

BY-LAWS
OF
SUGAR MILL LAKES HOMEOWNERS' ASSOCIATION, INC.

ARTICLE I. IDENTIFICATION

1.01 Identity: These are the By-Laws of SUGAR MILL LAKES Homeowners' Association, Inc., a corporation not for profit organized and existing under the laws of Florida, hereinafter called "Association."

1.02 Purpose: The Association has been organized for the purpose of maintaining preserving and managing property located in the unincorporated area of Manatee County, Florida, described and in accordance with the "Declaration of Covenants, Conditions and Restrictions for SUGAR MILL LAKES Homeowners' Association, Inc., herein called the "Covenants", and to promote the health, safety and welfare of the owners and residents of such property.

1.03 Office: The office of the Association shall be at: 2307 9th Street E., Bradenton, Florida 34208, until otherwise changed by the Board of Directors.

1.04 Fiscal Year: The fiscal year of the Association shall be the calender year.

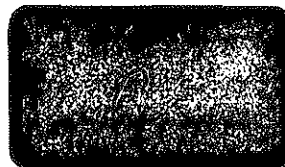
1.05 Seal: The seal of the corporation shall bear the name of the corporation, the word "Florida," the words "corporation not for profit" and the year of incorporation.

ARTICLE II. MEMBERS

2.01 Qualification: The Members of the Association shall consist of all of the record owners of Lots in the Neighborhood which are subject to the Covenants, in accordance with the Covenants.

2.02 Change of Membership: Change of membership in the Association shall be established by: (a) recording in the Public Records of Manatee County, Florida, a deed or other instrument establishing a change in record title to a Lot in the Neighborhood; and (b) the delivery to the Association of a copy of such instrument. Upon the happening of such events, the owner established by such instrument shall thereupon become a Member of the Association, and the membership of the prior owner shall be terminated.

2.03 Multiple Owners: When a Lot is owned by more than one (1) person, whether as co-tenants, joint tenants, tenants by the entirety or otherwise, each Owner shall be a Member of the Association by virtue of being a record Owner of an interest in a Lot. Lessees of Lots shall not be Members. All matters of voting shall, however, be determined on a Lot basis, as provided in Article III.



2.04 Restraint Upon Assignment of Membership, Shares and Assets: The membership of an owner, and the share of a Member in the funds and assets of the Association shall not be assigned, hypothecated or transferred in any manner except as an appurtenance to his or her Lot.

2.05 Evidence of Membership: There shall be no stock or membership certificates in the Association. Membership shall be determined by ownership as herein provided.

ARTICLE III. VOTING

3.01 Voting Rights and Voting Classification: The Member or Members who are the record owners of each Lot in the Neighborhood shall be collectively entitled to one (1) vote for each such Lot, as provided in the Covenants and the Articles of Incorporation. The Association shall have two (2) classes of voting membership:

(a) Class A. Class A members shall be all Lot Owners, with the exception of the Developer, and there shall be one (1) vote for each Lot, except as otherwise provided in the Bylaws.

(b) Class B. The sole Class B member shall be the Developer or Declarant, as applicable to the particular phase, and it shall be entitled to cast such number of votes, on each and every matter coming before the membership for a vote thereon, equal to the product obtained when multiplying the number of Class A votes entitled to be cast times four (4). The Class B membership shall cease and be converted to Class A membership on the happening of any of the following events, whichever occurs earlier:

(i) When all Lots in the Subdivision have been sold and conveyed by the Developer to third parties; or

(ii) When the Developer elects to transfer control of the Association, in its sole discretion; or

(iii) Three (3) months after ninety percent (90%) of the Lots in each of all of the phases of the community that will ultimately be operated by the Association, i.e. the entire Subdivision, have been conveyed to Lot Owners.

(c) Notwithstanding anything to the contrary contained herein, upon conversion of the Class B membership to Class A membership, the Developer shall become a Class A member with regard to each Lot owned by it, and shall be entitled to one (1) vote for each such Lot on all questions and matters coming before the membership of the Association for a vote thereon.

3.02 Voting Procedures: The single or multiple owners of each Lot who are Class A members shall have one (1) vote for each Lot, and the Developer, as the sole Class B member shall have the number of votes provided for in the Covenants and By-Laws. All determination of requisite majorities and quorums for all purposes under the Covenants, the Articles of Incorporation and these

By-Laws shall be made by reference to the number of Lots owned by Class A Members entitled to vote, plus the number of votes, if any, to which the Class B Member is entitled. Decisions of the Association shall be made by a simple majority of votes entitled to be cast by Members represented at a meeting at which a quorum is present, unless a greater percentage is required by the Covenants, the Articles of Incorporation, or these By-Laws.

