person not otherwise subject to this Declaration who agrees to submit to this Article (collectively, "Bound Parties"), agree to attempt to resolve disputes involving WaterColor without the emotional and financial costs of litigation. Accordingly, each Bound Party agrees not to, directly or indirectly, file a law suit for a Claim described in subsection (b), without first submitting the Claim to the alternative dispute resolution procedures described in Section 14.2.

(b) As used in this Article, the term "Claim" shall refer to any claim, grievance, or dispute arising out of or relating to:

(i) the interpretation, application, or enforcement of the Governing Documents;

(ii) the rights, obligations, and duties of any Bound Party under the Governing Documents;

(iii) the design or construction of improvements within the Community, other than matters of aesthetic judgment under Article IV, which shall not be subject to review; or

(iv) trespass, nuisance, property damage, enforcement of laws, codes, or ordinances within WaterColor.

Notwithstanding the above, the following shall not be considered "Claims" unless all parties to the matter otherwise agree to submit the matter to the procedures set forth in Section 14.2:

(i) any Association action to collect assessments or other amounts due from any Owner;

(ii) any Association action to obtain a temporary restraining order (or emergency equitable relief) and such ancillary relief as the court may deem necessary in order to maintain the status quo and preserve the Association's ability to enforce the provisions of Part Two of this Declaration (relating to creation and maintenance of community standards);

(iii) any dispute which affects the material rights or obligations of a party who is not a Bound Party and has not agreed to submit to the procedures set forth in Section 14.2; and

(iv) any suit as to which the applicable statute of limitations would expire within 180 days of giving the Notice required by Section 14.2(a), unless the party or parties against whom the Claim is made agree to toll, or extend, the Claim's statute of limitations to comply with this Article.

14.2. Dispute Resolution Procedures.

(a) Notice. The Bound Party asserting a Claim ("Claimant") against another Bound Party ("Respondent") shall give written notice ("Notice") by mail or personal delivery to each Respondent, and to the Board, stating plainly and concisely:

(i) the nature of the Claim, including the Persons involved and Respondent's role in the Claim;

(ii) the legal basis of the Claim (i.e., the specific authority out of which the Claim arises);

(iii) the Claimant's proposed resolution or remedy; and

(iv) the Claimant's desire to meet with the Respondent to discuss in good faith ways to resolve the Claim.

(b) Negotiation. The Claimant and Respondent shall make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation. If requested in writing, accompanied by a copy of the Notice, the Board may appoint a representative to assist the parties in negotiating a resolution of the Claim.

(c) Mediation. If the Bound Parties have not resolved the Claim through negotiation within 30 days of the date of the Notice (or within such other agreed upon period), the Claimant

shall have 30 additional days to submit the Claim to mediation with an entity designated by the Association (if the Association is not a party to the Claim) or to an independent agency providing dispute resolution services in the Walton County area. Each Bound Party shall present the mediator with a written summary of the Claim.

If the Claimant does not submit the Claim to mediation within such time, or does not appear for and participate in good faith in the mediation when scheduled, the Claimant shall be deemed to have waived the Claim, and the Respondent shall be relieved of any and all liability to the Claimant (but not third parties) on account of such Claim.

If the Bound Parties do not settle the Claim within 30 days after submitting the matter to mediation, or within such time as determined reasonable by the mediator, the mediator shall issue a notice of termination of the mediation proceedings indicating that the Parties are at an impasse and the date that mediation was terminated. Except as provided in Section 14.2(e), the Claimant shall thereafter be entitled to file suit or to initiate administrative proceedings on the Claim, as appropriate.

Each Bound Party shall bear its own costs of the mediation, including attorneys' fees, and each Party shall share equally all fees charged by the mediator.

(d) Settlement. Any settlement of the Claim through negotiation or mediation shall be documented in writing and signed by the Bound Parties. If any Bound Party thereafter fails to abide by the terms of such agreement, then any other Bound Party may file suit or initiate administrative proceedings to enforce such agreement without the need to again comply with the procedures set forth in this Section. In such event, the Bound Party taking action to enforce the agreement shall, upon prevailing, be entitled to recover from the non-complying Bound Party (or each one in equal proportions) all costs incurred in enforcing such agreement, including, without limitation, attorneys' fees and court costs.

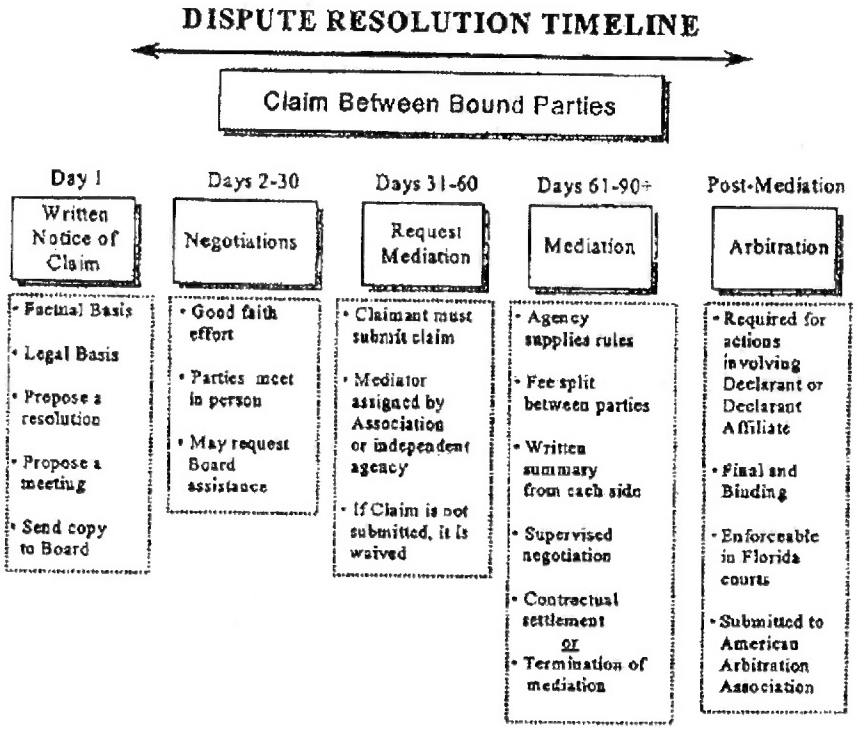
(e) Actions Involving Declarant – Final and Binding Arbitration. Any dispute between an Owner or the Association and Declarant or any Declarant Affiliate, including Claims which remain after conclusion of the dispute resolution procedures described in Section 14.2, shall be resolved by final and binding arbitration in accordance with this subsection (e). Such disputes shall not be submitted as a lawsuit or other proceeding in any Florida state court or federal court. Notwithstanding the above, disputes affecting the material rights and obligations of a third party who is not a party to or bound by such arbitration shall not be subject to this subsection.

This subsection (e) is an agreement to arbitrate and is specifically enforceable under Florida law. Judgment may be entered upon the arbitration award in any court of competent jurisdiction to the fullest extent permitted under Florida law.

The Owner, the Association, Declarant or a Declarant Affiliate, as applicable, shall have until expiration of the applicable statute of limitations under Florida law (as would apply to the same claim being brought in a Florida or federal court) to submit the dispute to the American Arbitration Association for arbitration in Walton or Bay County. The American Arbitration Association shall appoint one neutral arbitrator to conduct the arbitration in accordance with its

rules, unless all of the parties to such dispute agree to a greater number of arbitrators. The arbitrator(s) shall render a written judgment accompanied by findings of fact and conclusions of law.

If not timely submitted to arbitration or if the Claimant fails to appear for the arbitration proceeding, the Claim shall be deemed abandoned, and the Respondent, shall be released and discharged from any and all liability to the Claimant arising out of the dispute. The parties shall share equally the costs of conducting the arbitration until a prevailing party is determined; provided, the prevailing party shall be entitled to recover all of its costs incurred in the action, including, without limitation, reasonable attorneys' fees.



Article XV Private Amenities

15.1. Right to Use the Private Amenities.

Neither membership in the Association nor ownership or occupancy of a Lot shall automatically confer any right to use any Private Amenity. Rights to use any Private Amenity, and the terms and conditions of use, are determined only by the Private Amenity owner. Any Private Amenity owner shall have the right, from time to time in its sole and absolute discretion and without notice, to cease operations or to amend or waive the terms and conditions relating use of the Private Amenity, including, without limitation, eligibility for and duration of use rights, categories of use, extent of use privileges, and number of users, and shall also have the right to reserve use rights and to terminate use rights altogether, subject to the terms of any

written membership agreements or documents. Use rights in or membership in any Private Amenity may be available to the general public, as determined in the Private Amenity owner's sole and absolute discretion.

15.2. Operations; Conveyance of Private Amenities.

All Persons, including all Owners, are advised that no representations or warranties have been or are authorized by Declarant, any Declarant Affiliate, the Association, any Builder, or by any Person acting on behalf of any of the foregoing, with regard to the continuing ownership, operation, use, management, or membership structure of any Private Amenity. No purported representation or warranty in such regard, either written or oral, shall be effective unless specifically set forth in a written instrument executed by the Record owner of any Private Amenity.

The ownership, operation, use, or management of any Private Amenity (or any portion of a Private Amenity) may change at any time by virtue of, without limitation, (a) the sale to or assumption of operations or management by an independent Person; (b) establishment of, or conversion of the membership structure to, an "equity" club or similar arrangement whereby the Private Amenity members or an entity owned or controlled by its members become the Private Amenity owner(s) and/or operator(s); (c) the conveyance of the Private Amenity to one or more of Declarant's Affiliates, shareholders, employees, or independent contractors; or (d) the operation of the Private Amenity as a commercial enterprise open to the public. Consent of the Association or any Owner shall not be required to effectuate any change in ownership or operation of any Private Amenity, for or without consideration and subject to or free of any mortgage, covenant, lien, or other encumbrance.

15.3. Rights of Access and Parking.

There is established for the benefit of any Private Amenity and its members (regardless of whether such members are Owners hereunder), guests, invitees, employees, agents, contractors, and designees, a right and non-exclusive easement of access and use over all roadways within the Community reasonably necessary to travel between an entrance to the Community and the Private Amenity and over those portions of the Community (whether Common Area or otherwise) reasonably necessary to the operation, maintenance, repair, and replacement of the Private Amenity. Without limiting the generality of the foregoing, Private Amenity members, guests, and invitees shall have the right to park their vehicles on roads located within the Community at reasonable times before, during, and after member or public functions held by or at the Private Amenity to the extent that the Private Amenity has insufficient parking to accommodate such vehicles.

15.4. Limitations on Amendments.

In recognition of the fact that the provisions of this Article are for the benefit of the Private Amenities, no amendment to this Article, and no amendment in derogation of any other provisions of this Declaration benefiting any Private Amenity, may be made without the affected Private Amenity owner's written approval. The foregoing shall not apply, however, to amendments made by Declarant.

15.5. Jurisdiction and Cooperation.

Declarant intends that the Association and the Private Amenities shall cooperate to the maximum extent possible in the operation of the Community and the Private Amenities. Each shall reasonably assist the other in upholding the Community-Wide Standard as it pertains to maintenance and the Design Guidelines. The Association shall have no power to promulgate Use Restrictions affecting activities on or use of any Private Amenity without the affected Private Amenity owner's prior written consent.

