

EXHIBIT "E" TO DECLARATION OF CONDOMINIUM
OF ROYAL ARMS CONDOMINIUM

BY-LAWS OF ROYAL ARMS CONDOMINIUM
ASSOCIATION, INC.

Royal Arms Condominium Association, Inc., a Florida corporation not for profit, shall have one class of membership which shall consist of persons designated by the Unit Owners as provided herein. Unless otherwise defined in these By-Laws all defined terms shall have the meaning ascribed to them in the Declaration of Condominium of Royal Arms Condominium.

ARTICLE I

VOTING MEMBERS

1.01 Membership Eligibility. There shall be one person (the "Voting Member") with respect to each Unit who shall be entitled to vote at any meeting of the Voting Members. The Voting Member may be the Unit Owner, or a person designated by the Unit Owner to act as proxy on its behalf. The designation shall be made in writing to the Board and shall be revocable at any time by written notice to the Board by the Unit Owner or by actual notice to the Board of the death or judicially declared incompetence of any designator. Any or all Unit Owners and their designees, if any, may be present at any meeting of the Voting Members but only the Voting Members may vote or take any other action in person or by proxy. The total number of votes of all Voting Members shall be equal to the number of Units in Royal Arms Condominium, and each Voting Member shall be entitled to one (1) vote.

1.02 Meetings.

(a) Quorum. Meetings of the Voting Members shall be held at the Condominium Property at such places as may be designated in any notice of a meeting. The presence in person or by proxy at any meeting of Voting Members in good standing having thirty-three and one-third percent (33-1/3) of the total votes shall constitute a quorum. Unless otherwise expressly provided in the Act, the Declaration, or herein, any action may be taken at any meeting of the Voting Members, at which a quorum is present upon the affirmative vote of the Voting Members having a majority of the total votes present at such meeting.

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(b) First Annual Meeting and Annual Meetings.

The first annual meeting of the Voting Members shall be held on such date as is fixed by the Board. Thereafter, an annual meeting of the Voting Members shall be held on the second Tuesday of November or on such other date determined by the Board in every year for the purpose of electing directors and for the transaction of such other business as may come before the meeting. If the day be a legal holiday the meeting shall be held on the next succeeding business day. If the election of directors shall not be held on the day designated for any annual meeting, or at any adjournment thereof, the Board shall cause the election to be held at a special meeting of the Voting Members called as soon thereafter is conveniently possible.

(c) Special Meetings.

A majority of the Board, the President of the Board, twenty percent (20%) of the Voting Members or the Federal Housing Commissioner or its authorized representative may call a special meeting of the Voting Members at any time after the first annual meeting for the purpose of considering matters which, by the terms of this Declaration, require the approval of all or some of the Voting Members, or for any other reasonable purpose. Matters to be submitted at a special meeting shall first be submitted to the Board, at least fifteen (15) days prior to the special meeting. The following matters shall require the approval of Voting Members having a cumulative share of 100.0000% of the ownership of the Common Elements: (i) the merger or consolidation of the Association; (ii) the sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the property and assets of the Association; or (iii) the purchase or sale or lease of Units or other real estate on behalf of all Unit Owners.

1.03 Notice of Meetings.

A notice of any meeting required or permitted herein may be delivered either personally or by certified or registered mail to the Voting Member, at the address given by said Voting Member to the Board for the purpose of serving notice or, if no address has been given to the Board, to the Unit with respect to which the voting right appertains. Notices shall be delivered no less than fourteen (14) days and no more than thirty (30) days before the date fixed for the meeting. Notices shall state the time and place of the meeting and the matters to be considered. Notice of any meeting in which assessment against Unit Owners are to be considered for any reason shall specifically contain a statement that assessments will be considered and the nature of any such assessments. Notice of specific meetings may be waived before or after the meeting and the attendance of any Voting Member (or person authorized to vote for such Voting Member) shall constitute such Voting Member's waiver of notice of such meeting, except when his (or his authorized representatives) attendance is for the express purpose of objecting at the beginning of the meeting to the transaction of business because the meeting is not lawfully called.

1.04 Proxies.

Any proxy given shall be effective only for the specific meeting for which originally given and any lawfully adjourned meetings thereof. In no event shall any proxy

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be valid for a period longer than 90 days after the date of the first meeting for which it was given. Every proxy shall be revocable at any time at the pleasure of the Voting Member executing it.