3.03 Quorum: A quorum shall exist when Members entitled to cast a majority of all votes are present, either in person, by designating voting representatives, The Articles of Incorporation, or these By-Laws.

3.04 Designation of Voting Representative: The right to cast the vote attributable to each Lot shall be determined, established and limited pursuant to the provisions of this section:

(a) Single Owners: If the Lot is owned by one (1) natural person, that person shall be entitled to cast the vote for his or her Lot.

(b) Multiple Owners: If a Lot is owned by more than one (1) person, either as co-tenants or joint tenants, the person entitled to cast the vote for the Lot shall be designated by a certificate signed by all of the record owners and filed with the Secretary of the Association.

(c) Life Estate with Remainder Interest: If a Lot is owned by a life tenant, with others owning the remainder interest, the life tenant shall be entitled to cast the vote for the Lot. If the life estate is owned by more than one (1) person, the authority to vote shall be determined as herein otherwise provided for voting by persons owning a Lot in fee in the same manner as the life tenants own the life estate.

(d) Corporations: If a Lot is owned by a corporation, the officers or employees thereof entitled to cast the vote for the Lot shall be designated by a certificate executed by an executive officer of the corporation and attested by the Secretary or an Assistant Secretary, and filed with the Secretary of the Association.

(e) Partnership: If a Lot is owned by a general or limited partnership, the general partner entitled to cast the vote for the Lot shall be designated by a certificate executed by all general partners and filed with the Secretary of the Association.

(f) Trustees: If a Lot is owned by a trustee, such trustee or trustees shall be entitled to cast the vote for the Lot. Multiple trustees may designate a single trustee, or a beneficiary entitled to possession, and a single trustee may likewise designate such beneficiary as the person entitled to cast the vote for the Lot by a certificate executed by all trustees and filed with the Secretary of the Association.

(g) Estates and Guardianships: If a Lot is subject to administration by a duly authorized and acting Personal Representative or Guardian of the property, then such Personal

Representative or Guardian shall be entitled to cast the vote for such Lot upon filing with the Secretary of the Association a current certified copy of or her Letters of Administration or Guardianship.

(h) Tenants by the Entirety: If a Lot is owned by a husband and wife as tenants by the entirety, they may designate a voting Member in the same manner as other multiple owners. If no certificate designating a voting Member is on file with the Association, and only one (1) of the husband and wife is present at a meeting, he or she may cast the vote for their Lot without the concurrence of the other owner. If both spouses are present, they may jointly cast the vote for their Lot, but if they are unable to agree on the manner of casting such vote, they shall lose their right to vote on such matter, although the Lot may still be counted for purposes of a quorum.

(i) Leases: If a Lot is leased, the Owner-lessor shall be entitled to cast the vote for the Lot, except that the Owner may designate a lessee as the person entitled to cast the vote for the Lot by a certificate executed by all Owners and filed with the Secretary of the Association.

(j) Certificate: Whenever a certificate designating a voting representative is permitted or required, such certificate shall, once filed, be valid until revoked. In the absence of a valid certificate, a Lot shall not be counted in determining a quorum unless all Owners required to execute such certificate are present, in person or by proxy, and such Lot owners shall lose their vote on any particular matter unless they concur on the manner in which the vote of the Lot is to be cast on that matter.

3.05 Approval or Disapproval of Matters: Whenever the decision of a Lot owner is required upon any matter, whether or not the subject of an Association meeting, such decision shall be expressed by the same person who would cast the vote of such owner if at an Association meeting, unless the joinder of record owners is specifically required by the Covenants or these By-Laws.

3.06 Proxies: Votes may be cast in person or by proxy. A proxy shall be in writing and signed by the designated voting representative, or the owner, if no voting representative has been designated. A proxy shall be valid only for the particular meeting designated in the proxy, and must be filed with the Secretary of the Association before the appointed time of the meeting or any adjournments thereof. A properly executed and delivered proxy may be revoked by a writing delivered to the Secretary prior to the appointed time of the meeting or any adjournment thereof, or by the attendance in person of the persons executing said proxy at any meeting or adjournment thereof. No one person may be designated to hold more than fifteen (15) proxies. In no event shall a proxy be valid for a period longer than ninety (90) days after the date of the first meeting for which it was given.