Article XVI Mortgagee Provisions

The following provisions are for the benefit of holders, insurers, and guarantors of first Mortgages on Lots. The provisions of this Article apply to both this Declaration and to the By-Laws, notwithstanding any other provisions contained therein.

16.1. Notices of Action.

An institutional holder, insurer, or guarantor of a first Mortgage which provides a written request to the Association (such request to state the name and address of such holder, insurer, or guarantor and the street address of the Lot to which its Mortgage relates) (an "Eligible Holder"), will be entitled to timely written notice of:

(a) Any condemnation loss or any casualty loss which affects a material portion of the Community or which affects any Lot on which there is a first Mortgage held, insured, or guaranteed by such Eligible Holder;

(b) Any delinquency in the payment of assessments or charges owed by a Lot subject to the Mortgage of such Eligible Holder, where such delinquency has continued for a period of 60 days, or any other violation of the Governing Documents relating to such Lot or the Owner or occupant which is not cured within 60 days;

(c) Any lapse, cancellation, or material modification of any Association insurance policy;

(d) Any proposed action which would require the consent of a specified percentage of Eligible Holders; or

If the U.S. Department of Housing and Urban Development is insuring or the U.S. Department of Veterans Affairs is guaranteeing the Mortgage on any Lot, material amendment to the Governing Documents or extraordinary action of the Association, as defined under VA Pamphlet 26-7.

16.2. No Priority.

No provision of this Declaration or the By-Laws gives or shall be construed as giving any Owner or other party priority over any rights of the first Mortgagee of any Lot in the case of distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of the Common Area.

16.3. Notice to Association.

Upon request, each Owner shall be obligated to furnish to the Association the name and address of the holder of any Mortgage encumbering the Owner's Lot.

16.4. Failure of Mortgagee to Respond.

Any Mortgagee who receives a written request from the Board to respond to or consent to any action shall be deemed to have approved such action if the Association does not receive a written response from the Mortgagee within 30 days of the date of the Association's request, provided such request is delivered to the Mortgagee by certified or registered mail, return receipt requested.

Article XVII Disclosures and Waivers

17.1 Changes in Master Plan.

Each Owner acknowledges that WaterColor is a master planned community, the development of which is likely to extend over many years, and agrees and consents to all changes in (a) uses or density of Lots or dwellings within WaterColor, or (b) changes in the Master Plan.

Each Owner further acknowledges and agrees that the Master Plan and the present plans and themes for WaterColor's development may change in Declarant's discretion and that no notice or consent is required for such changes except as may be required by law. No representations, warranties, or assurances are made by any Person, and none shall be relied upon by any Owner (a) that any Lots, or other property or facilities will be added, modified, or eliminated within WaterColor; or (b) as to the financial or other impact of such action on any Owner. Each Owner acknowledges and agrees that he or she is not entitled to rely upon and has not received or relied upon any representations, warranties, or guarantees whatsoever as to: (a) the design, construction, completion, development, use, benefits, or value of WaterColor; or (b) the number, types, sizes, prices, or designs of any residential or non-residential structures or improvements built or to be built in any part of WaterColor.

17.2. No Liability For Third Party Acts.

Owners and occupants of Lots, and their respective guests and invitees, are responsible for their own personal safety and for their property in WaterColor. The Association may, but is not obligated to, maintain or support certain activities within the Community which promote or enhance safety or security within the Community. However, the Association, and Declarant shall not in any way be considered insurers or guarantors of safety or security within the Community, nor shall they be held liable for any loss or damage by reason of failure to provide adequate security or ineffectiveness of security measures undertaken.

No representation or warranty is made that any systems or measures, including fire protection, burglar alarm, or other security monitoring systems, or any mechanism or system for limiting access to the Community, cannot be compromised or circumvented, nor that any such systems or measures undertaken will in all cases prevent loss or provide the detection or

protection for which the system is designed or intended. Each Owner acknowledges, understands, and shall be responsible for informing its tenants and all occupants of its Lot that the Association, the Board and Association committees, and Declarant are not insurers or guarantors of security or safety and that each Person within WaterColor assumes all risks of personal injury and loss or damage to property, including Lots and the contents of Lots, resulting from acts of third parties.

17.3. View Impairment.

Neither Declarant nor the Association guarantee or represent that any view over and across the Lots, any open space within the Community, the beach, the Gulf of Mexico or any other body of water, or any Private Amenity will be preserved without impairment. Neither Declarant nor the Association nor any Private Amenity owner shall be obligated to relocate, prune, or thin trees or other landscaping except to maintain the Community-Wide Standard or as otherwise required under a separate covenant or agreement. The Association (with respect to the Common Area) and Private Amenity owners (with respect to Private Amenity property) have the right to add trees and other landscaping from time to time subject to applicable law. Any express or implied easements for view purposes or for the passage of light and air are hereby expressly disclaimed.

17.4. Notices and Disclaimers as to Community Systems.

In recognition of the fact that interruptions in cable television and other Community Systems services (as defined in Section 10.6) will occur from time to time, neither Declarant nor any of Declarant's successors or assigns shall in any manner be liable for, and no Community System user shall be entitled to refund, rebate, discount, or offset in applicable fees, for any interruption in Community Systems services, regardless of whether or not such interruption is caused by reasons within the service provider's control.

17.5. Blasting and Other Activities.

All Owners, occupants, and users of Lots are hereby placed on notice that Association, Declarant, Declarant's Affiliates, and/or their agents, contractors, subcontractors, licensees, and other designees, successors, or assigns, may, from time to time, conduct blasting, excavation, construction, and other activities within WaterColor. By the acceptance of a deed or other conveyance or mortgage, leasehold, license, or other interest, and by using any portion of a Lot or WaterColor generally, the Owners and all occupants and users of Lots acknowledge, stipulate, and agree (a) that such activities shall not be deemed nuisances, or noxious or offensive activities, under any applicable covenants or at law generally; (b) not to enter upon, or allow their children or other Persons under their control or direction to enter upon (regardless of whether such entry is a trespass or otherwise) any property within or in proximity to the Lot where such activities are being conducted (even if not being actively conducted at the time of entry, such as at night or otherwise during non-working hours); (c) that Declarant, the Association, Declarant Affiliate, and all of their agents, contractors, subcontractors, licensees, and other designees, successors, and assigns, shall not be liable but, rather, shall be held harmless for any and all losses, damages (compensatory, consequential, punitive, or otherwise), injuries, or deaths arising from or relating to the aforesaid activities; (d) that any purchase or use of any

portion of a Lot, or common area has been and will be made with full knowledge of the foregoing; and (e) that this acknowledgment and agreement is a material inducement to Declarant or its Affiliates to sell, convey, lease, and/or allow the use of Lots within WaterColor.

17.6. Water Management.

Each Owner acknowledges that Declarant and its Affiliates are not related to the local permitting authority for surface water permits. Each Owner further acknowledges and agrees that any lakes or wetlands within WaterColor are designed as water management areas and are not designed as aesthetic features. Due to fluctuations in ground water elevations within the immediate area, the water level of lakes will rise and fall and the Association and Declarant have no control over such elevations. Therefore, each Owner agrees to release and discharge Association, Declarant and its Affiliates from and against any and all losses, claims, demands, damages, costs, and expenses of whatever nature or kind, including reasonable attorneys' fees and costs at all tribunal levels, related to or arising out of any claims relating to such fluctuations in the water elevations (including the absence of water). Owners shall not alter, modify, expand, or fill any lakes or wetlands located within or in the vicinity of WaterColor without the prior written approval of the local permitting authority, the Association, Declarant, the U.S. Army Corps of Engineers, and such other local, state, and federal authorities as may have relevant jurisdiction over such matters.

17.7. Liability for Association Operations.

The Association shall, to the fullest extent permitted by law, indemnify, defend, and hold harmless Declarant (including its successors and assigns) from and against any and all losses, claims, demands, damages, costs, and expenses of whatever kind or nature (including, without limitation, reasonable attorneys' fees and costs at all tribunal levels and whether or not suit is instituted, including those incurred in establishing the right to be indemnified, defended, and held harmless pursuant hereto) which relate to or arise out of Association management and operations, including, without limitation, improvement, maintenance, and operation of amenities and other portions of the Common Maintenance Areas and the collection of assessments.

17.8. Assumption of Risk and Indemnification.

By purchasing a Lot in the vicinity of any Private Amenity or other property reserved for commercial or non-residential use and open to the general public, each Owner expressly assumes the risk of noise, personal injury, death, or property damage caused by maintenance and operation of such property, including, without limitation: (a) noise from the permitted operations of such use; (b) noise caused by the permitted users of such property; and (c) reduction in privacy caused by traffic (including non-residents of WaterColor) to or from such property.

Each Owner agrees that Declarant, the Association, any Private Amenity owner(s), and any of Association's or Declarant's Affiliates or agents shall not be liable to any Owner or any other Person claiming any loss or damage, including, without limitation, indirect, special, or consequential loss or damage arising from personal injury, death, destruction of property, trespass, loss of enjoyment, or any other alleged wrong or entitlement to remedy based upon, due to, arising from, or otherwise related to the proximity of Owner's Lot to the Private Amenity or

non-residential property, including, without limitation, any claim arising in whole or in part from the negligence of Declarant, any of Declarant's Affiliates or agents, or the Association. The Owner agrees to indemnify and hold harmless Declarant, Declarant's Affiliates and agents, and the Association against any and all such claims by Owner's visitors, tenants, and others upon such Owner's Lot.

PART SEVEN: CHANGES IN THE COMMUNITY

Communities such as WaterColor are dynamic and constantly evolving as circumstances, technology, needs and desires, and laws change, as the residents age and change over time, and as the surrounding community changes. WaterColor and its Governing Documents must be able to adapt to these changes while protecting the things that make WaterColor unique.

Article XVIII Changes in Ownership of Lots

Any Owner, other than Declarant or any Declarant Affiliate, desiring to sell or otherwise transfer title to his or her Lot shall give the Board at least **14** days' prior written notice of the name and address of the purchaser or transferee, the date of such transfer of title, and such other information as the Board may reasonably require. The transferor shall continue to be jointly and severally responsible with the transferee for all obligations of the Lot Owner, including assessment obligations, until the date upon which the Board, notwithstanding the transfer of title, receives such notice.

Article XIX Changes in Common Area

19.1. Condemnation.

Whenever any part of the Common Area is taken or conveyed under threat of condemnation by any authority having the power of eminent domain, the Board shall determine, in the exercise of its business judgment, whether each Owner is entitled to notice.

The award made for such taking shall be payable to the Association as trustee for all Owners to be disbursed as follows:

If the taking involves a portion of the Common Area on which improvements have been constructed, the Association shall restore or replace such improvements on the remaining land included in the Common Area to the extent practicable, unless, within 60 days after such taking, Declarant, so long as Declarant owns any property described in Exhibit "A" or "B" of this Declaration, and 75% of the total Class "A" votes in the Association shall otherwise agree. Any such construction shall be in accordance with plans the Board approves. The provisions of Section 7.3 regarding funds for the repair of damage or destruction shall apply.

If the taking does not involve any Common Area improvements, or if a decision is made not to repair or restore, or if net funds remain after any such restoration or replacement is complete, then such award or net funds shall be disbursed to the Association and used for such purposes as the Board shall determine.

19.2. Partition.

Except as permitted in this Declaration, the Common Area shall remain undivided, and no Person shall bring any action for partition of any portion of the Common Area without the written consent of all Owners and Mortgagees. This Section shall not prohibit the Board from acquiring and disposing of tangible personal property nor from acquiring and disposing of real property which may or may not be subject to this Declaration.

