

Please see below for a detailed listing of the proposed amendment, itemizing each place our documents are affected and displaying the amended text in "bold" font.

Existing Language

1.4. "Base Assessment": Assessments levied on all Units subject to assessment under Article X to fund Common Expenses for the general benefit of all Units, as more particularly described in Sections 10.1 and 10.3.

Proposed Language

1.4. "Base Assessment": Assessments levied on all Units subject to assessment under Article X to fund Common Expenses **and Common Reserve** for the general benefit of all Units, as more particularly described in Sections 10.1 and 10.3.

1.4.(a) "Limited Base Assessment": Certain Unit Types may be required to supplement the Base Assessment to also fund their applicable Limited Common Expense and Limited Reserve.

1.4.(b) "Boathouse Base Assessment": The Base Assessment common to all Units does not apply to Boathouse Units, whose levied assessments will consist of an Administrative Fee and their Limited Reserve.

1.4.(c) "Administrative Fee": A special sub-category of Common Expense assessed to the Boathouse Units, covering their portion of Association expenses for general administration, including but not limited to property management; accounting; Board and Association insurance; and property taxes. This fee is assessed to each Boathouse Unit based on budgeted administrative costs and the total number of assessed Units.

Rationale

- Clarification of original definition to identify "Common Reserve" as the proper term for the capital fund contribution referenced in Article 10.5.
- Introduces the notion of Limited Common Expense and Limited Reserve that could supplement the Base Assessment for owners within a sub-community.
- The Base Assessment does not apply to the non-residential Boathouse Lots, who instead are assessed an Admin Fee and a contribution to their Limited Reserve.

Existing Language

1.9. "Common Area": All real and personal property which the Association owns, leases, or otherwise holds possessor or use rights in for the common use and enjoyment of the Owners.

Proposed Language

1.9. "Common Area": All real and personal property which the Association owns **by deed conveyance or easement**; leases; or **is made available to the Association and its members in accordance with Article V, 5.1(e)**, for the use and enjoyment of Owners.

1.9(a). "Limited Common Area": Those portions of the Common Area designated for the benefit of, and for which the maintenance and repair of such portion of the Common Area is the sole responsibility of the Owners of lots that comprise that particular Unit type.

Rationale

- *Clarification of original definition so it is better understood how Common Area is originated.*
 - *Introduces the notion that Limited Common Areas can exist that are uniquely associated with a certain Unit Type.*
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Existing Language

1.10. **“Common Expenses”**: The actual and estimated expenses incurred or anticipated to be incurred by the Association for the general benefit of all Owners, including any reasonable reserve, as the Board may find necessary and appropriate pursuant to this Declaration, the Bylaws, and the Articles of Incorporation. Common Expenses shall not include any expenses incurred during the Class “B” Control Period for initial development, original construction, installation of infrastructure, original capital improvements, or other original construction costs unless approved by Owners representing a majority of the total Class “A” vote of the Association.

Proposed Language

1.10. **“Common Expenses”**: The actual and estimated expenses incurred or anticipated to be incurred by the Association for the general benefit of Owners, including any reasonable reserve, as the Board may find necessary and appropriate pursuant to this Declaration, the Bylaws, and the Articles of Incorporation. Common Expenses shall not include any expenses incurred during the Class “B” Control Period for initial development, original construction, installation of infrastructure, original capital improvements, or other original construction costs unless approved by Owners representing a majority of the total Class “A” vote of the Association.

1.10.(a) “Limited Common Expense”: **The actual and estimated expenses incurred or anticipated to be incurred by the Association for the general benefit of Owners associated with a Limited Common Area.**

Rationale

- *Different Unit types may have unique common areas. As such, an additional Limited Common Expense per Unit Type can exist.*
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Existing Language

1.20. **“Owner”**: One or more Persons who hold the record title to any Unit, but excluding in all cases any party holding an interest merely as security for the performance of an obligation. If a Unit is sold under a contract of sale, and the contract specifically so provides, the purchaser (rather than the fee owner) will be considered the Owner.

Proposed Language

1.20. **“Owner”**: One or more Persons who hold the record title to any **platted lot of the Properties**, but excluding in all cases any party holding an interest merely as security for the performance of an obligation. If a Unit is sold under a contract of sale, and the contract specifically so provides, the purchaser (rather than the fee owner) will be considered the Owner.