3.07 Method of Voting: Subject to the provisions of the Covenants, voting may be by roll call, voice vote or by written ballot; provided, however, that whenever written approval is required by the Covenants, or whenever any amendment to the Covenant is proposed, or when any borrowing of funds, pledge, or other disposition of common properties or assets is proposed, the voting shall

be by written ballot. Routine matters such as approval of minutes, adjournment, acceptance of reports, parliamentary questions and social business may be determined by "yeas" and "nays"; provided, that any five (5) voting Members, or the chairman, may require a roll call vote or vote by written ballot.

ARTICLE IV. MEETINGS OF MEMBERS

4.01 Annual Meeting: The annual meeting of the Members shall be held during the month of June of each year on a day and at a time determined by the Board of Directors; provided that the notice pursuant to Section 4.03 is given at least thirty (30) days prior to the date set for the annual meeting. The annual meeting shall be for the purpose of electing Directors, and transacting any other business authorized to be transacted by the Members.

4.02 Special Meetings: Special meetings of the Members shall be held whenever called by the President, Vice President, or by a majority of the Board of Directors, and must be called by such officers upon receipt of a written request from voting Members entitled to cast not fewer than fifteen (15%) percent of the total number of votes.

4.03 Notice of Meetings: Notice of all meetings of the Members, stating the time, place and objects for which the meeting is called, shall be given by the President or Vice President or Secretary, unless waived in writing. All such notices shall be given in writing to each Member at his or her address, as it appears on the books of the Association, or as the Member may have otherwise directed in writing, and shall be mailed or delivered not fewer than ten (10) days, nor more than thirty (30) days, prior to the date of the meeting. A duplicate notice shall be furnished to the designated voting representative if such voting representative is not also an owner. The notice for any meeting at which assessments against Lot owners are to be considered shall contain a statement of the nature of such assessments and that such assessments will be considered. Proof of such mailing or delivery shall be given by Affidavit of the person giving the notice. Notice of meetings may be waived in writing before, during or after meetings.

4.04 Place: Meetings of the Association Members shall be held at such place in Manatee County, Florida, as the Board of Directors may designate in the Notice of Meeting.

4.05 Adjournment: If any meeting of Members cannot be organized because a quorum has not attended, the Members who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum is present.

4.06 Order of Business: The order of business at annual meetings, and as far as practical at all special meetings, shall be:

- (a) Election of Chairman of the meeting (if necessary).
- (b) Calling of the roll and certifying of the proxies.
- (c) Proof of notice of the meeting or waiver of notice.

- (d) Reading and disposal of any unapproved minutes.
- (e) Reports of officers.
- (f) Reports of committees.
- (g) Election of Directors.
- (h) Unfinished business.
- (i) New business.
- (j) Announcements.
- (k) Adjournment.

4.07 Action Without Meeting: Whenever the affirmative vote or approval of the Members is required or permitted by the Covenants or these By-Laws, such action may be taken without meeting if Members entitled to cast not fewer than seventy-five (75%) percent of the votes if such meeting were held, shall agree in writing that such action be taken and waive the necessity of such meeting. Provided, however, that if a greater percentage approval is required, that not less than such percentage must so agree in writing. Provided further that the Covenants, Articles of Incorporation and these By-Laws may not be amended without a meeting. Notice of the action so taken shall be given in writing to all Members who did not approve such action in writing within ten (10) days of such approval.

4.08 Proviso: Provided, however, that until the Developer has terminated its control of the Association and its affairs in accordance with the Covenants, the proceedings of all meetings of the Members of the Association shall have no effect unless approved by the Board of Directors, except for the rights of the Class A Members to vote to elect Directors.

ARTICLE V. DIRECTORS

5.01 Number: The affairs of the Association shall be managed by a Board of not less than three (3) nor more than five (5) Directors, the exact number to be determined by the Members from time to time prior to the annual election of Directors. The Board of Directors shall at all times be comprised of an odd number of members. Until otherwise determined by the Members, there shall be three (3) Directors.

5.02 Election of Directors: The election of Directors shall be conducted in the following manner:

(a) Election of Directors shall be held at the annual meeting of the Members. A nominating committee of not less than three (3) nor more than five (5) Members may be appointed by the Board of Directors not less than thirty (30) days prior to the annual meeting of the Members. The nominating committee shall nominate at least one (1) person for each Directorship. Other nominations may be made from the floor, and nominations for additional directorships, if any, created at the meeting shall be made from the floor.