19.3. Transfer or Dedication of Common Area.

The Association may convey, dedicate, or otherwise transfer portions of the Common Area to Walton County, or to any other local, state, or federal governmental or quasi-governmental entity.

Article XX Amendment of Declaration

20.1. By Declarant.

In addition to specific amendment rights granted elsewhere in this Declaration, during the Class "B" Control Period, Declarant may unilaterally amend this Declaration for any purpose.

Thereafter, Declarant may unilaterally amend this Declaration if such amendment is necessary (a) to bring any provision into compliance with any applicable governmental statute, rule, regulation, or judicial determination; (b) to enable any reputable title insurance company to issue title insurance coverage on the Lots; (c) to enable any institutional or governmental lender, purchaser, insurer, or guarantor of mortgage loans, including, for example, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, HUD, or VA, to make, purchase, insure, or guarantee mortgage loans on the Lots; or (d) to satisfy the requirements of any local, state, or federal governmental agency. However, any such amendment shall not adversely affect the title to any Lot unless the Owner shall consent in writing.

20.2. By the Members.

Except as otherwise specifically provided above and elsewhere in this Declaration, this Declaration may be amended only by the affirmative vote or written consent, or any combination thereof, of 67% of the Association's total Class "A" votes. In addition, so long as Declarant or any Declarant Affiliate owns any property subject to this Declaration or which may become subject to this Declaration in accordance with Section 9.1, Declarant's written consent is required for any amendment.

Notwithstanding the above, 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.

20.3. Validity and Effective Date.

No amendment may remove, revoke, or modify any right or privilege of Declarant or the Class "B" Member without the written consent of Declarant or the Class "B" Member, respectively (or the assignee of such right or privilege). No amendment may specifically remove, revoke, or materially adversely affect the right of a Non-Residential Lot Owner to continue

operating a permitted business within a Non-Residential Lot or, by design, materially adversely impact a Non-Residential Lot Owner's permitted operations, without the consent of such Non-Residential Lot Owner. No amendment may specifically remove, revoke, or materially adversely affect the application of, or compliance with, the Development Order, the Consent Amended Final Judgment, or the Incidental Take Permit, without the written consent of the entity or entities whose approval is required to amend or to issue such documents.

Any amendment to this Declaration which alters any provision relating the Stormwater Management System, beyond maintenance in its original condition, including the water management portions of the Common Area, must have the prior approval of the Florida Department of Environmental Protection or such other governmental authorities having such approval rights.

If an Owner consents to any amendment to this Declaration or the By-Laws, it will be conclusively presumed that the Owner has the authority to consent, and no contrary provision in any Mortgage or contract between the Owner and a third party will affect the validity of such amendment.

Any amendment shall become effective upon the earliest of (a) actual notice; (b) Recording; or (c) later effective date specified in the amendment. Any procedural challenge to an amendment must be made within six months of its Recordation or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of this Declaration.

No amendment may remove, revoke, or modify the obligation to pay a transfer fee to the Foundation (as provided in Section 8.12) without the Foundation's written consent.

20.4. Exhibits.

Exhibits "A," "B," and "D" attached to this Declaration are incorporated by this reference and this Article shall govern amendment of such exhibits. Exhibit "C" is incorporated by reference and may be amended as provided in Article III or pursuant to Sections 20.1 and 20.2. All other exhibits are attached for informational purposes and may be amended as provided therein or in the provisions of this Declaration which refer to such exhibits.

IN WITNESS WHEREOF, the undersigned Declarant has executed this Declaration the date and year first written above.

DECLARANT:

THE ST. JOE COMPANY, a Florida corporation

By: Patrick Murphy

Print Name: PATRICK MURPHY

Its: VP OPERATIONS

Witnessed By:

By: Georgia Campbell

Print Name: Georgia Campbell

By: Susan Anderson

Print Name: Susan Anderson

State of Florida

County of Walton

The foregoing instrument was acknowledged before me this 18th day of Sept., 2013 by Patrick Murphy, as Vice President-Operations on behalf of The St. Joe Company, a Florida corporation. He/She is personally known to me or has produced _____ as identification.

GEORGIA R. CAMPBELL
Commission # EE 165699
Expires February 2, 2016
Bonded Thru Troy Fain-Insurance 800-385-7019

[SEAL]

Georgia R. Campbell
Notary Public

2-2-16
My commission expires

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EXHIBIT "A"

Land Submitted

Legal Description

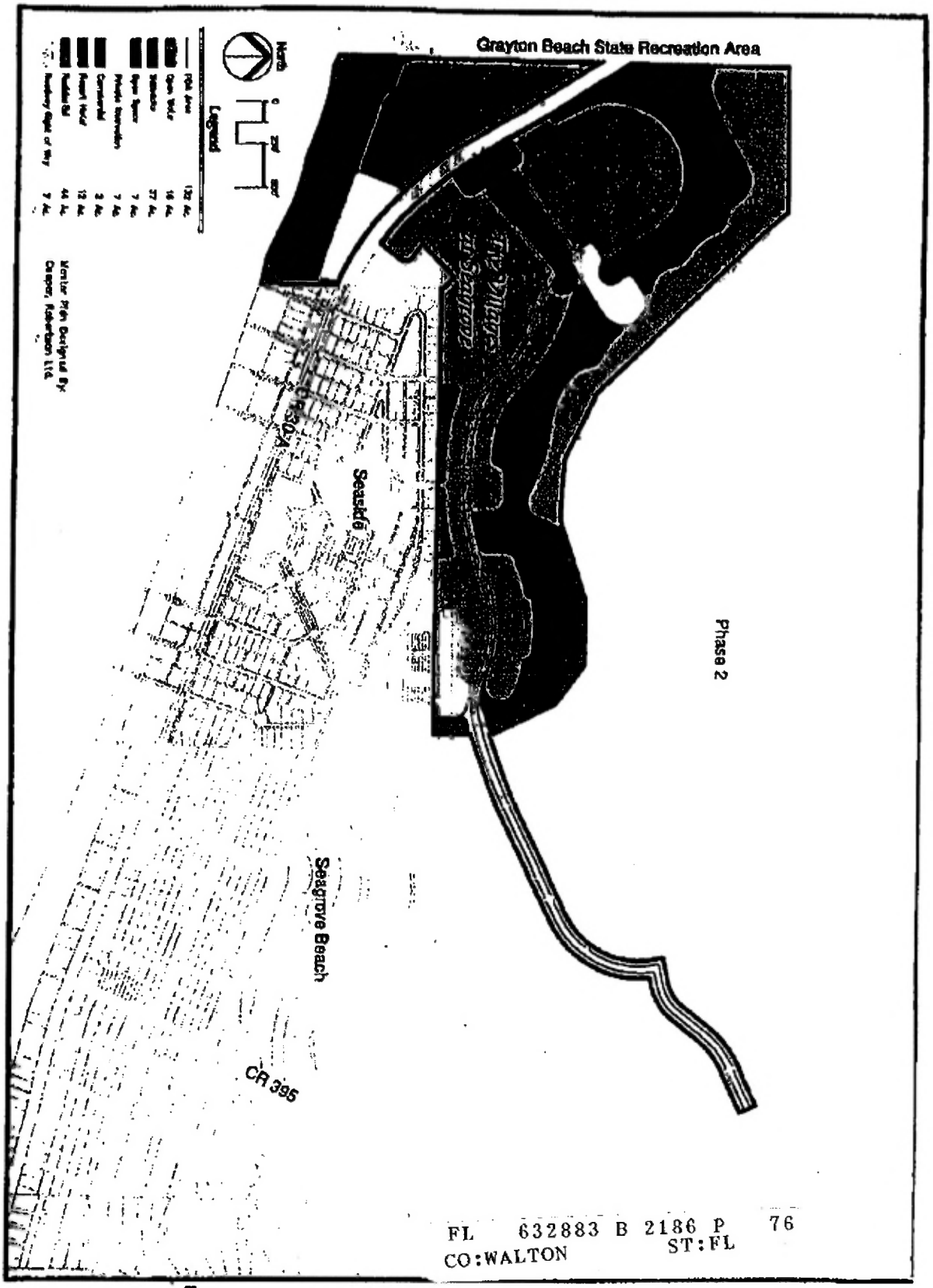
A parcel of land lying in Sections 14 and 15, Township 3 South, Range 19 West, Walton County, Florida. Being more particularly described as follows: Commence at the Northwest corner of Section 15, Township 3 South, Range 19 West, Walton County, Florida; thence *run* South 00° 36' 12" West along the West line of said Section 15 a distance of 391.48 feet to the Point of Beginning; thence, departing said West line, run North 90° 00'00" East a distance of 846.95 feet; thence South 43°41'27" East a distance of 1,503.36 feet; thence South 64°07'52" East a distance of 415.24 feet; thence South 86°25'36" East a distance of 352.34 feet; thence North 71°59'38" East a distance of 479.54 feet; thence North 90°00'00" East a distance of 379.13 feet; thence South 53°35'28" East a distance of 286.74 feet; thence South 26°22'34" East a distance of 386.07 feet; thence South 00°00'00" West a distance of 27.56 feet; thence North 71°30'05" East a distance of 289.10 feet to the Point of Curvature of a curve concave to the Northwest and having a radius of 1,530.00 feet; thence Northeasterly along the arc of said curve a distance of 175.65 feet through a central angle of 06°34'40"; thence North 64°55'25" East a distance of 682.19 feet to the Point of Curvature of a curve concave to the Northwest and having a radius of 475.00 feet; thence Northeasterly along the arc of said curve a distance of 680.24 feet through a central angle of 82'03'09"; *thence* North 78°54'48" East a distance of 143.25 feet to the Point of Curvature of a curve concave to the Northwest and having a radius of 244.00 feet; thence Northeasterly along the arc of said curve a distance of 169.47 feet through a central angle of 39°47'37"; thence North 39°07'11" East a distance of 177.64 feet to the Point of Curvature of a curve concave to the Southeast and having a radius of 627.00 feet; thence Northeasterly along the arc of said curve a distance of 295.03 feet through a central angle 0E26°57'35"; thence North 66°04'46" East a distance of 259.26 feet to a point on the Westerly Right-of-Way line of Walton County Road,

No. 395; thence South 23°55'14" East along said Westerly Right-of-Way line a distance of 100.00 feet; thence South 66°04'46" West a distance of 259.26 feet to the Point of Curvature of a curve concave to the Southeast and having a radius of 527.00 feet; thence Southwesterly along the arc of said curve a distance of 247.97 feet through a central angle of 26°57'35"; thence South 39°07'll " West a distance of 177.64 feet to the Point of Curvature of a curve concave to the Northwest and having a radius of 344.00 feet; thence Southwesterly along the arc of said curve a distance of 238.92 feet through a central angle of 39°4737"; thence South 78°54'48" West a distance of 42.79 feet to a point on a curve concave to the Northwest and having a radius of 575.00 feet; thence, from a tangent bearing of South 06°05'53" East, run Southwesterly along the arc of said curve a distance of 712.75 feet through a central angle of 71°01'17" thence South 64°55'25" West a distance of 682.19 feet to the Point of Curvature of a curve concave to the Northwest and having a radius of 1,630.00 feet; thence Southwesterly along the arc of said curve a distance of 187.13 *feet* through a central angle of 06°34'40"; thence South 71 °30'05' West a distance of 322.56 feet; thence South 00°00'00" West a distance of 215.07 feet; thence North 89°35'18" West a distance of 1,168.52 feet; thence North