Existing Language

1.27. "Unit": A portion of the Properties, whether improved or unimproved, which may be independently owned and conveyed and which is intended for development, use, and occupancy as a detached residence for a single family. The term shall refer to the land, if any, which is part of the Unit as well as any improvements thereon. The term shall include within its meaning, by way of illustration but not limitation, condominium units, townhouse units, cluster homes, patio or zero lot line homes, and single-family detached houses on separately platted lots, as well as vacant land intended for development as such, but shall not include Common Areas, or property dedicated to the public. Following the date that this document is recorded with the real property records of Cherokee County, any owner that acquires multiple lots shall be entitled to one (1) vote per lot acquired, along with one(1) assessment per lot acquired, regardless of any subsequent replatting. In the case of a parcel of vacant land or land on which improvements are "under construction," the parcel shall be deemed to contain the number of Units designated for residential use for such parcel on the Master Plat or the site plan approved by Declarant, whichever is more recent, until such time as a revised subdivision plat is filed of record on all or a portion of the parcel. Thereafter, the portion encompassed by such plat shall constitute a separate Unit or Units as determined above and the number of Units on the remaining land, if any, shall continue to be determined in accordance with this paragraph. The phrase "under construction," when used in this context, shall refer to the time period prior to the issuance of a certificate of occupancy for the structure comprising the residential single-family dwelling.

Proposed Language

1.27. "Unit":

A portion of the Properties, whether improved or unimproved, which may be independently owned and conveyed. The term shall refer to the land, if any, which is part of the Unit as well as any improvements thereon, but shall not include Common Areas, or property dedicated to the public. In the case of a parcel of vacant land or land on which improvements are "under construction", the parcel shall be deemed to contain the number of Units designated for use for such parcel on the Master Plat or the site plan approved by Declarant, whichever is more recent, until such time as a revised subdivision plat is filed of record on all or a portion of the parcel. Thereafter, the portion encompassed by such plat shall constitute a separate Unit or Units and the number of Units on the remaining land, if any, shall continue to be determined in accordance with this paragraph. **Herein, unless a defined Unit Type is referenced individually, the term "Unit(s)" shall refer to all defined Unit Types. Additional Unit Types may be added and defined from time to time, but such new Unit Types shall require approval by the Board and the Declarant in additional Supplements to the Declaration, and will be identified as 1.27.(a)(iv), 1.27.(a)(v), etc., without need to vote as an amended Declaration. Each new Unit Type, when defined, shall address its assessment methodology; voting rights; any committee representation; and any specific use and architectural restrictions if different than those adopted by the general Association.**

1.27.(a) "Unit Types":

1.27.(a)(i) "Residential Unit": A Unit which is intended for development, use, and occupancy as a residence for a single family. The term shall include within its meaning, single-family detached houses on separately platted lots, as well as vacant land intended for development as such, but shall not include Common Areas, or property dedicated to the public. Any owner that acquires multiple lots shall be entitled to one (1) Class "A" Member vote per lot acquired, along with one (1) assessment per lot acquired, regardless of any subsequent re-platting.

1.27.(a)(ii) "Boathouse Unit": A Unit which is only intended for development and recreational use as a boathouse at the shoreline of Lake Palestine. Any owner

that acquires multiple lots to be boathouse units shall be entitled to one (1) Class BH Member vote per lot acquired, along with one (1) assessment per lot acquired, regardless of any subsequent re-platting. Section 4, Lots 1-10, 11A, 11B, 12A, 13A, 13B are designated as Lots whose sole purpose is to be used as a Boathouse Unit. The remaining Lots in Section 4, all of which are unusable for single family dwelling purposes, are reserved to be re-platted into smaller parcels to be used and conveyed solely as Boathouse Units. The requirement and criteria for re-platting and acceptance as a Boathouse Lot shall be defined jointly by the Declarant and the Board.

The Boathouse Units, as a collection of properties in Section 4 of Exhibit A, shall be represented by a three (3) person committee of Boathouse Unit owners, which will interface with the Board of Directors and the Property Management agency regarding matters of creating the Boathouse Unit annual budget and assessment and general community affairs specific to the Boathouse Units.