(b) The election shall be by ballots, unless dispensed with by unanimous consent, and by a plurality of the votes cast, each person voting being entitled to cast his or her vote for each of as many nominees as there are vacancies to be filled. There shall be no cumulative voting.

(c) Any Director may be recalled and removed from office, with or without cause, by the vote or agreement in writing by a majority of all Lot owners. A special meeting of the Lot owners to recall a Member or Members of the Board may be called by ten (10%) percent of the Lot owners giving notice of the meeting as required for a meeting of Lot owners, and the notice shall state the purpose of the meeting. The vacancy in the Board of Directors so created shall be filled by vote of the Members of the Association at the same meeting.

(d) So long as Class B Membership Status continues under the Covenants, the Developer shall be vested with the power to designate, remove and replace the Members of the Board of Directors. Developer appointed directors need not be owners of Lots. The Board of Directors designated by Developer shall serve until the first election of Directors. Any vacancies occurring prior to the first election shall be filled by the remaining Directors.

(e) The first election of Directors may be held when Class A Members have votes equal to 50% of the total number of Lots. Within sixty (60) days after such time, the Board shall call a meeting of the Members and give not fewer than thirty (30) days notice of such meeting. At such meeting, the Class A Members shall be entitled to elect one Director. The remainder of the Board of Directors shall continue to be designated, removed and replaced by Developer. The Directors elected and designated at the first election shall serve until the annual meeting date that is not less than eighteen (18) months following such election or until the Developer's Class B Membership status terminates pursuant to the Covenants, whichever first occurs. If Developer Class B Membership has not terminated, then the Class A Members shall elect the number of Directors to which they are entitled under the Covenants and these By-Laws, and the Developer shall designate the remaining Directors. Board Members so elected and designated shall serve until the next annual meeting, unless in the interim Class B Membership terminates and a special meeting and election are held pursuant to Section 5.02(f) of these By-Laws.

(f) When Developer's Class B Membership terminates and the Developer is deemed to be a Class A member pursuant to Section 720.307, Florida Statutes, 2003, as amended from time to time, and Article VI, Paragraph 8 of the Covenants, then the Developer shall call a special meeting within sixty (60) days after such date, as provided in the Covenants. At such special meeting all Class A Members shall elect a Board of Directors, to serve until the next annual meeting. Thereafter, Directors shall be elected annually at the annual meeting. Director's terms may be staggered so that some Directors serve for longer than one (1) year.

(g) Developer may waive its right to elect or designate any one or more Directors if it otherwise has the right to designate under the Covenants and these By-Laws, which waiver shall, however, apply only to the specific election at which the waiver is made. If Developer does waive

such right, the Class A Members shall elect the Board Member or members who would otherwise have been elected or designated by Developer.

5.03 Term: Subject to the provisions of Section 5.02, and subject to the establishment of staggered terms, the term of each Director's service shall extend to the next annual meeting of the Members and thereafter until his or her successor is duly elected and qualified, or until he or she is removed in the manner elsewhere provided.

5.04 Qualifications: All Directors shall be Members of the Association; provided, however, that any Director elected or designated by Developer pursuant to these By-Laws need not be a Member. An officer of any corporate owner and a general partner of any partnership owner shall be deemed a Member for the purposes of qualifying for election to the Board of Directors.

5.05 Vacancies: Except as otherwise provided herein, if the office of any Director becomes vacant, whether by reason of death, resignation, retirement, disqualification, incapacity or otherwise, a majority of the remaining Directors shall select a successor, who shall hold the office for the unexpired term of the Director he or she is replacing. Vacancies following removal of office pursuant to Section 5.02(c) shall be filled as therein provided. Any vacancy in the Board of Directors occurring during the time that the Class B Members and Class A Members share authority to elect and designate Directors shall be filled in the manner in which the Director who has vacated his or her office was originally elected or designated; i.e., if elected by Class A Members, the vacancy shall be filled by special election by Class A Members, and if designated or elected by Developer, then Developer shall select and designate a person to fill such vacancy.