ARTICLE II

BOARD OF DIRECTORS

2.01 Constitution of the Board of Directors.

(a) The initial Board of the Association shall be designated by the Developer and shall consist of three (3) directors who shall serve without compensation. The initial Board and directors designated by the Developer in accordance with the Act shall serve for a period commencing on the date the Declaration is executed and ending upon the qualification of the directors elected at the first annual meeting of Voting Members. The initial Board may, on behalf of the Developer, exercise the rights reserved in Section 13.01 of the Declaration. At the first annual meeting the Voting Members shall elect the Board. In all elections for members of the Board, each Voting Member shall be entitled to vote on a non-cumulative voting basis. The candidates receiving the highest number of votes with respect to the number of offices to be filled shall be elected. At the first annual meeting five (5) directors shall be elected. The three (3) directors receiving the highest number of votes at the first annual meeting shall be elected to the Board for a term of two (2) years and the two (2) directors receiving the next highest number of votes shall be elected to the Board for a term of one (1) year. The election and term of office as between directors receiving the same number of votes shall be determined by lot. Voting Members having a cumulative share of at least 66.6667% of the total ownership of the Common Elements may from time to time at any annual or special meeting increase or decrease the number or term of office of directors provided that increase the number or term of office of directors provided that the number of members of the Board shall not be less than five (5) and the terms of at least one-third (1/3) of the members of the Board shall expire annually. Directors shall receive no compensation for their services. Vacancies on the Board, including vacancies due to any increase in the number of members of the Board, shall be filled at the meeting at which the vacancy occurs, the next meeting following the vacancy or a special meeting called for that purpose. Except as otherwise provided in the Declaration, the Condominium Property shall be managed by the Board and the Board shall act by majority vote of those present at its meetings when a quorum exists. Meetings of the Board may be called, held and conducted in accordance with regulations adopted by the Board provided, however, that (i) each Unit Owner shall be entitled to notice in the manner provided in Section 2.01(e) of these By-Laws, of any meeting of the Board called for the purpose of considering the adoption of the proposed annual budget or any increase or establishment of an assessment; and (ii) the Board shall meet no less than four (4) times each year. Two-thirds (2/3) of the members of the Board shall constitute a quorum.

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(b) The Board shall elect from among its members (i) a President who shall preside over both its meetings and annual and special meetings of the Voting Members, be the chief executive officer of the Board and the Association and be responsible for the mailing and receipt of all notices and the execution of all amendments to the Declaration, (ii) a Secretary who shall keep the minutes of all meetings of the Board and of the annual and special meetings of Voting Members and perform all the duties incident to the office of the Secretary, (iii) a Treasurer who shall keep the financial records and books of account and (iv) such additional officers as the Board shall see fit to elect. The officers shall serve without compensation and at the pleasure of the board of administration.

(c) Except for directors designated by the Developer, any director may be removed from office by the affirmative vote of the Voting Members having a majority of the total ownership of the Common Elements, or at any special meeting called for the purpose by ten percent (10%) of the Voting Members. A successor to fill the unexpired term of a director so removed may be elected by the Voting Members at the same meeting or any subsequent meeting called for that purpose.

(d) Written notice stating the place, date and hour of any meeting of the Board shall be delivered to each member of the Board not less than five (5) days prior thereto. Any director may waive notice of a meeting before or after the meeting and that waiver shall be deemed equivalent to the due receipt by said director of notice. Attendance by any director at a meeting shall constitute a waiver of notice of such meeting, except when his attendance is for the express purpose of objecting at the beginning of the meeting to the transaction of business because the meeting is not lawfully called.

(e) Voting Members may attend all meetings of the Board. Notice of each meeting shall be prominently posted in every Building on the Parcel at least forty-eight (48) hours before the meeting, except in an emergency. Notice of any meeting in which assessments against Unit Owners are to be considered for any reason shall specifically contain a statement that assessments will be considered and the nature of any such assessments.

(f) The minutes of all meetings of Unit Owners and the Board shall be kept in a book available for inspection by Unit Owners, or their authorized representatives, and Board members at any reasonable time. The Association shall retain these minutes for a period of not less than seven (7) years.