Assessments for Boathouse Units are discussed within Article X. The Boathouse Unit Limited Reserve fund shall be used to maintain the Community-wide Standard in Section 4 along the shoreline, including, but not limited to, repairing the bulkheads and the cart path. This Reserve Fund may also be used to pay un-budgeted expenses such as lien filings and legal fees pertaining to Boathouse Units. Voting rights are as a Class "BH" Member, and are exercised on issues specific only to Boathouse Units. Use Restrictions (Exhibit C), Architectural Design Guidelines, and the Violation Fine Policy govern community behavior; however, note that additional Use Restrictions specific to Boathouse Units can also appear in the Architectural Design Guidelines.

1.27.(a)(iii) "Undefined Unit": A platted lot within the Properties which cannot be developed with a residence or for recreational use with a boathouse. A lot is assigned this status by the Association when it can no longer be used for its original intended purpose. Re-platting of the lot is permissible only if approved by both the Declarant and the Association Board. The Owner is a Class "O" Member and does not pay assessments.

Rationale

- Our current document narrowly defines a Unit as a lot to be developed with a single family detached dwelling.
- However, there can be multiple Unit Types that define sub-communities within the Master Plat, each possibly possessing unique Limited Common Area and unique Membership rights.
- Residential Unit and Boathouse Unit are defined herein, but additional Unit types may be added during future annexations through Supplemental Declarations.
- If different than those adopted by the general Association, the Supplemental Declaration must address the changes to assessment methodology; voting rights; any committee representation; and any specific use and architectural restrictions associated with the new Unit Type.

Existing Language

3.3. Voting. The Association shall have two (2) classes of membership, Class "A" and Class "B"

(a).Class "A". Class "A" Members shall be all Owners except the Class "B" Member, if any. Class "A" Members shall have one (1) equal vote for each Unit in which they hold the interest required for membership under Section 3.2 provided there shall be only one (1) vote per Unit and no vote shall be exercised for any property which is exempt from assessment under Section 10.12.

(b) Class "B". The sole Class "B" Member shall be the Declarant. The rights of the Class "B" Member, including the right to approve, or withhold approval of, actions proposed under this Declaration and the Bylaws, are specified elsewhere in this Declaration and the Bylaws. Any right of the Declarant to approve or disapprove of actions by the Association shall be applicable solely to any units owned by Declarant. The Class "B" Member may appoint a majority of the members of the Board of Directors during the Class "B" Control Period, as specified in the Bylaws.

The Class "B" membership shall terminate and become converted to Class "A" membership upon the earlier of:

(i) three (3) years after expiration of the Class "B" Control Period if the Class "B" Control Period terminates prior to when 100% of the maximum number of Units permitted by the Master Plat for the property described on Exhibit "A" have certificates of occupancy issued thereon and have been conveyed to Persons other than Builders;

(ii) when 100% of the maximum number of Units permitted by the Master Plat for the property described on Exhibit "A" have certificates of occupancy issued thereon and have been conveyed to Persons other than Builders; or

(iii) when, in its discretion, the Declarant so determines and declares in a recorded instrument.

Exercise of Voting Rights. Except as otherwise specified in this Declaration or the Bylaws, the vote for each Unit owned by a Class "A" Member shall be exercised by the Owner of such Unit.

In any situation where a Member is entitled personally to exercise the vote for their Unit and there is more than one (1) Owner of a particular Unit, the vote for such Unit shall be exercised as such co-Owners determine among themselves and advise the Secretary of the Association in writing prior to any meeting. Absent such advice, the Unit's vote shall be suspended if more than one (1) Person seeks to exercise it in a contradictory or unclear manner.

Proposed Language

3.3. Voting. The Association shall have **four (4)** classes of Membership, Class "A" and Class "B", **Class "BH" and Class "O"**. **Additional classes of Membership may be added by the Declarant via Supplemental Declaration(s), but such additional shall require Board approval.**

(a) Class "A". Class "A" Members shall be **Owners of a Unit designated for improvement with a single-family residence**. Class "A" Members shall have one (1) equal vote for each Unit in which they hold the interest required for membership under Section 3.2 provided there shall be only one (1) vote per Unit and no vote shall be exercised for any property which is exempt from assessment under Section 10.12.

(b) Class "B". The sole Class "B" Member shall be the Declarant. The rights of the Class "B" Member, including the right to approve, or withhold approval of, actions proposed under this Declaration and the Bylaws, are specified elsewhere in this Declaration and the Bylaws. Any right of the Declarant to approve or disapprove of actions by the Association shall be applicable solely to any units owned by Declarant. The Class "B" Member may appoint a majority of the members of the Board of Directors during the Class "B" Control Period, as specified in the Bylaws.