5.06 Disqualification and Resignation: Any Director may resign at any time by sending written notice to the Secretary of the Association. Such resignation shall take effect upon receipt by the Director who must be a Member of the Association. After the Class B Membership status has terminated pursuant to the Covenants, more than three (3) consecutive unexcused absences from regular Board meetings shall be deemed a resignation, which shall be effective upon acceptance by the Board.

5.07 Voting: All voting for the election of Directors shall be as provided in Article III hereof.

5.08 Organization Meeting: The organization meeting of a newly elected Board of Directors shall be held within ten (10) days of its election, at such place and time as shall be fixed by the Directors at the meeting at which they were elected, and no further notice of the organization meeting shall be necessary.

5.09 Regular Meetings: The Board may, from time to time, establish a schedule of regular meetings to be held at such time and place as the Board may designate. Any regular scheduled meetings may be dispensed with upon written concurrence of not less than two-thirds (2/3) of the Members of the Board.

5.10 Special Meetings: Special Meetings of the Directors may be called by the President and must be called by the Secretary or an Assistant Secretary at the written request of one-third (1/3) of the Directors.

5.11 Notice: Notice of each regular or special meeting shall be given to each Director personally or by mail, telephone or telegraph at least three (3) days prior to the meeting date. All notices shall state the time and place of the meeting, and if a special meeting, the purposes thereof. Any Director may waive notice of a meeting before, during or after the meeting, and all such waivers shall be deemed equivalent to the giving of notice. Attendance by a Director at a meeting shall be deemed a waiver of Notice by him.

5.12 Quorum: A quorum at Director's meetings shall consist of a majority of the entire Board of Directors. The acts approved by a majority of those present at a meeting at which a quorum is present shall constitute the act of the Board of Directors; except where approval of a greater number of Directors is required by the Covenants or these By-Laws.

5.13 Adjourned Meeting: If, at any meeting of the Board of Directors, there be less than a quorum present, the majority of those present may adjourn the meeting from time to time until a quorum is present. At any adjourned meeting any business which might have been transacted at the meeting as originally called may be transacted without further notice.

5.14 Joinder in Meeting by Approval of Minutes: The joinder of a Director in the action of a meeting, by signing and concurring in the minutes thereof shall constitute the concurrence of such Director for the purpose of determining requisite majorities on any action taken and reflected in such minutes or to create a quorum. Directors may join in minutes under this section only after an open meeting, for the purposes herein provided.

5.15 Meetings Open: Meetings of the Board of Directors shall be open to all Members.

5.16 Presiding Officer: The presiding officer at Director's meetings shall be the President. In the absence of the President, the Vice President shall preside. In the absence of both, the Directors shall designate one (1) of their Members to preside.

5.17 Directors' Fees: Directors' fees, if any, shall be determined by the Members of the Association; provided, Directors designated by the Developer shall not be entitled to Directors' fees.

5.18 Order of Business: The order of business of Directors' meetings shall be:

- (a) Roll call.
- (b) Proof of notice of meetings or waiver of notice.
- (c) Reading and disposal of any unapproved minutes.
- (d) Reports of officers and committees.
- (e) Election of officers, if any.

- (f) Unfinished business.
- (g) New business.
- (h) Announcements.
- (i) Adjournment.

ARTICLE VI. POWERS AND DUTIES OF THE BOARD OF DIRECTORS

6.01 General Powers: All powers specifically set forth in the Covenants, Articles of Incorporation and these By-Laws, and all powers incident thereto or reasonably to be inferred therefrom.

6.02 Enforcement and Fines: The Board of Directors shall enforce by legal means, provisions of the Covenants, the Articles of Incorporation, the By-Laws and Rules and Regulations for the use of the common property. In the event that the Board of Directors determines that any Lot owner is in violation of any of the provisions of the Covenants, By-Laws, Articles or Rules and Regulations, the Board, or an agent of the Board designated for that purpose, shall notify the Lot owner of the nature of the violation. If said violation is not cured within five (5) days, or if said violation consists of acts or conduct by the Lot owner, and such acts or conduct are repeated, the Board may levy a fine of a sum not exceeding \$25.00 per offense against the Lot owner. Each day during which the violation continues shall be deemed a separate offense. Such fines shall be assessed as a special assessment against the Lot owner and shall constitute a lien upon the Lot, and may be foreclosed by the Association in the same manner as any other lien; provided that before foreclosure of any lien arising from a fine, the defaulting owner shall be entitled to a hearing before the Board, upon reasonable written notice, specifying the violations charged and may be represented by counsel; provided further that no fine may be levied in any event against the Developer. In addition, the Board may suspend the right of any Member to use recreational facilities located on the common property for any period during which any assessments against his or her Lot remains unpaid and delinquent, and may likewise suspend such right for a period not to exceed thirty (30) days for any single infraction of the Rules and Regulations of the Association. Provided, however, that any suspension of such right to the use of recreational facilities, other than for failure to pay assessments, shall be made only after a hearing before the Board, upon reasonable written notice to the owner, specifying the violations charged. At any such hearing the owner may be represented by counsel.