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2.02 General Powers of the Board. The Board shall have the following powers and duties:

(a) To engage the services of an agent to manage the portions of the Condominium Property for which the Board is responsible hereunder upon such terms and with such authority as the Board may approve, subject to the rights reserved by the Developer pursuant to Section 13.01 of the Declaration.

(b) To designate, hire and remove employees and other personnel, engage or contract for the services of others, make purchases for the maintenance, repair, replacement, administration, management and operation of the Condominium Property and to delegate any such powers to a manager or managing agent and its employees.

(c) To pay from the maintenance fund the cost of any structural alterations, capital additions to, or capital improvements of the Common Elements except that any expenditure in excess of Twenty-Five Thousand Dollars (\$25,000.00) shall require the prior written approval of Voting Members having a cumulative share of at least 66.6667% of the total ownership of the Common Elements. This limitation shall not apply to emergency repair, protection or operation of the Common Elements.

(d) To sign or designate one or more of the members of the Board or a managing agent to sign any and all written instruments, including but not limited to agreements, contracts, deeds, leases and vouchers for payment of expenditures, to enable it to perform its duties.

(e) To adopt by vote of at least 75% of the entire Board reasonable rules and regulations for the maintenance, conservation and beautification of the Condominium Property, and for the health, comfort, safety and general welfare of Units Owners and Occupants, including rules requiring the approval of the Board or other body prior to the lease of a Unit, or the assessment of a fee of up to \$50.00 in connection with such approval, provided that said rules and regulations shall be delivered to each Unit no later than forty-five (45) days prior to the date they are to become effective. If within thirty (30) days from the date of such delivery of the rules and regulations at least twenty-five percent (25%) of the Unit Owners of the total number of Units shall file with the Board a written objection to any rule or regulation, then the rule and regulation so objected to shall be deemed rescinded until approved by the Voting Members having a cumulative share of at least 66.6667% of the total ownership of the Common Elements, but that part of the rules and regulations not so objected to shall be effective on the date stated thereon.

(f) To lease or to grant licenses, concessions and contracts with respect to any part of the Common Elements with the approval of at least two-thirds (2/3) of the Board, including but without limitation leases and/or licenses relating to the laundry rooms.

(g) To bid for and purchase any Unit at a sale held pursuant to a mortgage foreclosure, or a foreclosure of the lien for Common Expenses under the Act, or at a sale pursuant to an order of direction of a court, or other involuntary sale, upon the written approval of the Voting Members having a cumulative share of at least 66.6667% of the total ownership of the Common Elements.

(h) To exercise all other powers and duties of the Association or Unit Owners as a group and to promulgate from time to time such rules and regulations as are reasonably necessary for the operations of Royal Condominium pursuant to the Declaration.

(i) To establish and pay from a maintenance fund, subject to the provisions of Article III hereof, the following:

(i) Operating expenses of the Common Elements, including water, electricity, telephone and other necessary utility services for the Common Elements and (if not separately metered or charged) for the Units.

(ii) Services of any person or firm acting on behalf of the Unit Owners in connection with real estate taxes and special assessments on the Condominium Property or any portion thereof, and in connection with any other matters when the respective interests of the Unit Owners are deemed by the Board to be similar and nonadverse to each other. The cost of such services shall be Common Expenses.

(iii) Painting, cleaning, outside window washing, tuckpointing, maintenance, decorating, repair and replacement of the Common Elements (but not including the interior surfaces of the Units and of the hallways, doors and windows appurtenant thereto), and such furnishings and equipment for the Common Elements as the Board shall determine are necessary and proper.

(iv) Any other materials, supplies, utilities, furniture, equipment, labor, services, maintenance, repairs or structural alterations which the Board is required to secure or to pay for pursuant to the terms of the Declaration and these By-Laws or which in its opinion shall be necessary or proper for the maintenance and operation of the Condominium Property as a first-class condominium development or for the enforcement of these restrictions.

(v) Any amount necessary to discharge any mechanic's lien or other encumbrance levied against the Condominium Property or any part thereof which may in the opinion of the Board constitute a lien against the Condominium Property or against the Common Elements, rather than against the interests held by a particular Unit Owner. Where one or more Unit Owners are responsible for the

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existence of the lien, they shall be jointly and severally liable for the cost of discharging it and any costs incurred by the Association by reason of said lien or liens shall be specifically assessed to said Unit Owners.