The Class "B" membership shall terminate and become converted to Class "A" membership upon the earlier of:

- (i) three (3) years after expiration of the Class "B" Control Period if the Class "B" Control Period terminates prior to when 100% of the maximum number of Units permitted by the Master Plat for the property described on Exhibit "A" have certificates of occupancy issued thereon and have been conveyed to Persons other than Builders;
- (ii) when 100% of the maximum number of Units permitted by the Master Plat for the property described on Exhibit "A" have certificates of occupancy issued thereon and have been conveyed to Persons other than Builders; or
- (iii) when, in its discretion, the Declarant so determines and declares in a recorded instrument.

(c) Class "BH". Class "BH" Members shall be Owners of Boathouse Unit(s). Class "BH" Members shall have one (1) equal vote for each Boathouse Unit in which they hold the interest required for membership under Section 3.2 provided there shall be only one (1) vote per Unit and no vote shall be exercised for any property which is exempt from assessment under Section 10.12. Class "BH" Members shall vote only on matters that are specific to the Boathouse Units and may not vote on any other matters.

(d) Class "O". Class "O" Members are Owners of Units not assigned to any other Member Class. Class "O" Members are not assessed and do not have voting privileges.

Exercise of Voting Rights. Except as otherwise specified in this Declaration or the Bylaws, the vote for each Unit owned by a **Member** shall be exercised by the Owner of such Unit. **If a proposed amendment, or item on a ballot affects only a subset of Members, then only those affected Members will constitute the total vote and be allowed to exercise their individual vote per affected Unit.**

In any situation where a Member is entitled personally to exercise the vote for their Unit and there is more than one (1) Owner of a particular Unit, the vote for such Unit shall be exercised as such co-Owners determine among themselves and advise the Secretary of the Association in writing prior to any meeting. Absent such advice, the Unit's vote shall be suspended if more than one (1) Person seeks to exercise it in a contradictory or unclear manner.

Rationale

- *Our current document has only 2 classes of Membership under “Voting Rights” — Class A (single family lot Owners) and Class B (the now defunct special membership for the Declarant prior to the Warranty Deed).*
 - *The amendment adds:*
 - *Class BH for Boathouse Lot Owners*
 - *Class “O” to recognize all Owners of platted lots who are not assigned to any other Membership Class.*
 - *As more Unit types are defined, there can more classes of Membership.*
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Existing Language

5.1.(e) Any property and facilities owned by the Declarant and made available, on a temporary or permanent basis, for the primary use and enjoyment of the Association and its Members with such property and facilities to be identified by written notice from the Declarant to the Association, and accepted and approved by the Board of Directors, and to remain a part of the Area of Common Responsibility and be maintained by the Association until such time as Declarant revokes such privilege of use and enjoyment by written notice to the Association.

Except as provided above, the Area of Common Responsibility shall not be reduced by amendment of this Declaration or any other means except with the prior written approval of the Declarant as long as the Declarant owns any property described on Exhibit “A” of this Declaration.

The Association may maintain other property which it does not own, including, without limitation, property dedicated to the public, if the Board of Directors determines that such maintenance is necessary or desirable to maintain the Community-Wide Standard.

Except as otherwise specifically provided herein, all costs associated with maintenance, repair and replacement of the Area of Common Responsibility shall be a Common Expense to be allocated among all Units as part of the Base Assessment, without prejudice to the right of the Association to seek reimbursement from the owner(s) of, or other Persons responsible for, certain portions of the Area of Common Responsibility pursuant to this Declaration, other recorded covenants, or agreements with the owner(s) thereof.

Proposed Language

5.1.(e) Any property and facilities owned by the Declarant and made available, on a temporary or permanent basis, for the primary use and enjoyment of the Association and its Members with such property and facilities to be identified by written notice from the Declarant to the Association, and accepted and approved by the Board of Directors, and to remain a part of the Area of Common Responsibility and be maintained by the Association until such time as Declarant revokes such privilege of use and enjoyment by written notice to the Association.

Except as provided above, the Area of Common Responsibility shall not be reduced by amendment of this Declaration or any other means except with the prior written approval of the Declarant as long as the Declarant owns any property described on Exhibit “A” of this Declaration.