6.03 Budget and Assessments: To adopt budgets and make assessments, and to use and expend assessments and other receipts of the Association to carry out the powers and duties of the Association pursuant to the Covenants and these By-Laws.

6.04 Employment: To employ, dismiss, control and contract for personnel and contractors for the administration of the Association, including but not limited to managers, maintenance personnel, attorneys, accountants and other professionals, by employment or contract, as the Board may determine.

6.05 Rules and Regulations: To adopt, amend and rescind reasonable rules and regulations relating to the administration of the Association and operation and use of any common property, subject to the Covenants and By-Laws. Provided, however, that any rules or regulations adopted by the Board may be supplanted, amended or rescinded by affirmative vote of the owners of not less than two-thirds (2/3) of the Lots subject to the Covenants. Any such rules or regulations approved by the owners shall not thereafter be amended or rescinded by affirmative vote of the owners of not less than two-thirds (2/3) of the Lots subject to the Covenants. Any such rules or regulations approved by the owners shall not thereafter be amended or rescinded except upon affirmative vote of the owners of not less than two-thirds (2/3) of the Lots subject to the Covenants.

6.06 Committees: To create and disband such committees as the Board may from time to time determine as reasonably necessary or useful in and about the administration of the Association and to delegate such authority to such committees as may be reasonable in connection with their purpose, subject always to the provisions of the Covenants, Articles of Incorporation and By-Laws. All committees of the Association shall keep records and conduct meetings in the same manner, to the extent applicable, as is required of the Board of Directors. Nothing contained herein shall restrict the authority of the Members to create, elect and disband such committees, or from modifying the duties and responsibilities of such committees. Any such action of the Members shall not be amended or rescinded except by the Members. Nothing contained herein shall be deemed to restrict the authority of the President of the Association from appointing advisory committees not inconsistent with committees created by the Board of Directors and the Members.

6.07 Cooperative Management and Operation: To enter into agreements with other Neighborhood Associations, providing for the joint or cooperative implementation of Section 6.04, and Cooperative Purchasing Agreements and contracting for maintenance, repair, insurance and other items of common expense. In entering such agreements, the Board shall have the authority to apportion the expenses incurred pursuant to such agreements, so long as such apportionment is made in good faith and in a fair, equitable and reasonable manner. Expenses incurred pursuant to such agreements, whether by direct attribution or such apportionment, shall be a common expense.

ARTICLE VII. OFFICERS

7.01 Officers and Election: The officers of the Association shall be a President, who shall be a Director; a Vice President, who shall be a Director; a Treasurer, a Secretary and such other officers as may be determined from time to time by the Board, all of whom shall be elected annually by the Board of Directors, and who may be peremptorily removed by a majority vote of all Directors at any meeting. Any person may hold two (2) offices except that the President shall not also be the Secretary or an Assistant Secretary. The Board of Directors shall designate the powers and duties of such other officers as it may create.

7.02 President: The President shall be the chief executive officer of the Association. He or she shall have all of the powers and duties which are usually vested in the office of the President of an Association; including but not limited to the power to appoint advisory committees from time to

time, from among the Members or others as he or she may, in his or her direction, determine appropriate, to assist in the conduct of the affairs of the Association. He or she shall serve as Chairman at all Board and Membership meetings.

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

7.04 Secretary and Assistant Secretary: The Secretary shall keep the minutes of all proceedings of the Directors and Members. He or she shall attend to the giving and serving of all notice to the Members and Directors, and other notices required by law and the Condominium documents. He or she shall keep the records of the Association, except those of the Treasurer, and shall perform all other duties incident to the office of Secretary of an Association, as may be required by the Directors or the President. The Assistant Secretary, if such office is created, shall perform the duties incident to the office of Assistant Secretary.

