BYLAWS

OF

ROYAL HIGHLANDS PROPERTY OWNERS ASSOCIATION, INC.

A corporation not for profit

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1. Identity. These are the Bylaws of the Royal Highlands Property Owners Association, Inc., called Association in these Bylaws, a corporation not for profit under the laws of the State of Florida. The Articles of Incorporation of the Association were filed in the office of the Secretary of State on the 18th day of August, 1994. The Association has been organized for the purpose of owning, managing, maintaining and operating certain property and facilities, hereinafter called Commons, for the common benefit of all the owners of residential building lands in the Royal Highlands Development which Development is located on the

lands in Lake County, Florida, and for the additional purpose of providing various other services for the benefit of one or more different sub-groups of said owners.

1.1 Office. The Office of the Association shall be at 26600 Ace Ave., Leesburg, FL 34748.

1.2 Fiscal Year. The fiscal year of the Association shall be the calendar year.

1.3 Corporate 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.

2. Powers and Duties.

2.1 Enumeration. Powers and duties shall include but are not necessarily limited to the following:

2.1.1 Assessments. Make and collect assessments.

2.1.2 Use of Assessments. Use the proceeds of assessments in the exercise of its powers and duties.

2.1.3 Control of Real or Personal Property. Own, buy, sell or lease real or personal property as necessary to the exercise of its powers and duties; and sell and convey any property so acquired.

2.1.4 Supervision of Real and Personal Property. Maintain, repair, replace, improve and operate real and personal property.

2.1.5 Insurance. Purchase insurance.

2.1.6 Operational Support. Hire or appoint managers, committees, contractors or representatives and delegate authority to them.

2.1.7 Regulations. Make and amend regulations subject to the provisions of these Bylaws.

2.1.8 Enforcement. Enforce by legal means the provisions of any Declaration of Restrictions and Servitudes applying to the properties in the Development and similarly enforce these Bylaws and the Rules and

Regulations made hereunder.

2.1.9 Community Supervision. Maintain, repair, replace and improve grounds, facilities and building exteriors, including those associated with privately owned dwellings, including multi-dwelling buildings, and also including any facilities or property maintained for the exclusive benefit of any other defined sub-group of owners.

2.1.10 Special Assessments. Impose and collect special assessments for the performance of functions described above, and for the performance of any special services for specific sub-groups of residents or owners as defined from time to time by the Board of Directors of this Association.

2.1.11 Environmental Management. Maintain and manage any installations or facilities pertaining to surface water management, storm water management, pollution control installations and the like, and monitor and enforce by legal means any environmental restrictions applying in or to properties in the said Development.

2.1.12 Facilities Management. Maintain and manage any facilities of whatever nature generally associated with the development including but not limited to golf course and restaurant facilities. "Manage" shall be interpreted to permit the leasing of real and personal property for operation by outside business interests who pay rent or fees to the Association in return for the right to operate on the premises.

2.1.13 Non-Exclusive Use Management. Own and manage facilities which are not for the exclusive use of the residents of Royal Highlands provided that always the net proceeds from such operations are used for the benefit of the Association.

2.1.14 Other Duties and Responsibilities. Perform any duty or responsibility provided for in the Declaration of Restrictions and Servitude.

2.2 Property.

2.2.1 Owned Property and Proceeds. All funds

and titles to all property owned or acquired by the Association, as well as any proceeds there from, shall be held in trust for the Owners in accordance with the provisions of these Bylaws and the Declaration of Restrictions and Servitude insofar as the same may be pertinent.

2.2.2 Services and Assessments. Funds and property owned, held or acquired by the association in connection with services and assessments for a specific group of owners, as for example a residential building or a specific group of residences, shall be accounted for separately and such funds and property shall be used for the benefit of that specific group.

2.2.3 Acquisitions or Divestitures. Major or significant acquisitions or divestitures of property, as defined in the Declaration of Restrictions filed from time to time in the public records of Lake County, Florida, and applying to the lands at any time comprising the Royal Highlands development shall be made or undertaken by the Directors, or officers of the Association acting for the Association, only after a general meeting called and held in accordance with the requirements of said Declaration of Restrictions and upon certification by the Association Board of Directors that open discussions were held, that voting was conducted and that the results of such voting resulted in the required percentages of the ownership interests being in favor of the acquisition or divestiture.

3. Members. The membership shall consist of all the record owners of one or more lots in the Development.

3.1 Special Memberships. The Board of Directors may create special membership categories or enter into agreements reflecting the rights, responsibilities and duties of commercial or business entities operating in, near or in conjunction with the Royal Highland development. An example would be an independent golf course operator operating a golf course located on lands in, adjacent or partly in the development. The Directors can and shall impose reasonable charges on such an operator to help defray the actual cost of maintaining roads, landscaping, lighting, parking lots and any and all such facilities or improvements used by or benefiting such operator.

3.2 Transfer of Membership._ If the ownership of

any lot should change, the new owner or owners automatically become members replacing the former owners. The change in membership shall occur automatically upon the filing in the Public Records of the document transferring ownership.

3.3 Assignment. The membership, Commons ownership share, and the share as a member of the funds and assets of the Association cannot be assigned, hypothecated or transferred in any manner except as an appurtenance to the land(s) in the Development.

3.4 Voting.

3.4.1 Eligibility to Vote. Each owner of one or more of the originally platted lots in the said Development shall be entitled to one vote for each lot owned,, computed to the nearest ½ lot in the event lots are divided to reapportion the building sites. In the case of common ownership of a lot, the owners of a majority interest shall be entitled to cast the vote(s). If the owners of a lot cannot agree or if the majority interest is not represented, the vote(s) on that lot(s) may not be cast.