The Association may maintain other property which it does not own, including, without limitation, property dedicated to the public, if the Board of Directors determines that such maintenance is necessary or desirable to maintain the Community-Wide Standard.

Except as otherwise specifically provided herein, all costs associated with maintenance, repair and replacement of the Area of Common Responsibility shall be a Common Expense **or Limited Common Expense** to be allocated among **the Units as part of their applicable Base Assessment as outlined in Article X** without prejudice to the right of the Association to seek reimbursement from the owner(s) of, or other Persons responsible for, certain portions of the Area of Common Responsibility pursuant to this Declaration, other recorded covenants, or agreements with the owner(s) thereof.

Rationale

Language clarification needed since Area of Common Responsibility varies by Unit Type.

Existing Language

(Paragraph #1)10.1. Creation of Assessments. There are hereby created assessments for Association expenses as the Board may specifically authorize from time to time. There shall be three (3) types of assessments: (a) Base Assessments to fund Common Expenses for the general benefit of all Units, (b) Special Assessments as described in Section 10.6, and (c) Specific Assessments as described in Section 10.7. Each Owner, by accepting a deed or entering into a recorded contract of sale for any portion of the Properties, is deemed to covenant and agree to pay these assessments.

Proposed Language

(Paragraph #1)10.1. Creation of Assessments. There are hereby created assessments for Association expenses as the Board may specifically authorize from time to time. There shall be three (3) types of assessments: (a) Base Assessments **to be determined by type of Unit** to fund **their** Common Expenses, **Limited Common Expenses** and **applicable** Reserves for the general benefit of **each within that Unit type**, (b) Special Assessments as described in Section 10.6, and (c) Specific Assessments as described in Section 10.7. Each Owner, by accepting a deed or entering into a recorded contract of sale for any portion of the Properties, is deemed to covenant and agree to pay these assessments.

Rationale

Since different Unit Types may have different common expenses and reserve needs, assessments can differ accordingly.

Existing Language

10.3. Computation of Base Assessment. At least thirty (30) days before the beginning of each fiscal year, the Board shall prepare a budget covering the estimated Common Expenses during the coming year, including a capital contribution to establish a reserve fund in accordance with a budget separately prepared as provided in Section 10.5.

The Base Assessment shall be levied equally against all Units, except for those Units owned by the Declarant or by a Builder. Commencing Jan 1, 2016 and ending Dec 31, 2017, the Declarant will pay no Base Assessment on their unsold residential lots. Beginning Jan 1, 2018, the Base Assessment levied against residential units listed on the Master Plat in Exhibit A owned by the Declarant in a given year shall be determined by the deficit, if any, of the number of those lots sold during the prior year and eight (8) lots. If no deficit exists, then no Declarant assessments are due. The first assessment to be paid will begin Jan 1, 2018, however this initial assessment will be based on lots sold in 2016 & 2017. The assessment due on Jan 1, 2019, if still applicable, will be based on lots sold during the entire year of 2018. Each subsequent year will follow this latter pattern of deficit assessments until the Declarant

has cumulatively sold 25 residential lots since Jan 1, 2016, at which time forward the Declarant will be exempt from paying Base Assessments on its remaining residential lots listed on the Master Plat in Exhibit A.

Commencing as described in Section 10.9, for a period of one (1) year, Units owned by Builders shall be assessed at one-fourth (1/4) of the Base Assessment rate levied on Units not owned by Builders. Following the expiration of said one (1) year period, Units owned by Builders shall be assessed at the full Base Assessment rate established for all other Units. The number of Units owned by a Builder on a parcel of vacant land or land on which improvements are under construction shall be determined by the maximum allowable density of Units designated for such parcel on the recorded agreed plat of the Association, until such time as a subdivision plat is filed for the parcel. After a subdivision plat is filed for the parcel, the number of Units owned by the Builder shall be based upon such recorded agreed plat.

The Base Assessment shall be set at a level which is reasonably expected to produce total income for the Association equals to the total budgeted Common Expenses, including reserves. In determining the level of assessments, the Board, in its discretion, may consider other sources of funds available to the Association. In addition, the Board shall take into account the number of Units subject to assessment under Section 10.9 on the first (1st) day of the fiscal year for which the budget is prepared and the number of Units reasonably anticipated to become subject to assessment during the fiscal year.