7.05 Treasurer: The Treasurer shall have the custody of all the property of the Association including funds, securities and evidences for indebtedness. He or she shall keep the books of the Association in accordance with good accounting practices and provide for collection of assessments and he or she shall perform all other duties incident to the office of Treasurer.

7.06 Compensation: The compensation of all officers and employees of the Association shall be fixed by the Directors. The provisions that Director's fees shall be determined by Members shall not preclude the Board of Directors from employing a Director as an employee of the Association, nor preclude contracting with a Director for the management services. No officer who is a designee of the Developer shall receive any compensation for his or her services.

7.07 Indemnification of Directors and Officers: Every Director and every officer of the Association shall be indemnified by the Association against all expenses and liabilities, including attorney's fees, reasonably incurred by or imposed upon him in connection with any proceeding to which he or she may be a party or on which he or she may become involved by reason of his or her being or having been a Director or officer of the Association, whether or not he or she is Director or officer at the time such expenses are incurred, except in such cases when the Director or officer is adjudged guilty of willful misfeasance or malfeasance in the performance of his or her duties. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such Director or officer may be entitled.

7.08 Term: All officers shall hold office until their successors are chosen and qualify.

ARTICLE VIII. FISCAL MANAGEMENT

The provisions for fiscal management of the Association set forth in the Covenants shall be supplemented by the following provisions:

8.01 Accounting: Receipts and expenditures of the Association shall be credited and charged to accounts under the following general classifications, as shall be appropriate, all of which expenditures shall be common expenses:

(a) **Current Expenses:** Current expenses shall include all receipts and expenditures to be made within the year for which the funds are budgeted and may include a reasonable allowance for contingencies and working funds, except expenditures chargeable to reserves. The balance in this fund at the end of each year shall be applied to reduce the regular assessment for current expenses for the succeeding year or to fund reserves. The current expense classification shall be detailed and shall include, but not to be limited to, the following subclassifications where applicable:

- (i) Administration of the Association.
- (ii) Management fees.
- (iii) Maintenance.
- (iv) Rent for recreational and other commonly used facilities.
- (v) Taxes upon Association property.
- (vi) Insurance.
- (vii) Security provisions.
- (viii) Other expenses.
- (ix) Operating capital.
- (x) Contingency funds for advancement of special and service assessments.

(b) **Reserves for Deferred Maintenance:** Reserves for deferred maintenance shall include funds for maintenance items which occur less frequently than annually.

(c) **Reserve for Capital Expenditures and Replacement:** Reserves for capital expenditures and replacement shall include funds for repair or replacement required because of damage, depreciation or obsolescence.

(d) **Additional Accounts:** The Board may establish additional accounts for specifically authorized improvements, or other categories consistent with accepted accounting practices.

(e) **Reserves for Future Capital Improvements.** Reserves for Capital Improvements shall include funds for the construction, purchase, modification or improvement of future capital improvements in addition to those originally contemplated or indicated on the Plat.

8.02 Budget: The Board of Directors shall adopt a budget for each calendar year which shall include the estimated funds required to defray the current expenses and funds for required reserves, and may provide funds for specifically proposed and approved improvements.

8.03 Procedure: The Board of Directors shall adopt a budget in accordance with the Covenants.

8.04 Assessments and Apportionment: Regular annual assessments against a Lot owner for his or her share of the items of the budget shall be made in advance on or before December 20 preceding the year for which assessment is made. Such assessment shall be due either annually or, at the discretion of the Board, in four (4) equal quarter annual installments, which shall come due on the 1st day of January, April July and October of the year for which assessments are made. If an annual assessment is not made as required, an assessment shall be presumed to have been made in the amount of the last prior assessment and monthly payments thereon shall be due from the 1st day of each month until changed by an amended Regular Assessment. In the event the Regular annual assessment proves to be insufficient, the budget may be amended at any time by the Board and a Special Assessment levied. The Special Assessment shall be due on the 1st day of the month next following the month in which the Special Assessment is made or as otherwise provided by the Board of Directors. Special Assessments may be made from time to time by the Board as it deems necessary, with Membership approval where required.

(a) Assessment Apportionment. The Owner(s) of each Lot shall bear their pro-rata share of all Assessments, whether annual, special or otherwise, which is levied by the Board of Directors of the Association for all general Assessments based on the number of Lots approved for the total Development. Notwithstanding the foregoing, while the developer is in control of the homeowners' association, at the Developer's discretion, it may be excused from payment of its share of the operating expenses and assessments related to its parcels for any period of time for which the developer has obligated itself to pay any operating expenses incurred that exceed the assessments receivable from other members and other income of the association.