(vi) Maintenance and repair of any Unit if maintenance or repair is necessary, in the discretion of the Board, to protect the Common Elements and a Unit Owner has failed or refused to perform the maintenance or repair within a reasonable time after written notice of the necessity of the maintenance or repair delivered by the Board to the Unit Owner, provided that the Board shall levy a special assessment against the Unit Owner for the cost of the maintenance or repair.

Nothing hereinabove contained shall be construed to give the Board authority to conduct an active business for profit on behalf of the Unit Owners.

2.03 Insurance.

(a) The Board shall have the authority to and shall obtain the following insurance for the Condominium Property:

(i) Insurance on the Condominium Property, including the Limited Common Elements and the Common Elements, against loss or damage by fire and such other hazards as are from time to time covered under standard extended coverage provisions with vandalism and malicious mischief endorsement, in an amount sufficient to prevent the insured from being a co-insurer within the terms of the applicable policies, but in any event in an amount not less than one hundred percent (100%) of the full insurable replacement cost thereof. The Board shall have the Condominium Property appraised from time to time to determine its "full insurable replacement cost."

(ii) Insurance on the Condominium Property (exclusive of the land and excavations, foundations and footings) against all loss or damage from explosion of boilers, heating apparatus, pressure vessels and pressure pipes installed in, on or about the Condominium Property, without a co-insurance clause so long as available, in such an amount as the Board shall deem desirable.

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(iii) Comprehensive public liability and property damage insurance against claims for personal injury or death or property damage suffered by the public or by any Unit Owner occurring in, on or about the Condominium Property or upon, in or about the streets and passageways and other areas adjoining the Condominium Property, such public liability and property damage insurance to be in such amounts as the Board shall deem desirable.

(iv) Such workmen's compensation insurance as may be necessary to comply with applicable laws.

(v) Employer's liability insurance in such an amount as the Board shall deem desirable.

(vi) A fidelity bond in the principal sum of not less than \$10,000.00 indemnifying the Association, the Board and the Unit Owners for loss of funds resulting from fraudulent or dishonest acts of any officer or employee of the Association or of any other person handling the funds of the Association, the Board or the Unit Owners in such an amount as the Board shall deem desirable.

(vii) Such other insurance (including insurance with respect to officers' and directors' liability insurance) in such reasonable amounts as the Board shall deem desirable.

The premiums for the above-described insurance, except as otherwise provided in this Section 2.03 shall be Common Expenses. A copy of each policy of insurance in effect shall be made available for inspection by Unit Owners at reasonable times.

(b) All insurance required by this Section 2.03 shall be provided under valid and enforceable policies issued by insurers of recognized responsibility authorized to do business in the State of Florida.

(c) All policies of insurance of the character described in clauses (i) and (ii) of paragraph (a) of this Section 2.03(i) shall name as insured the Developer, so long as it has an insurable interest, and the Board as trustee for the Unit Owners in the percentages established in Exhibit "C" to the Declaration and shall also name as an assured the insurance trustee described in paragraph 2.03(f)(ii), as the respective

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interests of all of the assureds may appear; (ii) shall be without contribution as respects other policies of insurance carried individually by the Unit Owners whether the other insurance covers their respective Units and/or the additions and improvements made by the Unit Owners to their respective Units; (iii) shall provide that notwithstanding any provision thereof which gives the insurer an election to restore damage in lieu of making a cash settlement therefor, the option shall not be exercisable in the event the Unit Owners elect to sell the Condominium Property or remove the Condominium Property from the provisions of the Act; and (iv) shall contain an endorsement to the effect that the policy shall not be terminated for nonpayment of premiums without at least ten (10) days' prior written notice to the mortgagee of each Unit. Policies of insurance of the character described in clause (i) of paragraph (a) of this Section 2.03 may contain an endorsement extending coverage so as to include the payment of Common Expenses with respect to damaged Units during the period of reconstruction thereof. Notwithstanding the issuance of insurance of the character described in clauses (i) and (ii) of paragraph (a) of this Section 2.03, any losses under the policies shall be payable, and all insurance proceeds recovered thereunder shall be applied and disbursed, in accordance with the provisions of the Declaration.