So long as the Declarant has the right unilaterally to annex property pursuant to Article IX, the Declarant may, but shall not be obligated to, reduce the Base Assessment for any fiscal year by payment of a subsidy, in addition to any amounts paid by Declarant under Section 10.2, which may be either a contribution, an advance against future assessments due from the Declarant, or a loan, in the Declarant's discretion. Any such subsidy shall be conspicuously disclosed as a line item in the Common Expense budget and shall be made known to the membership. The payment of such subsidy in any year shall under no circumstances obligate the Declarant to continue payment of such subsidy in future years, unless otherwise provided in a written agreement between the Association and the Declarant.

The Board shall send a copy of the budget and notice of the amount of the Base Assessment for the following year to be delivered to each Owner prior to the beginning of the fiscal year for which it is to be effective. Such budget and assessment shall become effective unless disapproved at a meeting by Owners representing at least a majority of the total Class "A" votes in the Association and by the Class "B" Member, if such exists. There shall be no obligation to call a meeting for the purpose of considering the budget except on petition of the Owners as provided for special meetings in the Bylaws, which petition must be presented to the Board within ten (10) days after delivery of the notice of assessments.

If the proposed budget is disapproved or the Board fails for any reason to determine the budget for any year, then until such time as a budget is determined, the budget in effect for the immediately preceding year shall continue for the current year.

Proposed Language

10.3. Computation of Base Assessment. At least thirty (30) days before the beginning of each fiscal year, the Board shall prepare a separate budget **for the coming year for each Unit type** covering their estimated Common Expenses **and applicable Limited Common Expenses**, including a capital contribution(s) to establish a reserve fund(s) **per Unit type** in accordance with a budget separately prepared as provided in Section 10.5. **The Board shall work with any designated committee, recognized by the Association to represent a particular Unit Type, to prepare their budget. Separate bank accounts shall be created for Common**

Expenses and Common Reserves. Also, where applicable, separate accounts unique to a Unit Type shall be created for their Limited Common Expense and Limited Reserve. At no time will the Association borrow or exchange funds across Unit Types except when disbursing funds at the time of assessment collection.

The Base Assessment shall be levied equally against all Units designated for improvement with a single family dwelling. Where that Base Assessment is to be supplemented by a Limited Base Assessment for a certain Unit Type, the supplemental amount will be levied equally against all units of that Unit Type.

For those Units owned by the Declarant ~~or by a Builder~~, commencing Jan 1, 2016 and ending Dec 31, 2017, the Declarant will pay no Base Assessment on their unsold residential lots. Beginning Jan 1, 2018, the Base Assessment levied against residential units listed on the Master Plat in Exhibit A owned by the Declarant in a given year shall be determined by the deficit, if any, of the number of those lots sold during the prior year and eight (8) lots. If no deficit exists, then no Declarant assessments are due. The first assessment to be paid will begin Jan 1, 2018, however this initial assessment will be based on lots sold in 2016 & 2017. The assessment due on Jan 1, 2019, if still applicable, will be based on lots sold during the entire year of 2018. Each subsequent year will follow this latter pattern of deficit assessments until the Declarant has cumulatively sold 25 residential lots since Jan 1, 2016, at which time forward the Declarant will be exempt from paying Base Assessments on its remaining residential lots listed on the Master Plat in Exhibit A.

Whereas the Declarant is not obligated to make regular assessment payments for all Units owned; after 1/1/2018, for any new Unit Type annexed to be residences, the Declarant is obligated to “Deficit Fund” these Lots by agreeing to provide sufficient capital to keep the new Unit Type solvent until such time as the Association is able to support itself through regular assessments to Owners of the new Unit Type. Specifically, the Declarant will pay the difference, if any, between the Operating Expenses incurred and the Assessment amounts assessed against the contributing Lots of the new Unit Type [the Deficit]. The Deficit will be estimated at end of each prior calendar year, and will be payable by January 31 of the next year into the bank account for that Unit Type. If at any time during the year a deficit is predicted, then additional deposits by the Declarant are required to remain liquid. At year end, the decision will be made whether to continue the Declarant’s obligation to fund the Deficit. Until such time, this obligation to fund the Deficit, together with Interest thereon and costs of collection, are hereby declared to be a charge and continuing lien upon each Lot of the new Unit Type owned by the Declarant.