89°33'21" West a distance of 1,376.17 feet; thence North 00°57'53" West a distance of 11.84 feet; thence North 46°32'01" West a distance of 82.73 feet; thence South 44°39'0] " *West* a distance of 241.16 feet; thence South 50°17'01" East a distance of 41.33 feet to a Point of Curvature of a curve concave to the Southwest and having a radius of 100.00 feet; thence Southeasterly along the arc of said curve a distance of 151.08 feet through a central angle of 86°33'39"; thence South 36°16'38" West 106.66 feet to a point on the Northerly Right-of-Way line of Walton County Road, No. C-30A, said point lying on a curve concave to the Northeast and having a radius of 1,860.08 feet; thence, from a tangent bearing of North 53°43'22" West, run Northwesterly along said Northerly Right-of-Way line and the arc of said curve a distance of 714.85 feet through a central angle of 21 ° 14'47" thence North 32 °28'35" West a distance of 1,081.04 feet to a point on the West line of said Section 15; thence departing said Northerly Right-of-Way line, run North 00°36'12" East along said West line a distance of 910.77 feet to the Point of Beginning;

AND

Commence at the Northwest corner of Section 15, Township 3 South, Range 19 West, Walton County, Florida, thence run South 00°36'12" West along the West line of said Section 15 a distance of 1,485.47 feet to a point on the Southerly Right-of-Way line of Walton County Road, No. C-30A, and the Point of Beginning; thence South 32°28'35" East along said Southerly Right-of-Way line a distance of 927.51 feet to the Point of Curvature of a curve concave to the Northeast and having a radius of 1,960.08 feet; thence Southeasterly along the arc of said curve a distance of 1,023.82 feet through a central angle of 29'55'39"; thence South 69°28'39" East a distance of 65.82 feet; thence, departing said Southerly Right-of-Way line, run South 00°59'26" West a distance of 430 feet more or less to the mean high water line of the Gulf of Mexico; thence Northwesterly along said mean high water line a distance of 1,394 feet more or less to a point on the West line of said Section 15; thence North 00°36'12" East along said West line a distance of 1,492 feet more or less to the Point of Beginning. Containing 132 acres more or less.



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CO:WALTON ST:FL

PRELIMINARY DEVELOPMENT AREA MASTER PLAN

The Villages at Seagrove ›ArSTjOE

Preliminary Development Statement of Justification
adobe' 1998

PBSS

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EXHIBIT "A-1"

Original Supplemental Declarations

All Recorded Supplemental Declarations to the Original Declaration that pre-date the Recording of this First Amended and Restated Declaration (the "Original Supplemental Declarations"), including but not limited to those listed below, and specifically including all legal descriptions therein, are hereby incorporated into this First Amended and Restated Declaration.

Deed Book 2270, Page 254
Deed Book 2282, Page 118
Deed Book 2289, Page 507
Deed Book 2289, page 559
Deed Book 2289, Page 571
Deed Book 2299, Page 309
Deed Book 2299, Page 319
Deed Book 2299, Page 329
Deed Book 2339, Page 754
Deed Book 2339, Page 757
Deed Book 2341, Page 1889
Deed Book 2350, Page 1389
Deed Book 2352 Page 179
Deed Book 2361, Page 1794
Deed Book 2370, Page 1855
Deed Book 2376, Page 1667
Deed Book 2385, Page 612
Deed Book 2411, Page 787
Deed Book 2416, Page 1113
Deed Book 2425, Page 260
Deed Book 2434, Page 1373
Deed Book 2484, Page 559
Deed Book 2498, Page 1870
Deed Book 2528, Page 442
Deed Book 2533, Page 1125
Deed Book 2625, Page 3409
Deed Book 2666, Page 2432
Deed Book 2738, Page 3732

EXHIBIT "B"

Land Subject to Annexation

Any real property subject to the Development Order (as defined in the Declaration), as it may be amended from time to time.

EXHIBIT "C"

Initial Use Restrictions

The purpose of Design Guidelines and Use Restrictions is not to anticipate all acceptable or unacceptable behavior in advance and eliminate all improvements or activities which fall outside of "the norm." In fact, it is expressly intended that the Reviewer under Article IV, and the Board, as appropriate, have discretion to approve or disapprove items, or to enforce or not enforce technical violations of the Governing Documents, based upon aesthetic or other considerations consistent with the established guidelines. As such, while something may be approved or permitted for one Lot under one set of circumstances, the same thing may be disapproved for another Lot under a different set of circumstances. The exercise of discretion in approving or enforcement shall not be construed as a waiver of approval or enforcement rights, nor shall it estop the Board from taking enforcement action in any appropriate circumstances.

Subject to the above, the following restrictions shall apply to all of WaterColor until such time as they are amended, modified, repealed, or limited pursuant to the Declaration.

(a) Animals and Pets. No animals of any kind, including livestock and poultry, shall be raised, bred, or kept on any portion of the Community, except that a reasonable number of usual and common household pets, as determined in the Board's discretion, may be kept on a Lot.

Dogs and cats shall be kept on a leash or otherwise confined in a manner acceptable to the Board whenever outside a structure. Under no circumstances shall cats be permitted on dunes or other beach areas. Upon the Board's request, an Owner, at his or her expense, shall remove any pet which is permitted to roam free, or, in the Board's sole discretion, endangers health, makes objectionable noise, or constitutes a nuisance or inconvenience to other Owners or residents of any portion of the Community. If the Owner fails to honor such request, the Board may cause the pet to be removed at the Owner's expense. The Association, without prior notice, may remove any pet from the dunes or other beach areas. No pets shall be kept, bred, or maintained for any commercial purpose.

(b) Wildlife. Capturing, killing, or trapping wildlife is prohibited within the Community, except in circumstances imposing an imminent threat to the safety of Persons or pets, or as permitted under section (a) of this Exhibit "C."

(c) Firearms; Fireworks. The use and discharge of firearms within the Community is prohibited. The term "firearms" includes "B-B" guns, pellet guns, and other firearms of all types, regardless of size. The use and discharge of fireworks is prohibited except by license granted by the Association.

(d) Nuisances. No Owner shall engage in any activity which constitutes a nuisance (meaning offensive or detrimental activity, as determined by the Board), or which materially disturbs or destroys the vegetation, wildlife, or air quality within the Community, or which results in unreasonable levels of sound or light pollution.

(d) Garages. Garage doors shall remain closed at all times except when entering, exiting, or otherwise actively using the garage. A garage or carport may not be converted to finished space for use as an apartment, an integral part of the Lot's living area, or for purposes other than parking vehicles and ancillary storage, without prior approval pursuant to Article IV.

(e) Exterior Lighting. Excessive exterior lighting on any Lot is prohibited. In accordance with the Incidental Take Permit, all exterior lights must be properly shielded to avoid illumination of the Choctawhatchee Beach Mouse habitat. The Board in its sole discretion shall determine whether any exterior lighting is excessive. Lighting requirements may differ between Residential and Non-Residential Lots or between Lots in different locations.

(f) Storage of Goods. Storage (except in approved structures or containers) of furniture, fixtures, appliances, machinery, equipment, or other goods and chattels on the Common Area (except by the Association), or, if not in active use, any portion of a Lot which is visible from outside the Lot is prohibited.

(g) Prohibited Conditions. The following conditions, structures, or activities are prohibited on any Lot:

(i) Dogs runs and animal pens of any kind, unless properly screened and approved in advance in accordance with Article IV;

(ii) Shacks or other structures of a temporary nature on any Lot except as may be authorized by Declarant during the initial construction of improvements within the Community. Temporary structures used during the construction or repair of a dwelling or other improvements shall be removed immediately after the completion of construction or repair;

(iii) Permanent basketball goals, basketball standards, or backboards which are or would be visible from any street or Common Area; provided, portable basketball goals may be used on a Lot without prior approval, but must be stored so as not to be visible from any street or Common Area overnight or otherwise when not in use;

(iv) Freestanding flagpoles; provided, flags may be displayed using a bracket or other approved device mounted to a dwelling or other primary structure on a Lot so long as the size of the flag displayed does not exceed a standard size (as set forth in the Design Guidelines or determined in the Board's discretion and set forth in a Board rule);

(v) Outdoor athletic and recreational facilities such as playscapes, swing sets, and sport courts unless properly screened and approved in advance in accordance with Article IV;

(vi) Outside clotheslines or other outside facilities for drying or airing clothes unless properly screened and approved in advance in accordance with Article IV;

(vii) Individual septic systems serving any Lot; and

(viii) Private wells, except as the Reviewer may permit for irrigation purposes only.

In any event, and notwithstanding the above list of prohibited conditions, any structure, improvement, or thing proposed for construction, erection, installation, or placement on a Lot requires prior Reviewer approval in accordance with Article IV, unless specifically made exempt under the Design Guidelines.

(i) Quiet Enjoyment. Nothing shall be done or maintained on any part of a Lot which, in the Board's reasonable discretion, emits foul or obnoxious odors outside the Lot or creates noise or other conditions which tend to disturb the peace, quiet, safety, comfort, or serenity of the occupants and invitees of other Lots. Such restriction shall not be applied to prohibit an otherwise permitted use of a Non-Residential Lot.

No noxious, illegal, or offensive activity shall be carried on upon any portion of the Community which, in the Board's reasonable determination, tends to cause embarrassment, discomfort, annoyance, or nuisance to others.

(j) Signs. No sign shall be erected within the Community, except those required by law, including posters, circulars, and billboards; provided, the following types of signs may be erected on a Lot without the Board's written consent: (i) residential or non-residential identification signs for identification of the occupant and its address, in a style designated by the Design Guidelines or approved by the Reviewer; and (ii) security signs in a style and location designated by the Design Guidelines or approved by the Reviewer. This restriction shall not apply to entry, directional, and marketing signs installed by Declarant or any Declarant Affiliate, or a Builder, acting with Declarant's specific consent. The Association, with the Board's approval, shall have the right to erect signs on the Common Area. Signs advertising or identifying a Lot as being for sale or rent are prohibited.

(k) Holiday Decorations. Owners may display holiday decorations on their Lots if the decorations are of the kinds initially displayed in similar neighborhoods, are of reasonable size and scope, and do not disturb other Owners and residents by excessive light or sound emission or by causing an unreasonable amount of spectator traffic. Permitted decorations may be displayed for such periods as are normal and customary for comparable residential communities, as determined in the Board's discretion.

(l) Antennas and Satellite Dishes. No antenna, satellite dish, or other device for the transmission or reception of television or radio (including amateur or ham radios) signals is permitted outside the dwelling on a Lot, except those devices whose installation and use is protected under federal law or regulations (generally, certain antennae under one meter in diameter). Notwithstanding such protection, an application for such an antenna or other device must be submitted to the Reviewer for approval and approval will be granted only if:

(i) First, the antenna or other device is designed for minimal visual intrusion (i.e., is located in a manner that minimizes visibility from the street or an adjacent Lot and is consistent with the Community-Wide Standard); and

(ii) Second, the antenna or other device complies to the maximum extent feasible with the Design Guidelines within the confines of applicable federal regulations (i.e., without precluding reception of a quality signal or unreasonably increasing the cost of the antenna or device).