(d) All policies of insurance of the character described in clauses (iii), (v), (vi) and (vii) of paragraph (a) of this Section 2.03 shall name as assureds each Unit Owner and the Association, the Board and its managing agent, and the other agents and employees of the Association, and the Developer so long as they have an insurable interest. In addition, all policies of insurance of the character described in clause (iii) of paragraph (a) of this Section 2.03 shall contain an endorsement or clause whereby the insurer waives any right to be subrogated to any claim against the Association, its officers, the Board, the Developer, the managing agent, their respective employees and agents and the Unit Owners and Occupants and shall cover claims of one or more insured parties against other insured parties.

(e) All hazard policies issued to protect condominium buildings shall provide that the word "building" wherever used in the policy shall include, but shall not necessarily be limited to, fixtures, installations, or additions comprising that part of the building within the unfinished interior surfaces of the perimeter walls, floors, and ceilings of the individual units initially installed, or replacements thereof of like kind or quality, in accordance with the original plans and specifications. With respect to the coverage provided for by this paragraph, the Unit Owners shall be considered additional insureds under the policy.

(f) The Association, for the benefit of the Unit Owners and the mortgagee of each Unit, shall pay the premiums on the policies of insurance described in paragraph (a) of this Section 2.03 at least thirty (30) days prior to the expiration dates of the respective policies and shall notify the mortgagee of each Unit of the payment within ten (10) days after the date on which payment is made.

(g) The insurance proceeds under any policies of insurance of the character described in Section 2.03(a)(1) and (11) shall be collected by and payable to:

(i) The Board, as trustee, for each of the Unit Owners in their respective percentages of total ownership in the Common Elements in the case of any one loss of Fifty Thousand Dollars (\$50,000.00) or less in the aggregate; or

(ii) A corporation qualified to accept and execute trusts in Florida having a capital of not less than Five Million Dollars (\$5,000,000.00) in the case of any one loss exceeding Fifty Thousand Dollars (\$50,000.00) in the aggregate.

The proceeds of the insurance shall be applied by the Board or by the corporate trustee on behalf of the Board for the restoration of the damaged Building or Buildings or shall be otherwise disposed of in accordance with the provisions of the Declaration and the Act. The rights of the mortgagee of any Unit under any standard mortgage clause endorsement to such policies shall, notwithstanding anything to the contrary therein contained, at all times be subject to the provisions in the Act with respect to the application of insurance proceeds to the reconstruction.

(h) Each Unit Owner shall be responsible for its own insurance on the contents of its own Unit, and furnishings and personal property therein, and any personal property stored elsewhere on the Condominium Property, and for said Unit Owner's personal liability to the extent not covered by the policies of liability insurance obtained by the Board for the benefit of all the Unit Owners as above provided. All policies of casualty insurance carried by each Unit Owner shall be without contribution as respects the policies of casualty insurance obtained by the Board for the benefit of all the Unit Owners as above-provided.

(i) Each Unit Owner shall promptly notify the Board in writing of all additions to its Unit and shall reimburse the Board for any additional insurance premiums attributable thereto. If a Unit Owner fails so to notify the Board and a penalty or deficiency in insurance loss recovery results from such failure, the Unit Owner shall be responsible for the penalty and/or deficiency. The Board shall not be responsible for obtaining insurance on any additions, alterations or improvements unless and until the Unit Owner notifies the Board and makes arrangements satisfactory to the Board for the payment of additional premiums. Unless the Unit Owner notifies the Board and pays the premium, the Board shall not be obligated to apply any insurance proceeds to restore the affected Unit to a condition better than the condition existing prior to the making of the additions, alterations or improvements. "Additions" or "alterations" shall mean property attached to the Unit and not readily removable without damage to the Unit, including but not limited to, carpeting.

special flooring (parquet), special wall coverings and paneling. The insurance coverage described in this paragraph shall not include personal property owned by the Unit Owner and not attached to the Unit.