A Boathouse Assessment shall be levied equally against all Boathouse Units, and will consist of two parts — an Administrative Fee as defined in 1.10.(b) and a capital contribution to their Limited Reserve Fund. Any non-budgeted administrative expenses associated with the Boathouse Units will be financed by their Reserve Fund.

The Base Assessment shall be set at a level which is reasonably expected to produce total income for the Association equal to the total budgeted Common Expenses, including reserves. In determining the level of assessments, the Board, in its discretion, may consider other sources of funds available to the Association. In addition, the Board shall take into account the number of Units subject to assessment under Section 10.9 on the first (1st) day of the fiscal

year for which the budget is prepared and the number of Units reasonably anticipated to become subject to assessment during the fiscal year.

So long as the Declarant has the right unilaterally to annex property pursuant to Article IX, the Declarant may, but shall not be obligated to, reduce the Base Assessment for any fiscal year by payment of a subsidy, in addition to any amounts paid by Declarant under Section 10.2, which may be either a contribution, an advance against future assessments due from the Declarant, or a loan, in the Declarant's discretion. Any such subsidy shall be conspicuously disclosed as a line item in the Common Expense budget and shall be made known to the membership. The payment of such subsidy in any year shall under no circumstances obligate the Declarant to continue payment of such subsidy in future years, unless otherwise provided in a written agreement between the Association and the Declarant.

The Board shall send a copy of the budget and notice of the amount of the Base Assessment for the following year to be delivered to each Owner prior to the beginning of the fiscal year for which it is to be effective. **The proposed budget and Base Assessment applicable to each assessed Unit (except Boathouse Units) shall become effective unless disapproved by Owners representing at least a majority of the total allowed votes for Units affected. For each Unit Type with Limited Common Expenses and Limited Reserves, their proposed budget and their associated Limited Base Assessment shall become effective unless disapproved by Owners representing at least a majority of the total allowed votes of affected units of that Unit Type. The proposed reserve budget and reserve assessment for each assessed Boathouse Unit shall become effective unless disapproved by Owners representing at least a majority of the total allowed votes for affected Boathouse Units; however, the proposed Administrative Fee assessment must be accepted unless disapproved by Owners representing at least a majority of the total votes of all Units assessed the Base Assessment.**

There shall be no obligation to call a meeting for the purpose of considering the budget except on petition of the Owners as provided for special meetings in the Bylaws, which petition must be presented to the Board within ten (10) days after delivery of the notice of assessments.

If the proposed budget is disapproved or the Board fails for any reason to determine the budget for any year, then until such time as a budget is determined, the budget in effect for the immediately preceding year shall continue for the current year.

Rationale

Different Unit types have different assessments and reserve funds, requiring separate bank accounts and separate budgets.

Each Unit Type can disapprove their specific proposed budget.

In newly annexed areas, until enough assessment revenue is collected to fund their associated common and capital expenses, the "deficit fund" will be covered by the Declarant, not the Association.

Existing Language

10.5. Reserve Budget and Capital Contribution. The Board shall annually prepare reserve budgets for general purposes which take into account the number and nature of replaceable assets, the expected life of each asset, and the expected repair or replacement cost. The Board shall set the required capital contribution in an amount sufficient to permit meeting the

projected needs of the Association, as shown on the budget with respect to amount and timing by annual Base Assessments over the budget period.

Proposed Language

10.5. Reserve Budget and Capital Contribution. The Board shall annually prepare reserve budgets **per Unit type** for general purposes which take into account the number and nature of replaceable assets, the expected life of each asset, and the expected repair or replacement cost. The Board, **in conjunction with the appropriate committees representing Unit Types**, shall set the required capital contribution **for the Common Reserve and any Limited Reserves** in an amount sufficient to permit meeting the projected needs of the Association for **each Unit type**, as shown on the budget with respect to amount and timing by annual Base Assessments over the budget period. **At no time will the Association borrow or exchange Reserve funds between the accounts of different Unit types.**

Rationale

All Units, except the Boathouse Units, contribute to the Common Reserve account. Each Unit Type may have their own Limited Reserve account to which only units of that Unit Type contribute. The Association cannot exchange funds between Reserve accounts.