The Reviewer shall consider any such application on an expedited basis.

Notwithstanding the above, Declarant and/or the Association may erect an antenna, satellite dish, or other apparatus for a master antenna, cable, or other communication system for the benefit of all or a portion of WaterColor, should any master system or systems be used by the Association and require such exterior apparatus.

(m) Trash Containers and Collection. No garbage or trash shall be placed or kept on any Lot, except in securely covered, scavenger-proof containers of a type, size and style which are pre-approved by the Reviewer or specifically permitted under the Design Guidelines, or as required by the applicable governing jurisdiction. Such containers shall be screened from view outside of the Lot except when they are being made available for collection and then only for the shortest time reasonably necessary to effect such collection. Rubbish, trash, and garbage must be removed from the Lots and may not accumulate on any Lot. Outdoor incinerators may not be kept or maintained on any Lot. The Board may enact such other rules and regulations concerning litter and trash control as may be necessary or appropriate to comply with the Development Order and the Incidental Take Permit.

(n) Pool Equipment. All pool equipment stored on any Lot shall be screened from view from outside the Lot.

(o) Unsightly or Unkempt Conditions. All portions of a Lot outside enclosed structures shall be kept in a clean and tidy condition at all times. No rubbish or debris of any kind shall be placed or permitted to accumulate upon or adjacent to any Lot in a manner which is unsanitary, unsightly, offensive or detrimental to any other portion of the Community, as the Board may determine.

Woodpiles or other material shall be properly screened and stored in such a manner so as not to attract rodents, snakes, and other animals and or create a fire hazard, as the Board determines. No activities shall be conducted upon or adjacent to any Lot or within any structure on a Lot which are or might be unsafe or hazardous to any Person or property. Open fires are prohibited within the Community, except in a contained outdoor fireplace or barbecue unit while attended and in use for cooking purposes.

(p) Vehicles and Parking. As used in this Section, the term "vehicles" includes, without limitation, automobiles, trucks, boats, trailers, motorcycles, campers, vans, and recreational vehicles.

No vehicle may be left upon any portion of the Community except in a garage, driveway, or other area the Board designates. No person shall park any pick-up truck with a camper top or other raised enclosure or commercial lettering or logos, or any recreational vehicle, mobile home, trailer, camper, stored vehicle, commercial vehicle (including all vehicles with commercial lettering or logos), or any unlicensed or inoperable vehicle within the Community

other than in an enclosed garage. "Sports utility vehicles" and "mini-vans" (as such vehicles are commonly referred to, as determined in the Board's discretion) and pick-up trucks without raised enclosures or commercial writing or logos shall be treated as automobiles and may be parked in driveways outside of enclosed garages. Boats or other watercraft may be kept or stored on a Lot only so long as they are screened from view from outside of the Lot. This Section shall not apply to emergency vehicle repairs or to construction, service, and delivery vehicles for periods necessary to perform the services or make a delivery.

Notwithstanding the above, for purposes of cleaning, loading, unloading, and short term parking, recreational vehicles may be parked outside of an enclosed garage for up to one hour within each calendar month.

(q) Use of Water Bodies. Wetlands, inland waterways, channels, canals, lakes, ponds, streams, and other bodies of water within the Community are part of the Community's water management system, and the use of watercraft on any body of water within the Community, including, without limitation, the size and type(s) of watercraft which may be used, is subject to Board regulation. In any event, no internal combustion engine-operated watercraft shall be permitted. No Person shall be permitted to live or reside on any boat or other watercraft docked, moored, or otherwise located on any body of water within or adjacent to the Community. In addition, no sewage effluent, treated or otherwise, may be discharged from any yacht, boat, other watercraft, or docking facility into any boat dockage facility or any other body of water within the Community. The Association shall not be responsible for any loss, damage, or injury to any person or property arising out of the authorized or unauthorized use of inland waterways, channels, canals, lakes, ponds, streams, or other bodies of water within or adjacent to the Community.

(r) Solar Equipment. No solar heating equipment or device is permitted outside the dwelling or other structures on the Lot except such devices whose installation and use is protected by federal or Florida law. Notwithstanding such protection, an application for such equipment or device must be submitted for approval under Article IV prior to installation and approval will be granted only if:

(i) First, such equipment or device is designed for minimal visual intrusion when installed *(i.e.*, is located in a manner which minimizes visibility from the street or an adjacent Lot and is consistent with the Community-Wide Standard); and

(ii) Second, the equipment or device complies, to the maximum extent feasible, with the Design Guidelines within the confines of the applicable governmental regulations.

(s) Shorelines. No Owner, by virtue of ownership of property adjacent to an inland waterway, channel, canal, beach, or other shoreline, shall have any right superior to that of other Owners (or the general public, to the extent that the public has a right of access) to use or control the use of any inland waterways, channels, canals, beaches, or other shorelines within or adjacent to the Community. All such areas shall be subject to the Association's control.

(t) Use of Pesticides and Herbicides. The use of pesticides and herbicides which impact the Choctawhatchee Beach Mouse in any manner is prohibited in accordance with the Incidental Take Permit.

(u) Invasive or Exotic Species. The use of such invasive or exotic species as are identified in the Incidental Take Permit is prohibited unless the U.S. Fish and Wildlife Service issues a specific variance or exception. In addition, no Person shall use on the Lots or the Common Areas such plant species as are listed in or referenced by the Development Order as prohibited within WaterColor. Notwithstanding such prohibitions, the Design Guidelines may set forth additional prohibitions on the use of plant species. The use in landscaping of any plant species shall be subject to approval in accordance with Article IV and the Design Guidelines. In addition, the import into WaterColor of any plant species used in landscaping, other than those transplanted from within the Community, shall be subject to approval in accordance with Article IV and the Design Guidelines.

(s) Use of Golf Carts. No Person may use or otherwise operate a golf cart on the streets, sidewalks, pathways, trails, or other Common Areas within WaterColor; provided, such prohibition shall not apply to Declarant, or its designees or assigns (which may include, without limitation, the Association).

(t) Use of Motorcycles, Motor Scooters, and Other Similar Vehicles. The use or operation of motorcycles, motor scooters, motorized bicycles or skateboards, or other similar vehicles (as the Board may specifically identify, in its discretion) is prohibited within WaterColor.

EXHIBIT "D"
Formula for Allocating Assessments

Determination of Equivalent Units.

The allocation of assessments under the Declaration shall be based upon "Equivalent Units." Each Lot shall be assigned Equivalent Units based upon the Lot's classification. The total number of Equivalent Units assigned to a Lot shall be determined as follows:

Lot Classification	Equivalent Units
• Residential Lots (per Lot)	**1.00**
• Non-Residential Lots (per Lot)	
Prior to issuance of certificate of occupancy*	1.00
Upon issuance of certificate of occupancy	As provided below
• General retail, commercial business, or restaurant (for each 1,000 square feet of gross floor area** (rounded up to the nearest 1,000 square feet))	.25
• Inn/Hotel	
⇒ Per room (without regard to gross floor area) (multiplied by designated multiplier***)	1.00
⇒ General retail, commercial business, meeting/banquet rooms, restaurant, and other areas within the inn/hotel from which income is derived independent of transient room rental income (for each 1,000 square feet of gross floor area (rounded up to the nearest 1,000 square feet))	.25
⇒ Hallways, lobby areas, pool decks, stairways, elevators, parking areas, and other components of the inn/hotel from which no income is derived independent of transient room rental income	0
⇒ Non-public access service areas within inn/hotel *(e.g.,* laundry areas, kitchen, mechanical rooms, custodial and storage areas, etc.)	0
• Exempt Property (under Section 8.10 of the Declaration)	0

* A "certificate of occupancy" is that certificate or approval issued by the local municipality as a final condition of occupancy of a Lot for its intended use.

** "Gross floor area" shall be the area within an enclosed structure intended for occupancy or other use and for which an initial certificate of occupancy has been issued or which is substantially complete, as determined by a licensed engineer or architect, but shall not include parking lots or parking garages.

*** Multiplier shall be the greater of .35 or the average occupancy rate for the inn/hotel's prior calendar year.

Declarant shall initially determine a Lot's Classification at the time of conveyance or commencement of assessments based on the intended use of the Lot in accordance with the Master Plan. Declarant shall provide the Association notice of each Lot's Classification upon its annexation to the Declaration. In the event that the Lot Classification for a particular Lot is not apparent, for so long as Declarant or any Declarant Affiliate owns any property described in Exhibit "A" or "B" to the Declaration, the determination of Declarant shall be controlling. Thereafter, if a Lot Classification for a particular Lot is not apparent, the reasonable determination of the Board shall be controlling.

For so long as Declarant or any Declarant Affiliate owns property described on Exhibit "A" or "B" to the Declaration, Declarant unilaterally may change Lot Classifications or amend this Exhibit "D" to create additional Lot Classifications or to change the Equivalent Units assigned to any particular classification.

Allocation of Assessments.

The allocation of assessments shall be computed by multiplying the total amount to be assessed by a fraction, the numerator of which is the number of Equivalent Units assigned to a Lot, and the denominator of which is the total Equivalent Units assigned to all Lots subject to assessment. The formula is illustrated as follows (The result, "A," being the assessment to be assigned, in dollars, to the particular Lot.):

$$\frac{\text{EU's Assigned to a Particular Lot}}{\text{Total EU's Assigned to All Lots}} \times \text{Budget (\$)} = A$$

The Board shall compute the Equivalent Units annually, and notice of the allocation of Equivalent Units (including a summary of the computations) shall be sent to each Owner with its notice of assessment. Upon annexation of additional property into the jurisdiction of the Association, the Board shall recompute the assessment allocations and send a notice of recomputed percentages to each Owner; however, no adjustments of assessments previously levied shall be made within the fiscal year to reflect the recomputation nor shall any Owner be entitled to a refund of any assessment paid based upon any such recomputation.

The allocation schedule set forth in this Exhibit "D" shall apply to the allocation of Regular Assessments. Neighborhood Assessments shall be allocated in the manner provided for in the Supplemental Declaration pertaining to the Neighborhood; provided, if no allocation schedule is set forth in the Supplemental Declaration pertaining to a Neighborhood, the Neighborhood Assessments for such Neighborhood shall be allocated in accordance with this Exhibit "D" or as otherwise permitted under the Declaration.

Commercial activities of the Association that are incidental to the operation of the Common Area amenities (e.g., Beach Club facilities, tennis pro shop, etc.) are exempt from assessment under Section 8,10 of the Declaration and are not subject to the allocation schedule set forth in this Exhibit "D."

EXHIBIT "E"

BY-LAWS

OF THE

WATERCOLOR COMMUNITY ASSOCIATION, INC.

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BY-LAWS
OF THE
WATERCOLOR COMMUNITY ASSOCIATION, INC.

Article I: Name, Principal Office, and Definitions

1.1 Name.

The name of the corporation is the WaterColor Community Association, Inc. ("Association").

1.2. Principal Office.

The Association's principal office shall be located in Walton County, Florida. The Association may have other offices, either within or outside Florida, as the Board of Directors determines or as the Association's affairs require.

1.3. Definitions.

The words used in these By-Laws shall have their normal, commonly understood definitions. Capitalized terms shall have the same meaning as set forth in the Declaration of Covenants, Conditions, and Restrictions for WaterColor, as it may be amended ("Declaration"), unless the context indicates otherwise.