(j) Each Unit Owner hereby waives and releases any and all claims which it may have against any other Unit Owner, the Association, its officers, members of the Board, the Developer, the manager or managing agent of the Condominium Property, if any, and their respective employees and agents, for damage to the Common Elements, the Limited Common Elements, the Units, or to any personal property located in the Unit or the Limited Common Elements or Common Elements caused by fire or other casualty to the extent that such damage is covered by fire or other form of casualty insurance.

(k) In the event any insurance required under Section 2.03(a)(i), (ii) or (iii) is cancelled, the Board shall give written notice to any persons insured thereunder of the cancellation within ten (10) days of such cancellation.

2.04 Liability of the Board of Directors. Neither the members of the Board nor the officers of the Association shall be liable to the Unit Owners for any mistake of judgment or for any other acts or omissions of any nature whatsoever as members of the Board or officers of the Association except for any acts or omissions found by a court to constitute gross negligence or fraud. The Unit Owners shall indemnify and hold harmless each of the members of the Board and each of the officers of the Association against all contractual and other liabilities to others arising out of contracts made by or on behalf of the Unit Owners or arising out of their status as members of the Board or officers unless any such contract or act shall have been made fraudulently or with gross negligence or contrary to the provisions of this Declaration or these By-Laws. It is intended that the foregoing indemnification shall include indemnification against all costs and expenses (including, but not limited to, counsel fees, amounts of judgments paid and amounts paid or received in settlement) reasonably incurred in connection with the defense of any claim, action, suit or proceeding, whether civil, criminal, administrative, or other, in which any member of the Board or officer of the Association may be involved by virtue of that person's being or having been such a member or officer; provided, however, that such indemnity shall not be operative with respect to (a) any matter as to which such person shall have been finally adjudged in such action, suit or proceeding to be liable for gross negligence or fraud in the performance of duties as such member or officer, or (b) any matter settled or compromised, unless, in the opinion of independent counsel selected by or in a manner determined by the Board, there is not reasonable ground for such person being adjudged liable for gross negligence or fraud in the performance of duties performed as such member or officer. The liability of any Unit Owner arising out of any contract made by or other acts

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of the Board or officers of the Association, or out of the aforesaid indemnity, shall be limited to such proportion of the total liability hereunder as said Unit Owner's percentage of interest in the Common Elements bear to the total percentage interest of all the Unit Owners in the Common Elements. Every agreement made by the Board or by the managing agent on behalf of the Unit Owners shall provide that members of the Board, its officers or the managing agent, as the case may be, are acting only as agents for the Unit Owners, and shall have no personal liability thereunder (except as Unit Owners) and that each Unit Owner's liability is limited as provided above.

ARTICLE III

COMMON EXPENSES - MAINTENANCE FUND

3.01 Developer's Budget. The Board appointed by the Developer shall determine and adopt, prior to the conveyance of the first Unit hereunder, the estimated budget for the period commencing with the day of the month in which the sale of the first Unit is closed and ending on December 31 of the calendar year in which the sale occurs. The Developer shall continue to determine the estimated budget for each succeeding calendar year until the members of the Board elected at the first annual meeting take office. Assessments shall be levied against the Unit Owners as provided in Section 3.02.

3.02 Final Budget and Payment by Unit Owners. Each year on or before the ninetieth day preceding the commencement of the next calendar or fiscal year, the Board shall estimate the total amount necessary to pay the cost of wages, materials, insurance, services and supplies which will be required during the ensuing calendar year for the rendering of all services rendered under Article II, together with a reasonable amount considered by the Board to be necessary for a reserves for capital expenditures and deferred maintenance. The Board may include the cost of social events for the Unit Owners in the budget. The Board shall deliver to each Unit Owner a complete annual budget for the next year and written notice of the amount of such estimate not less than thirty (30) days prior to the annual meeting with reasonable itemization thereof stating each Unit Owner's respective assessment. The estimate of the budget shall be presented by the Board at the annual meeting, at which time the Voting Members may amend the budget. The estimate of budget shall then be presented for the approval of the Board and shall be adopted by an affirmative vote of a majority of the Voting Members at the meeting. If an approved budget requires assessment against the Unit Owners in any fiscal or calendar year exceeding 115.0000% of the assessment for the preceding year, the Board, upon written application of the Voting Members possessing at least 10.0000% of the total ownership of the Common Elements, shall call a special meeting within thirty (30) days of the presentation of said application. At the special meeting, the Voting Members shall consider and adopt a budget. As long as the Developer is in control of the