(b) Date of Commencement of Assessments. The Assessments on each Lot shall commence on the closing of the sale of such Lot by the Developer. Assessments shall be prorated and paid in advance on the closing date based upon the remaining days in the applicable Assessment period. As to Lots owned by Developer, assessments shall commence when the Developer ceases to be obligated to pay operating expenses of the Association incurred that exceed the assessments receivable from other members and other increases of the Association (the "Developer Subsidiary"). The Developer shall be obligated to provide the Developer Subsidiary for the first calendar year after the recording of the Declaration and Developer shall have the right to extend the Developer Subsidiary for up to three (3) additional one (1) year periods provided written notice of such extension is given by Developer to Association prior to the end of the then current Developer Subsidiary period.

8.05 Acceleration of Assessments: Upon default in payment, the Board may elect to accelerate remaining installments of Regular or Special Assessments, and such assessments shall stand accelerated ten (10) days after delivery or receipt of such notice to or by the delinquent lot owner, or twenty (20) days after mailing of such notice by certified or registered mail, whichever first occurs.

8.06 Expenditures: All funds of the Association shall be expended only upon authorization of the Board of Directors. Approval of the budget shall be deemed authority to expend funds for the items and contingency funds within the budget. Funds derived from Special Assessments and funds in reserves shall be expended solely for the purpose for which such assessment was made or reserve established. Contingency funds may be expended for any legitimate purpose by action of the Board.

8.07 Depository: The depository of the Association shall be in such bank or banks as shall be designated from time to time by the Directors, and in which the moneys of the Association shall be deposited. Withdrawal of moneys from such accounts shall be only by checks signed by such persons as are authorized by appropriate resolution of Board of Directors. Except as otherwise required by law or the Covenants, funds of the Association may be co-mingled with other Association funds or kept in separate accounts.

8.08 Audit: After Developer transfers complete control of the Association, a report of the accounts of the Association shall be made annually by the Board, and a copy of the report shall be furnished to each Member not later than April 1 of the year for which the report is made. At least every three years, the report shall include an audit by a certified public accountant.

8.09 Fidelity Bonds: Fidelity Bonds shall be required by the Board of Directors from all persons handling or responsible for the Association's funds. The amounts of such bonds shall be determined by the Directors of the Association. The premiums on such bonds shall be paid by the Association as a common expense.

ARTICLE IX. PARLIAMENTARY RULES

Robert Rules of Order, the latest edition, shall govern the conduct of the meetings of the Association, the Board of Directors and Committees of the Association when not in conflict with the Covenants, Articles of Incorporation or these By-Laws.

ARTICLE X. AMENDMENT

These By-Laws may be amended by the Members of the Association at any regular or special meeting duly called for that purpose by the affirmative vote of an absolute majority of all votes entitles to be cast. Notwithstanding the foregoing, no amendment shall be made that is in conflict with the Covenants or the Articles of Incorporation, except as provided in said Covenants or Articles. Provided, however, that these By-Laws may be amended at any time by the Class B Members during the time that the Class B Members have and exercise the right to control the Association, provided

that such amendment is not in conflict with the Covenants. HUD/VA has the right to veto amendments during the time that Class B Members have and exercise the right to control the Association.

ARTICLE XI. MISCELLANEOUS

The provisions of these By-Laws shall be construed together with the Covenants and the Articles of Incorporation. In the event of a conflict between the provisions hereof and the provisions of the Covenants or Articles, the provisions of the Covenants or Articles shall control. The provisions hereof shall be liberally construed to grant to the Association sufficient practical authority to implement its obligations and authorities under the Covenants. Whenever the context so requires, the use of any gender herein shall be deemed to include all genders, and use of the plural shall include the singular and the singular shall include plural. Unless the context shall otherwise require, terms used herein shall have the same meanings as set forth in the Covenants.

The foregoing was adopted as the By-Laws of the Association at the organizational Meeting of the Board of Directors on the 25 day of September, 2003.

**SUGAR MILL LAKES
HOMEOWNERS' ASSOCIATION, INC.**

By: Loreen Vickers
Its: PRESIDENT

U:\Jack\Corporations\Sugar Mill Lakes Homeowners' Association, Inc\Bylaws.wpd\slh\September 23, 2003 (4:30pm)