Article II: Membership: Meetings, Quorum, Voting, Proxies

2.1 Membership.

The Association shall have two classes of membership, Class "A" and Class "B," as more fully set forth in the Declaration. Provisions of the Declaration pertaining to membership are incorporated by this reference. Any reference in these By-Laws to "Neighborhood Representatives" shall be deemed to refer to the Members if the matter in question requires the vote or presence of the Members personally.

2.2. Place of Meetings.

The Association shall hold meetings at its principal office or at such other suitable place convenient to the Members as the Board may designate.

2.3. Annual Meetings.

The Association shall hold its first meeting, whether a regular or special meeting, within one year after the date of the Association's incorporation. The Board shall set the date and time of subsequent regular annual meetings. Annual meetings may be conducted electronically *(i.e., via* the Internet, intranet, or teleconference) if, and to the extent, permitted by law.

2.4. Special Meetings.

The President may call a special meeting of the Association. A special meeting shall also be called if by Board resolution, or upon petition of at least 10% of the Association's total Class "A" votes.

2.5. Notice of Meetings.

The Association's Secretary shall cause written notice stating the place, day, and hour of any Association meeting to be given in any manner permitted by Florida law as amended from time to time. If permitted, notice may be posted in a conspicuous, prominent place within the Community, delivered by hand delivery, or sent by facsimile, electronic mail, or other electronic communication device, or such other manner which is reasonably calculated, as determined in the Board's discretion, to provide personal notice to the Association Members. Notice of a meeting of the Members at which an election of Directors is to take place shall be given at least thirty (30) days before the date of the meeting. Notice for a meeting of the Members at which an election is not to take place shall be given at least fourteen (14) days before the date of the meeting.

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

If posted, notice shall be deemed delivered when posted. If mailed, the notice of a meeting shall be deemed delivered when deposited in the United States mail addressed to the Member at his or her address as it appears on the Association's records, with postage prepaid. If sent by facsimile, electronic mail, or such other electronic communication device, notice shall be deemed delivered when transmitted to the Member at his or her address or number as it appears on the Association's records. Failure of any Member to receive actual notice of an Association meeting shall not affect the validity of any action taken at such meeting, unless it is determined the meeting was not properly noticed in its entirety.

2.6. Waiver of Notice.

Waiver of notice of an Association meeting shall be the equivalent of proper notice. Any Member's attendance at a meeting shall be deemed a waiver by such Member of notice of the meeting unless the Member specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting also shall be deemed a waiver of notice of all business transacted at the meeting unless an objection on the basis of lack of proper notice is raised before the business is put to a vote.

2.7. Adjournment of Meetings.

If the Association cannot hold a meeting because a quorum is not present, the Board may adjourn the meeting to a time at least fourteen (14) days, but not more than forty-five (45) days from the date called for the original meeting. At the reconvened meeting, if a quorum is present, any business may be transacted which might have been transacted at the meeting originally called. If those in attendance at the original meeting do not fix a time and place for reconvening

the meeting or if for any reason a new date is fixed for reconvening the meeting after adjournment, the Association shall give the Members notice of the time and place for reconvening the meeting in the manner prescribed for regular meetings.

Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, provided that at least a majority of the votes required to constitute a quorum approve any action taken.

2.8. Voting.

Members shall have such voting rights as are set forth in the Declaration, which provisions are incorporated herein by this reference.

Members may vote at a meeting by voice vote or ballot or may vote by mail without the necessity of a meeting, as determined by the Board; provided, the Board shall hold meetings when required by the Declaration, these By-Laws, or Florida law. Votes for the election of directors shall be cast by secret written ballot. All Member votes cast at meetings are subject to the quorum requirements of Section 2.11. The Board may permit votes to be cast electronically *(i.e., via* the Internet, intranet, or electronic mail) with sufficient verification of authenticity and if permitted by Florida law, as amended from time to time.

2.9. Proxies.

On any matter as to which a Member is entitled personally to cast the vote for his Lot, such vote may be cast in person, by written ballot or proxy, subject to Florida law, as amended from time to time. Voting for the Association Board shall only be by written ballot.

Every proxy shall be in writing specifying the Lot for which it is given, signed by the Member or his duly authorized attorney-in-fact, dated, and filed with the Association's Secretary prior to the meeting for which it is to be effective. Unless otherwise specifically provided in the proxy, the Declaration, By-Laws or Florida law, a proxy shall be presumed to cover all votes which the Member giving such proxy is entitled to cast, and in the event of any conflict between two or more proxies purporting to cover the same voting rights, the later dated proxy shall prevail, or if dated as of the same date, both shall be deemed invalid.

Every proxy shall be revocable and shall automatically cease upon: (a) conveyance of any Lot for which it was given; (b) the Secretary's receipt of written notice of revocation of the proxy or of the death or judicially declared incompetence of a Member who is an individual; or (c) 90 days from the meeting date for which the proxy was originally given, unless the proxy specifies a shorter period.

2.10. 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 50% of the total eligible number.

2.11. Quorum.

Except as these By-Laws or the Declaration otherwise provide, the presence of Members, either personally, by proxy, or through Neighborhood Representatives, representing 25% of the total eligible Class "A" votes in the Association shall constitute a quorum at all Association meetings.

2.12. Conduct of Meetings.

The President or other Board designee shall preside over all Association meetings. The Secretary shall ensure that minutes of the meetings are kept and that all resolutions adopted and all other transactions occurring at such meetings are recorded in the Association's minute book. Owners may tape record or videotape Association meetings subject to reasonable rules the Board imposes.

Article III: Board of Directors: Selection, Meetings, Powers

A. Composition and Selection.

3.1. Governing Body: Composition.

The Board of Directors shall govern the Association's affairs. Each director shall have one vote. Except for Directors appointed by the Class B Member, Directors must be Class "A" Members. A Class "A" Director must be at least 18 years old, not more than thirty (30) days delinquent on any assessment and meet all requirements imposed by Florida law, as amended from time to time. In the case of a Member who is not an individual, any officer, director, partner, or trust officer of such Member shall be eligible to serve as a director unless otherwise specified by written notice to the Association signed by such Member; provided, no more than one such representative of any Member, nor more than one occupant of a particular Lot, may serve on the Board at any one time, except in the case of directors the Class "B" Member appoints.

3.2. Number of Directors.

The Board shall consist of the number of directors provided for in Section 3.5. The initial Board shall consist of the three directors identified in the Articles of Incorporation.

3.3. Directors During Class "B" Control Period.

The Class "B" Member shall have complete discretion in appointing its directors under Section 3.5. Class "B" Member-appointed directors shall serve at the pleasure of the Class "B" Member.

3.4. Nomination and Election Procedures.

(a) Nominations and Declarations of Candidacy. Sixty (60) days prior to any election being held for a Director or Directors of Class "A" Members, the Association shall send

out to all Class "A" Members the Notice of Election, along with a form for every eligible person interested in serving as a Director to file as a candidate. Forty (40) days prior to the election of Directors by Class "A" Members, the filing as a candidate for a Director position shall be closed. A ballot shall be sent out to all Class "A" Members for purposes of casting votes for election of Class "A" Directors at least thirty (30) days prior to the election of Directors. Nominations from the floor, or write in candidates, are prohibited.

Each candidate shall be given an opportunity to provide a candidate information sheet to be sent along with any ballot, as well as reasonable equal opportunity to communicate his/her qualifications to the Members and to solicit votes. Ballots shall be opened and counted at a duly noticed Membership meeting and shall be open for inspection by all interested Members.

(b) Election Procedures. Cumulative voting is not allowed. The number of candidates which equals the number of positions to be filled and receiving the greatest number of votes shall be elected.

3.5. Election and Term of Office.

Except as these By-Laws or the Declaration may otherwise specifically provide, election of directors shall take place at the Association's annual meeting. Notwithstanding any other provision of these By-Laws:

At the first annual meeting after the termination of the Class "B" Control Period, the Board shall hold an election at which the Class "A" Members shall elect three (3) Directors. In order to establish staggered terms for such directors, two (2) Directors elected with the most votes shall serve two-year terms and one (1) Director elected with the least votes shall serve a one-year term. Thereafter, all Directors shall be elected to a two (2) year term.

For so long as Declarant and its Affiliates (individually or collectively) owns at least five percent of the Lots permitted under the Master Plan for all phases of the development of the Community, the Class "B" Member may appoint one director. Thereafter, the director elected by the Class "B" Member shall resign.

The directors which are not appointed by the Class "B" Member are referred to collectively as "Class "A" Directors."

3.6. Removal of Directors and Vacancies.

(a) Any Class "A" Director may be removed, with or without cause, by the vote of Class "A" Members holding a majority of the votes entitled to be cast for the election of such director. Any director whose removal is sought shall be given notice prior to any meeting called for that purpose. Upon removal of a director, a successor shall be elected by the Class "A" Members to fill the vacancy for the remainder of such director's term. Class "A" Directors may not be removed by the Class "B" Member.

Any Class "A" Director who has three consecutive unexcused absences from Board meetings, or who is more than 30 days delinquent (or occupies a Unit for which assessments are

so delinquent) in the payment of any assessment or other charge due the Association, may be removed by a majority vote of the Board, excluding the director at issue. If the director is removed, the Board may appoint a successor to fill the vacancy for the remainder of the term.

In the event of the death, disability, or resignation of a director, the Board may declare a vacancy and appoint a successor to fill the vacancy until the next annual meeting, at which time the Class "A" Members shall elect a successor for the remainder of the term.

This Section shall not apply to directors the Class "B" Member appoints nor to any director serving as Declarant's representative. The Class "B" Member or Declarant shall be entitled to appoint a successor to fill any vacancy on the Board resulting from the death, disability, or resignation of a director appointed by or elected as a representative of the Class "B" Member or Declarant.

(b) Removal of Neighborhood Representatives and Vacancies. Any Neighborhood Representative may be removed, with or without cause, by the vote of Class "A" Members holding a majority of the votes entitled to be cast for the election of such Neighborhood Representative. Any Neighborhood Representative, whose removal is sought, shall be given notice prior to any meeting called for that purpose. Upon removal of a Neighborhood Representative, a successor shall be elected by the Class "A" Members entitled to elect the Neighborhood Representative so removed to fill the vacancy for the remainder of such Neighborhood Representative's term.

Any Neighborhood Representative who has three (3) consecutive unexcused absences from the Neighborhood Representative meeting, or who is more than thirty (30) days delinquent, may be removed by a majority vote of the Board of Directors. If the Neighborhood Representative is removed the Association Board of Directors may appoint a successor to fill the vacancy until the next annual meeting at which time the Class "A" Members entitled to cast a vote for the election of such a Neighborhood Representative, shall elect a successor for the remainder of the term.

In the event of a death, disability or resignation of a Neighborhood Representative, the Association Board of Directors may declare a vacancy and appoint a successor to fill the vacancy until the next Annual Meeting at which time the Class "A" Members entitled to cast a vote for the election of such a Neighborhood Representative shall elect a successor for the remainder of the term.

B. Meetings.

3.7. Organizational Meetings.

The Board shall hold its first meeting following each annual membership meeting within 10 days thereafter at such time and place as the Board shall fix.

3.8. Regular Meetings.

The Board may hold regular meetings at such time and place as the Board shall determine, but the Board shall hold at least four such meetings during each fiscal year with at least one per quarter.

3.9. Special Meetings.

The Board shall hold special meetings when called by written notice signed by the President, Vice President, or any two directors.