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Board, the Board shall not impose an assessment for any year greater than 115.0000% of the prior fiscal year or calendar year's assessment without approval of a majority of the Voting Members. The annual budget shall also take into account the net available cash income for the year derived from the operation or use of the Common Elements. The estimated budget requirement shall be assessed to the Unit Owners according to each Unit Owner's percentage share of the total ownership in the Common Elements or according to the square footage of one-bedroom, two-bedroom and three-bedroom Units, as the Board shall determine. On the first of each and every month of the year, each Unit Owner shall be personally liable for and obligated to pay to the Board or as it may direct, one-twelfth (1/12) of the assessment for said Unit Owner's Unit. On or before sixty (60) days following the end of the fiscal or calendar year or such longer time as may be permitted under the Act the Board shall deliver to all Unit Owners an audited and complete financial report of actual receipts and expenditures for the previous twelve (12) months. Any amount accumulated in excess of the amount required for actual expenses and reserves shall be credited, according to each Unit Owner's percentage share of the total ownership in the Common Elements, to the next monthly installments due from the Unit Owner under the current year's estimate, until exhausted; and any net shortage shall be added, according to the Unit Owner's percentage share of the total ownership in the Common Elements, to the installments due from him in the succeeding six months after rendering of the accounting.

3.03 Failure to Prepare Annual Budget. The failure of the Board to prepare or deliver an annual or adjusted budget as required by Section 3.02 shall not constitute a waiver or release tenant costs and necessary reserves, as herein provided, whenever the same shall be determined. In the absence of any annual estimate or adjusted estimate, the Unit Owner shall continue to pay its monthly assessment at the then existing monthly rate established for the previous period until the approved annual or adjusted budget shall have been delivered to said Unit Owner.

3.04 Reserves for Supplemental Budget. The Board shall establish and maintain reasonable reserves for Capital Expenditures and Deferred Maintenance. Extraordinary expenditures not originally included in the annual budget which may become necessary during the year shall be charged first against such reserves. If the annual budget proves inadequate for any reason or in the event a non-recurring Common Expense is anticipated for any year, the Board may prepare and approve a supplemental budget covering the estimated deficiency or non-recurring expense for the remainder of the year, copies of which shall be furnished to each Unit Owner, and thereupon a separate assessment shall be made to each Unit Owner for its proportionate share. Each Unit Owner shall be personally liable for and obligated to pay its respective separate assessment together with its regular monthly assessment. Anything herein contained to the contrary notwithstanding.

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if any proposed expenditure shall result in a total payment assessed to a Unit equal to the greater of (i) five (5) times the Unit's most recent monthly assessment or (ii) Three Hundred Dollars (\$300.00), then the separate assessment shall be subject to the affirmative vote of at least 66.6667% of the total ownership of the Common Elements at a meeting specifically called for approving the separate assessment.

3.05 Initial Deposit for Working Capital Fund. At the time the initial sale of each Unit is closed, the purchaser of the Unit shall pay to the Association Two Hundred Fifty Dollars (\$250.00). This sum shall be used to fund the working capital fund. This payment shall not be refundable or be applied as a credit against the Unit Owner's monthly assessments.

3.06 User Charges. The Board, or the Developer before Unit Owners other than the Developer are entitled to elect a majority of the Board, may establish, and each Unit Owner shall pay, user charges to defray the expenses of providing services, facilities or benefits which are not used equally or proportionately by all the Unit Owners or which, in the judgment of the Board of the Developer, should not be charged to every Unit Owner. The expenses may include, without limitation, charges for use of facilities located in the Common Elements and fees for such other services and facilities provided to Unit Owners which should reasonably not be allocated among all the Unit Owners in the same manner as the Common Expenses. User charges shall be billed separately to each Unit Owner benefited thereby. Nothing herein shall require the establishment of user charges and the Board or the Developer may elect to treat all or any portion thereof as Common Expenses.