Existing Language

10.6. Special Assessments. In addition to other authorized assessments, the Association may levy Special Assessments from time to time to cover unbudgeted expenses or expenses in excess of those budgeted. Such Special Assessment shall be levied against the entire membership, and upon all units shown on the recorded agreed plat of the Association. However, as long as the Declarant owns more than eight (8) lots eligible for assessment, the levied amount of the Special Assessment against each Unit owned by the Declarant will be 25% of the levied amount against each non-Declarant Unit. Except as otherwise specifically provided in this Declaration, any Special Assessment shall require the affirmative vote or written consent of Owners representing at least 51% of the total votes allocated to Units which will be subject to such Special Assessment, and the affirmative vote or written consent of the Class "B" Member, if such exists. Special Assessments shall be payable in such manner and at such times as determined by the Board.

Proposed Language

10.6. Special Assessments. In addition to other authorized assessments, the Association may levy Special Assessments from time to time to cover unbudgeted expenses or expenses in excess of those budgeted. Such Special Assessment shall be levied against the entire membership of the **affected Unit type(s)**, and upon all **such type** Units shown on the recorded agreed plat of the Association. However, as long as the Declarant owns more than eight (8) lots eligible for assessment, the levied amount of the Special Assessment against each affected Unit owned by the Declarant will be 25% of the levied amount against each affected non-Declarant Unit. Except as otherwise specifically provided in this Declaration, any Special Assessment shall require the affirmative vote or written consent of Owners representing at least 51% of the total votes allocated to Units which will be subject to such Special Assessment. Special Assessments shall be payable in such manner and at such times as determined by the Board.

Rationale

Clarifying that Special Assessments apply to "affected" Units.

Existing Language

18.2 (a): Owners. 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 Owners representing a majority of the total votes of the Association, with such vote tabulation being at a properly noticed meeting called for the purpose of amendment. In addition, the approval requirements set forth in Article XIV hereof shall be met if applicable.

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.

Proposed Language

18.2 (a): Owners. 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 Owners representing a majority of the total **permissible** votes of the Association, with such vote tabulation being at a properly noticed meeting called for the purpose of amendment. In addition, the approval requirements set forth in Article XIV hereof shall be met if applicable.

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.

Rationale

“Total votes” is nebulous. Some membership classes cannot vote, e.g., Class “O”. Some membership classes are limited to vote on matters specific only to their Unit type, e.g., Class “BH”. So, “permissible votes” is added for clarification.

*Current **Bylaws** language –*

3.6 Voting Rights.

(a) The Association initially shall have two (2) classes of voting membership, denominated “Class A” and “Class B”.

(b) Each Owner of a Unit, with the exception of Declarant, shall be a Class A Member and shall be entitled to one (1) Class A vote per Unit. If such Owner is a group or entity other than one (1) individual person, the vote on behalf of such Owner shall be exercised as such co-Owners determine among themselves and advise the Secretary of the Association in writing prior to any meeting.

(c) The sole Class B Member shall be the Declarant. The Class B Member shall be entitled to two (2) votes for each Unit owned. The Class B Membership shall cease and be converted to Class A Membership according to the method set forth in Section 3.3 fo the Declaration.

All voting rights of Members are subject to the restrictions set forth in the Declaration and elsewhere herein

*Proposed **Bylaws** language –*

3.6. Voting Rights.

The Association shall have **multiple** classes of voting membership, **including but not limited to** "Class A", "Class B", **Class “BH”, and Class “O”**. **Additional classes of Membership may be added by the Declarant via Supplemental Declaration(s), but requires Board approval.**

(a) **The definitions of Unit types under Section 1.27 of the Declaration classify which Owners are Class “A” Members, Class “BH” Members. Article 3.3 defines Class “O” Members as a membership classification for all Owners not assigned to any other Member Class.** If such Owner is a group or entity other than one (1) individual person, the vote on behalf of such Owner shall be exercised as such co-Owners determine among themselves and advise the Secretary of the Association in writing prior to any meeting.

(b) Class "B". The sole Class "B" Member shall be the Declarant. The Class B Member shall be entitled to two (2) votes for each Unit owned. The Class B Membership shall cease and be converted to Class A Membership according to the method set forth in Section 3.3 of the Declaration.

All voting rights of Members are subject to the restrictions set forth in the Declaration and elsewhere herein.

Rationale

Bylaws need to reflect the different classes of voting membership per the amended Declaration.

Note: All other terms and conditions and Exhibits shall remain in full force and effect.