3.10. Notice; Waiver of Notice.

(a) Notices of Board meetings shall specify the time and place of the meeting and, in the case of a special meeting, the nature of any special business to be considered. The Board shall give notice to each director by: (i) personal delivery; (ii) first class mail, postage prepaid; (iii) telephone (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 (iv) facsimile, electronic mail, or other electronic communication device, with confirmation of transmission. All such notices shall be given at the director's telephone number, fax number, electronic mail address, or sent to the director's address as shown on the Association's records. Notices sent by first class mail shall be deposited into a United States mailbox at least five business days before the time set for the meeting. Notices given by personal delivery, telephone, or other device shall be delivered or transmitted at least 72 hours before the time set for the meeting.

(b) Except for emergency meetings, notice of a Board meeting shall be posted in a conspicuous place within the Community at least 48 hours in advance of the meeting or provided in any other manner reasonably anticipated to provide notice to all Members, including publication in an Association newsletter with community-wide circulation, posting on a Community cable television channel, or posting on a Community Internet or intranet page. In lieu of notice of each regular Board meeting, the Board may post or publish a schedule of upcoming Board meetings.

(c) Transactions of any Board meeting, 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 (i) a quorum is present; and (ii) either before or after the meeting each director 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 meeting's purpose. Notice of a meeting also shall be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

(d) Notice of any meeting at which assessments are to be established shall state that fact and the nature of the assessment.

3.11. Telephonic Participation in Meetings.

Members of the Board or any committee designated by the Board may participate in a Board or committee meeting by means of telephone or other electronic means, through which all

persons participating in the meeting can hear each other. Participation in this manner shall constitute presence at the meeting for all purposes.

3.12. Quorum of Board.

At all Board meetings, 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 Board's decision, unless these By-Laws or the Declaration specifically provide otherwise. A meeting at which a quorum is initially present may continue, notwithstanding the withdrawal of directors, if at least a majority of the required quorum for that meeting approves any action taken. If the Board cannot hold a meeting because a quorum is not present, a majority of the directors present at such meeting may adjourn the meeting to a time not less than five nor more than 30 days from the date of the original meeting. 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.

3.13. Conduct of Meetings.

The President shall preside over all Board meetings, and the Secretary shall keep a minute book of Board meetings, recording all Board resolutions and all transactions and proceedings occurring at such meetings. Owners may tape record or videotape Board meetings subject to reasonable rules the Board imposes. Meetings will be governed by Roberts Rules of Order.

3.14. Open Meetings; Executive Session.

Subject to the provisions of Section 3.15, all Board meetings shall be open to all Neighborhood Representatives and all Owners.

Notwithstanding the above, the President may adjourn any Board meeting and reconvene in executive session, and may exclude persons other than directors, to discuss with the Association's attorney matters relating to pending or threatened litigation which are protected by the attorney-client privileges, or to discuss among the Board any other matter of a sensitive nature, if Florida law permits.

3.15. Action Without a Formal Meeting.

Any action to be taken or which may be taken at a Board meeting may be taken without a meeting if all directors sign a consent in writing, setting forth the action so taken. Such consent shall have the same force and effect as a unanimous vote. Such action must be noticed and ratified at the next Board meeting.

C. Powers and Duties.

3.16. Powers.

The Board shall have all of the powers and duties necessary for administering the Association's affairs and for performing all of the Association's responsibilities and exercising

all of the Association's rights as set forth in the Governing Documents, and as provided by law. The Board may do or cause to be done on the Association's behalf all acts and things except those which the Governing Documents or Florida law require to be done and exercised exclusively by the membership.

3.17. Duties.

The Board's duties shall include, without limitation:

(a) adopting, in accordance with the Declaration, an annual budget establishing each Owner's share of the Common Expenses and any Neighborhood Expenses;

(b) providing for the operation, care, upkeep, and maintenance of the Common Maintenance Area consistent with the Community-Wide Standard;

(c) designating, hiring, and dismissing personnel necessary to carry out the Association's rights and responsibilities and where appropriate, providing for compensation of such personnel and for the purchase of necessary equipment, supplies, and materials;

(d) depositing all funds received on the Association's behalf in a bank depository which it shall approve, and using such funds to operate the Association; provided, any reserve funds may be deposited, in the Board's business judgment, in depositories other than banks;

(e) opening bank accounts on the Association's behalf and designating the signatories required;

(f) making or contracting for the making of repairs, additions, and improvements to or alterations of the Common Area in accordance with the Declaration and these By-Laws;

(g) after termination of the Class "B" Control Period, submitting for bid any planned Association expenditure (whether for capital items, services, maintenance, or otherwise) anticipated to exceed $10,000.00 in any one fiscal year; provided, the Board is not obligated to contract with or otherwise retain the services of the lowest bidder;

(h) enforcing by legal means the provisions of the Governing Documents and bringing any proceedings which may be instituted on behalf of or against the Owners concerning the Association; provided, the Association's obligation in this regard shall be conditioned in the manner provided in the Declaration;

(i) obtaining and carrying property and liability insurance and fidelity bonds, as provided in the Declaration, paying the cost thereof, and filing and adjusting claims, as appropriate;

(j) paying the cost of all services rendered to the Association;

(k) keeping books with detailed accounts of the Association's receipts and expenditures;

((l) making available to any Owner, the holders, insurers, and guarantors of any Mortgage on any Lot, and any prospective purchaser of a Lot, current copies of the Governing Documents and all other Association books, records, and financial statements as provided in Section 6.4;

(m) permitting utility suppliers to use portions of the Common Area reasonably necessary to the ongoing development or operation of WaterColor;

(n) indemnifying an Association director, officer, or committee member, or former Association director, officer, or committee member to the extent such indemnity is required by Florida law, the Articles of Incorporation, or the Declaration; and

(o) maintaining, and retaining for the time periods required, the "official records" of the Association, as provided in Chapter 720, Florida Statutes, as may be amended or renumbered from time to time.

3.18. Compensation.

The Association shall not compensate a director for acting as such, unless a majority of the directors otherwise approves. The Association may reimburse any director for expenses incurred on the Association's behalf if approved by a majority of the other directors. In addition, subject to Section 3.27, nothing herein shall prohibit the Association from compensating a director for services or supplies he or she furnishes to the Association in a capacity other than as a director pursuant to a contract or agreement with the Association. The foregoing also applies to any entity with which a director is affiliated.

3.19. Right of Class "B" Member to Disapprove Actions.

During the period of Class "B" membership, the Class "B" Member shall have a right to disapprove any action, policy, or program of the Association, the Board, and any committee which, in the Class "B" Member's sole and absolute judgment, would tend to impair rights or interests of Declarant, any Declarant Affiliate, or Builders, interfere with development or construction of any portion of the Community, or diminish the level of services the Association provides.

(a) Notice. The Association, the Board, and each committee shall give the Class "B" Member written notice of their meetings and proposed actions to be approved at their meetings (or by written consent in lieu of a meeting). The notice shall comply with Section 3.10 and shall, except in the case of the regular meetings held pursuant to the By-Laws, set forth with reasonable particularity the agenda to be followed at such meeting.

(b) Opportunity to be Heard. The Association, the Board, and each committee shall give the Class "B" Member the opportunity at any meeting to join in or to have its representatives or agents join in discussion from the floor of any prospective action, policy, or program which would be subject to the right of disapproval described in this Section.

(c) Exercise of Rights. The Class "B" Member, its representatives or agents, shall make its concerns, thoughts, and suggestions known to the Board and/or the members of the subject committee. The Class "B" Member may exercise its right to disapprove at any time within 10 days following the meeting at which such action was proposed or, if the action is approved without a meeting, at any time within 10 days following receipt of written notice of the proposed action. This right to disapprove may be used to block proposed actions but shall not include a right to require any action or counteraction by the Association, the Board, or any committee. The Class "B" Member shall not use its right to disapprove to reduce the level of services which the Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations.

(d) Condition of Implementation. No action, policy, or program subject to the Class "B" Member's right of disapproval shall become effective or be implemented until and unless the requirements of subsections (a) and (b) above have been met.

3.20. Management.

The Board may employ a professional management agent or agents, at such compensation as the Board may establish, to perform such duties and services as the Board shall authorize and are otherwise within the scope of the Board's authority. The Board may delegate such powers as are necessary to perform the manager's assigned duties, but shall not delegate policy-making authority or those duties set forth in Section 3.17(a) (with respect to adoption of the budget). The Board may contract with or employ Declarant or any Declarant Affiliate as managing agent or manager.

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

The Association shall not be bound, either directly or indirectly, by any management contract executed during the Class "B" Control Period unless such contract contains a right of termination which the Association may exercise with or without cause and without penalty at any time after termination of the Class "B" Control Period upon not more than 90 days written notice. After the Class "B" Control Period terminates, the Association may not terminate any management contract, or retain a new managing agent, without the approval of Neighborhood Representatives representing a majority of the Association's total Class "A" votes, and Declarant, for so long as Declarant or any Declarant Affiliate owns any property described on Exhibits "A" or "B" to the Declaration.

The Class "A" Members shall have no right to terminate a management contract during the Class "B" Control Period. Unless the Board otherwise grants such right, or unless the management contract otherwise provides, the Board may act in its discretion with respect to executing and terminating management contracts during the Class "B" Control Period. Any management contract may, among other things, authorize the managing agent to act as the Association's agent with respect to the expenditure of Association funds within the scope of the approved Association budget; provided, the managing agent shall not be permitted to spend

money in excess of the budget or reallocate greater than 10% of any budget line item without the Board's prior approval.

3.21. Accounts and Reports.

The following management standards of performance shall 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 should conform to generally accepted accounting principles;

(c) the Association's cash accounts shall not be commingled with any other accounts;

(d) the managing agent shall accept no remuneration from vendors, independent contractors, or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise; the Association shall benefit from anything of value received;

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

(f) commencing at the end of the quarter in which the first Lot is sold and closed, the Board shall prepare financial reports 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 statement reflecting all cash receipts and disbursements for the preceding period;

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

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

(v) a delinquency report listing all Owners who are delinquent in paying any assessments at the time of the report and describing the status of any action to collect such assessments which remain delinquent (any assessment or installment thereof shall be considered to be delinquent on the 15th day following the due date unless otherwise specified by Board resolution); and

(g) an annual report consisting of at least the following shall be prepared within 60 days after the close of the fiscal year: (i) a balance sheet showing actual receipts and expenditures; (ii) an operating (income) statement; and (iii) a statement of changes in financial

position for the fiscal year. Such annual report shall be prepared on an audited, reviewed, or compiled basis, as the Board determines, by an independent public accountant. During the Class "B" Control Period, the annual report shall include certified financial statements.

The Association shall provide each Owner or its authorized agent a copy of the annual financial report within 10 business days following receipt of a written request for access. In addition, if Florida law requires, the Association shall send a copy of the annual report to each Member by mail or personal delivery within 90 days following the close of the fiscal year.

3.22. Borrowing.

The Association may borrow money for any legal purpose; provided, the approval of a majority of the Class "A" votes in the Association is required if the proposed borrowing is (a) for the purpose of making discretionary capital improvements; and (b) the total amount of such borrowing, together with all other debt incurred within the previous 12-month period, exceeds or would exceed 20% of the Association's budgeted gross expenses for that fiscal year.