3.07 Books and Records. The Board shall keep full and correct books of account, in accordance with good accounting principles, in chronological order, of the receipts and expenditures affecting the Common Elements, specifying and itemizing the maintenance and repair expenses of the Common Elements and any other expenses incurred. Records, receipts and vouchers authorizing payments shall be available for inspection at the office of the Association by any Unit Owner or any holder of a first mortgage lien on a Unit, at reasonable time or times during normal business hours. The Board shall keep a current statement of account of assessments attributable to each Unit. Upon ten (10) days' notice to the Board, any Unit Owner shall be furnished a certified statement of account setting forth the amount of any unpaid assessments or other charges due and owing from such Unit Owner.

3.08 Status of Collected Funds. All funds collected hereunder shall be held and expended for the purpose designated herein, and (except for any special assessments levied against less than all the Unit Owners and for any adjustments required to reflect delinquent or prepaid assessments or user charges) shall be held for the benefit, use and account of all the Unit Owners according to their percentage interests in the Common Elements.

3.09 Non-Use and Abandonment. No Unit Owner may waive or otherwise escape liability for the assessments provided for

(c) When some of the Units that will be operated ultimately by the Association have been conveyed to purchasers and none of the others are being offered for sale by the Developer in the ordinary course of business.

The Developer is entitled to elect at least one member of the Board as long as the Developer holds for sale in the ordinary course of business five (5%) percent of the Units in the Royal Arms Condominium operated by the Association.

The Developer can turn over control of the Association to Unit Owners other than the Developer prior to such dates in its sole discretion by causing all of its appointed Directors to resign, whereupon it shall be the affirmative obligation of Unit Owners other than the Developer to elect Directors and assume control of the Association. Provided at least thirty (30) days' notice of Developer's decision to cause its appointees to resign is given to Unit Owners, neither the Developer, nor such appointees, shall be liable in any manner in connection with such resignations even if the Unit Owners other than the Developer refuse or fail to assume control.

5.02 Within sixty (60) days after the Unit Owners other than the Developer are entitled to elect a member or members of the Board, or sooner if the Developer has elected to accelerate such event as aforesaid, the Association shall call, and shall give not less than thirty (30) days' nor more than forty (40) days' notice of a meeting of the Unit Owners to elect the members of the Board. The meeting may be called and the notice given by any Unit Owner if the Association fails to do so.

5.03 If a Developer holds Units for sale in the ordinary course of business, none of the following actions may be taken without prior written approval of the Developer:

(a) Assessment of the Developer as a Unit Owner for capital improvements.

(b) Any action by the Association that would be detrimental to the sales of Units by the Developer.

Prior to, or not more than sixty (60) days after, the time that Unit Owners other than the Developer elect a majority of the members of the Board, the Developer shall relinquish control of the Association, and the Unit Owners shall accept control. Simultaneously, the Developer shall deliver to the Association all property of the Unit Owners and of the Association held or controlled by the Developer including those documents required under Section 718.301 of the Act.

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ARTICLE VI

ARBITRATION

6.01 Internal disputes arising from the operation of the Condominium among Unit Owners, the Association, their agents and assigns may, with the consent of the parties be submitted to voluntary binding arbitration in accordance with the regulations and procedures established by the Florida Division of Land Sales and Condominiums, and the decision of the arbitrator shall be final. The parties to such arbitration shall not foreclose the parties from proceeding in a trial de novo, and if such judicial proceedings are initiated, the final decision of the arbitrator shall be admissible in evidence. Any party may seek enforcement of the final decision of the arbitrator in a court of competent jurisdiction.

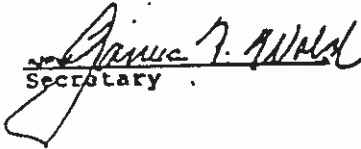
ARTICLE VII

AMENDMENTS

7.01 These By-Laws may be amended or modified from time to time by action or approval of Voting Members having a cumulative share of at least 66.6667% of the total ownership of the Common Elements as set forth in the Declaration.

7.02 Such amendments shall become effective upon recording such amendments in the Public Records of Seminole County, Florida, provided, however, that no provision in these By-Laws may be amended so as to conflict with the Declaration or the Act.

The foregoing were adopted as the By-Laws of Royal Arms Condominium Association, Inc., a corporation not for profit under the laws of the State of Florida, at the first meeting of the Board of Administration on the 12th day of May, 1983.


Secretary

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