During the Class "B" Control Period, no Mortgage lien shall be placed on any portion of the Common Area without the affirmative vote in writing, of at least 67% of the total Class "A" votes. After the Class "B" Control Period terminates, no Mortgage lien may be placed on the Common Area, nor may assessments be pledged as security for any loan, without the approval of a majority of the total Class "A" votes in the Association and such other approval as the Declaration may require.

3.23. Right To Contract.

The Association shall have the right to contract with any Person for the performance of various duties and functions. This right shall include, without limitation, the right to enter into common management, operational, or other agreements with trusts, condominiums, cooperatives, or Neighborhood and other owners or residents associations, within and outside of the Community.

3.24. Enforcement.

The Association may impose sanctions for any violation of the Governing Documents. To the extent the Declaration specifically requires, the Board shall comply with the following procedures prior to imposition of sanctions:

(a) Notice. 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 14 days within which the alleged violator may present a written request for a hearing to the Board; and (iv) a statement that the proposed sanction shall be imposed as contained in the notice unless the alleged violator challenges the violation within 14 days of the notice. If a timely request for a hearing is not made, the sanction stated in the notice shall be imposed; provided, the Board or Covenants Committee may suspend any proposed sanction if the violation is cured, or if a diligent effort is made to cure, within the 14 day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions and rules by any Person.

(b) Hearing. If the alleged violator requests a hearing within the allotted 14 day period, the hearing shall be held before the Covenants Committee. The alleged violator shall be afforded 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 or its representative 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 alleged violator shall have the right to appeal the decision to the Board. To exercise this right, the alleged violator must submit a written notice of appeal to the Association's manager, President, or Secretary within 10 days after being informed of the results of the hearing by the Association's manager or another Board officer or representative.

(d) Additional Enforcement Rights. Notwithstanding anything to the contrary in this Article, if permitted under the Declaration, the Board may elect to enforce any provision of the Governing Documents by self-help (specifically including, but not limited to, towing vehicles that violate parking rules) or, following compliance with the Declaration's dispute resolution procedures, if applicable, by suit at law or in equity to enjoin any violation or to recover monetary damages or both. 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 attorneys' fees actually incurred.

3.25 Board Standards.

In performing their duties, directors and officers shall act as fiduciaries and are subject to insulation from liability as provided for directors of corporations by Florida law and as otherwise provided by the Governing Documents. Directors shall exercise the ordinary and reasonable care of directors of a corporation, subject to the Business Judgment Rule.

A director shall act in accordance with the business judgment rule so long as the director:

(a) acts within the expressed or implied scope of the Governing Documents and his or her actions are not *ultra vires;*

(b) affirmatively undertakes to make decisions which are necessary for the Association's continued and successful operation and, when decisions are made, they are made on an informed basis;

(c) acts on a disinterested basis, promptly discloses any real or potential conflict of interests (pecuniary or other), and avoids participation in such decisions and actions; and

(d) acts in a non-fraudulent manner and without reckless indifference to the Association's affairs.

A director acting in accordance with the business judgment rule shall be protected from personal liability. Unless the Governing Documents require that specific action be taken, the failure to take such specific action shall not, without further showing that the Board acted in violation of the business judgment rule, be deemed a violation of a Board duty.

Board determinations of the meaning, scope, and application of Governing Document provisions shall be upheld and enforced so long as such determinations are reasonable. The Board shall exercise its power in a fair, nondiscriminatory manner and shall adhere to the procedures established in the Governing Documents.

3.26. Conflicts of Interest; Code of Ethics.

The Board shall create and maintain a written "Code of Ethics" applicable to all directors, officers and committee members. Each director, officer and committee member shall acknowledge and agree in writing to abide by the Code of Ethics.

Article IV: Officers

4.1. Officers.

The Association's officers shall be a President, Vice President, Secretary, and Treasurer. The officers may, but need not, be Board members, Owners, or residents of the Community. The Board 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 such authority and perform such duties as the Board prescribes. Any two or more offices may be held by the same person, except the offices of President and Secretary.

4.2. Election and Term of Office.

The Board shall elect the Association's officers at the first Board meeting following each Association annual meeting. Officers shall serve until their successors are elected.

4.3. Removal and Vacancies.

Any officer may be removed by a vote of at least 2/3 of the directors. The Board shall appoint a replacement to fill any vacancy in any office for the unexpired portion of the term.

4.4. Powers and Duties.

The Association's officers each shall have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as the Board may specifically confer or impose. The President shall be the Association's chief executive officer. The Treasurer shall supervise the preparation of the Association's budget, but shall delegate all or part of the preparation and notification duties to a finance committee, management agent, or both. The Secretary shall prepare or supervise the preparation of meeting minutes as required by Florida law.

4.5. Resignation.

Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. 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, acceptance of such resignation shall not be necessary to make it effective.

4.6 Agreements, Contracts, Deeds, Leases, Checks, Etc.

All agreements, contracts, deeds, leases, checks, and other Association instruments shall be executed by an officer, unless the Board provides otherwise, or by such other person or persons as the Board may designate by resolution.

4.7. Compensation.

Compensation of officers shall be subject to the same limitations as compensation of directors under Section 3.18.

Article V: Committees

5.1. General.

The Board may create such committees as it deems appropriate to perform such tasks and to serve for such periods as the Board may designate by resolution. In an effort to encourage and incorporate a broad base of Owner and resident participation in community governance, it shall be the Association's policy that the Board create and delegate its responsibilities to committees as reasonably appropriate.

Committees shall exercise only such authority as granted by Board resolution, provided the Board may, in the exercise of its reasonable discretion, elect not to follow a committee's advice on any matter. Committees may not act without specific Board authority and may not bind the Association contractually or financially. Committee Members are subject to the Conflict of Interest and Code of Ethics set forth in Section 3.27.

5.2. Covenants Committee.

The Board shall appoint a Covenants Committee consisting of at least three members. The Covenants Committee members shall be Members of the Association who are not directors, officers, or employees of the Association or the spouse, parent, child, brother, or sister of a director, officer, or employee. Acting in accordance with the provisions of the Declaration, these By-Laws, and any Board resolutions, the Covenants Committee shall be the Association's hearing tribunal and shall conduct all hearings held pursuant to Section 3.24. The Board may not impose a fine without a majority vote of the Covenants Committee.

5.3. Neighborhood Committees.

In addition to any other committees appointed as provided above, each Neighborhood which has no formal organizational structure or association may elect a Neighborhood Committee to determine the nature and extent of services, if any, the Association shall provide to the Neighborhood in addition to those provided to all Members in accordance with the Declaration. A Neighborhood Committee may advise the Board on any other issue but may not bind the Association on any matter. Neighborhood Committees, if elected, shall consist of at least three Members elected by the Owners of Lots within the Neighborhood.

Any director elected to the Board from a Neighborhood shall be an *ex officio* member of the Neighborhood Committee. The Neighborhood Representative shall be the chairperson of the Neighborhood Committee, shall preside at its meetings, and shall be responsible for transmitting any and all communications to the Board.

In the conduct of its duties and responsibilities, each Neighborhood Committee shall abide by the notice and quorum requirements applicable to the Board under these By-Laws. Meetings of a Neighborhood Committee shall be open to all Owners of Lots in the Neighborhood and their representatives. Members of a Neighborhood Committee may act by unanimous written consent in lieu of a meeting.

5.4. Other Committees.

In addition to the above, at such time as Class "A" Members other than Builders own 50% of the Lots anticipated for the Community under the Master Plan, or whenever the Class "B" Member earlier determines,, the Board shall create the following committees, each of which shall have at least three members:

(a) Finance Committee. The Finance Committee shall actively assist the Board, the Treasurer, and the Association's managing agent, if any, in preparing the Association's budget. After termination of the Class "B" Control Period, Board approval of the Association's budget shall be subject to the Finance Committee's review and comment, which shall be advisory only and shall not bind the Board.

(b) Physical Maintenance Committee. After termination of the Class "B" Control Period, the Physical Maintenance Committee shall preside over maintenance of the Common Maintenance Areas.

(c) Dispute Resolution Committee. The Dispute Resolution Committee shall be established to mediate disputes concerning the interpretation of Use Restrictions, rules, and other Governing Document provisions and to advise the Board on initiating litigation involving the Association (as provided in the Declaration); provided, the Dispute Resolution Committee shall not preside over matters relating to the collection of assessments or other fees and charges. Each member of the Dispute Resolution Committee shall attend a Board-approved course on dispute resolution.

The Board shall establish by resolution the specific scope and limitations on the authority of the above committees.

Article VI: Miscellaneous

6.1. Fiscal Year.

The Association's fiscal year shall be the calendar year unless otherwise established by Board resolution.

6 2. Parliamentary Rules.

Except as may be modified by Board resolution, *Robert's Rules of Order* (the then current edition) shall govern the conduct of Association proceedings when not in conflict with Florida law or the Governing Documents.

6.3. Books and Records.

(a) Inspection by Members and Mortgagees. The Board shall make available for inspection and copying by any holder, insurer, or guarantor of a first Mortgage on a Lot, any Member or the duly appointed representative of any of the foregoing at any reasonable time and for a purpose reasonably related to his or her interest in a Lot: the Governing Documents, the membership register, books of account, and the minutes of meetings of the Members, the Board, and committees. The Board shall provide for such inspection to take place at the Association's office or at such other place within the Community as the Board shall designate.

(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 documents requested. Records shall be made available within 10 business days of the receipt of a written request by an Owner or his or her authorized agent.

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

6.4. Notices.

Except as the Declaration or these By-Laws otherwise provide, all notices, demands, bills, statements, or other communications under the Declaration or 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 Neighborhood Representative, at the address which the Member or Neighborhood Representative 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 Neighborhood Representative;

(b) if to the Association, the Board, or the managing agent, at the principal office of the Association or the managing agent or at such other address as shall be designated by notice in writing to the Members pursuant to this Section; or

(c) if to any committee, at the principal address of the Association or at such other address as shall be designated by notice in writing to the Members pursuant to this Section.

6.5. Amendment.

(a) By Class "B" Member. During the Class "B" Control Period, the Class "B" Member unilaterally may amend these By-Laws. Thereafter, the Class "B" Member unilaterally may amend these By-Laws at any time and from time to time if such amendment is necessary (i) to bring any provision into compliance with any applicable governmental statute, rule, or regulation, or judicial determination; (ii) to enable any reputable title insurance company to issue title insurance coverage on the Lots; or (iii) to enable any institutional or governmental lender, purchaser, insurer, or guarantor of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to make, purchase, insure, or guarantee mortgage loans on the Lots. No amendment may adversely affect the title to any Lot unless the Owner shall consent thereto in writing.

(b) By the Board. Except as provided above, these By-Laws may be amended only by the affirmative vote or written consent of Neighborhood Representatives representing at least 67% of the Association's total Class "A" votes, and the consent of the Class "B" Member, if such exists. Notwithstanding the above, 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. The approval requirements set forth in Article XVI of the Declaration also shall be met, if applicable.

(c) Validity and Effective Date of Amendments. Amendments to these By-Laws shall become effective upon Recordation unless a later effective date is specified therein. Any procedural challenge to an amendment must be made within six months of its Recordation, or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of these By-Laws.

No amendment may remove, revoke, or modify any right or privilege of Declarant or the Class "B" Member without the written consent of Declarant, the Class "B" Member, or the assignee of such right or privilege. No amendment may remove, revoke, or modify any right or privilege assigned specifically to the Owners of Non-Residential Lots without such Owners' written consent.