3.4.2 Establishing Right to Vote. If a lot is owned by one person his right to vote shall be established by the roster of members. If a lot is owned by more than one person, or is under lease, the person entitled to cast the vote shall be designated by a certificate signed by all of the record owners according to the roster of owners as filed with the Secretary of the Association. If a lot is owned by a corporation, the person entitled to cast the vote shall be designated by a certificate signed by the President or Vice President and attested by the Secretary or Assistant Secretary of the corporation and filed with the Secretary of this Association. Such certificates shall be valid until revoked or until superseded by a subsequent certificate or until a change in the ownership of the lot concerned. A certificate designating the person entitled to cast the vote for a lot may be revoked by any owner of a share in said lot.

3.4.3 Claiming the Right to Vote. Notwithstanding any of the above, if only one person appears in person, proxy or by mail claiming the right to cast a vote for a given lot and such person has any

ownership interest or is an officer or agent of a corporation with an ownership interest, then such vote shall be counted.

3.4.4 Multifamily Dwelling Vote. In the case more than one dwelling unit is placed on any multifamily lot, each dwelling unit shall have one vote.

3.5 Roster of Members. The Association shall maintain a roster of the names and mailing addresses of lot owners and multifamily owners entitled to vote, which shall constitute a roster of members. The roster shall be maintained from evidence of ownership furnished to the Association from time to time to substantiate the holdings of members and from changes of mailing addresses furnished from time to time. Each member shall furnish to the Association a certified copy of the record evidence of his title substantiating his ownership and the number of lots owned. Each member shall also notify the Association when he conveys his interest so as to cease being a member and shall advise the transferee of the obligations and duties attaching by reason of said transferee assuming ownership; however, as provided in recorded documents, failure of seller to notify or advise shall in no way relieve the transferee of his rights or obligations.

3.6 Meetings of Members. General meetings of members of the Association may be called by the President of the Association, by the Chairman of the Board of Directors or by action of a majority of the Board of Directors and, if called, shall be held at such time, at such place in Lake County, Florida, as the President or a majority of the Board of Directors shall determine. The purpose of any such meeting shall be to hold discussions and make recommendations to the Board of Directors or to transact any other business authorized to be transacted by the members. Notice of any such meeting shall be given at least ten (10) days, but not more than sixty (60) days, prior to the meeting and the notice shall either be mailed to each owner to the address as it appears on the roster of members or by affixing said notice to the front door, by any appropriate means, of any residence which has been completed and occupied by the owner or an assign, unless such owner has notified the Association of his absence, in which event notice must be mailed to that owner. A certificate by the Secretary of the Association stating that notice has been given by one of the above methods

shall be sufficient to prove that notice was properly given.

3.7[7] Quorum. At all meetings of the members of the Association, the percentage of voting interests required to constitute a quorum shall be 30% of the total voting interests. Unless a greater approval percentage is required by Chapter 720, Florida Statutes, the Association Articles of Incorporation, the Declaration of Restrictions or the Bylaws. Decisions that require a vote of the members must be made by the concurrence of at least a majority of the voting interest present, in person or by proxy, at a meeting at which a quorum has been obtained.

3.8 Proxies.

3.8.1 Limited and General Proxies. Members may not vote by general proxy, but may vote by limited proxy. Limited proxies and general proxies may be used to establish a quorum. Limited proxies may also be used for votes taken to amend the articles of incorporation or bylaws or for any matter that requires or permits a vote of the lot owners.

3.8.2 Proxy Effectivity. Any proxy shall be effective only for the specific meeting for which originally given and any lawfully adjourned meetings thereof. A proxy is not valid for a period longer than ninety (90) days after the date of the first meeting for which it was given. A proxy is revocable at any time at the pleasure of the member who executes it.

3.8.3 Election of Board Members. Members shall vote in person at a meeting of the members or by a ballot that the member personally casts.

3.9[8] Order of Business. The order of business at members meetings and, as far as may be applicable, at other members meetings, shall be:

3.9.1 Call to order by President or his representative
3.9.2 Calling of the roll and certifying of proxies
3.9.3 Proof of notice of meeting or waiver of notice
3.9.4 Reading and disposal of any unapproved

minutes
3.9.5 Reports by officers
3.9.6 Reports by committees
3.9.7 Unfinished business
3.9.8 New business
3.9.9 Adjournment

3.10[9] Definition for Lot Realignment Vote. As used herein the word "lot" shall be interpreted to mean a single residential building site as may have resulted from the realignment or re-division of the lots as originally platted. Thus, three originally platted lots might be re-aligned to become two larger lots and the result would be two lots with the owners of each one, however, entitled to cast one and one-half (1 ½) votes. In other respects the terms used in these bylaws shall have the same meaning as those set forth in the Articles of Incorporation or the Declaration of Restrictions.

4. Directors.

4.1[21,22] Number and Qualification. The affairs of the Association shall be managed by a Board of Directors (hereinafter called the Board) consisting of twelve Directors. Directors must be members of the Association and own and reside in the Precinct from which they are elected.

4.2. Duties and Powers. A11 of the duties and powers of the Association are to be exercised through the Board or delegated by the Board to be performed by the officers or others under directions or policies from the Board. The Directors shall appoint the officers of the Association who need not necessarily be owners or residents of the development.

4.3 Special Groups or Amenities. It is anticipated that there will be, or may be, specific groups or sub-groups of owners or residents within the community which may have special interests and special assessments relating to their dwellings or to amenities in their areas or especially reserved for their use. The Board is specifically authorized and encouraged to allow considerable autonomy to committees or sub-boards formed, elected or appointed to represent such special interests since they may have special needs and special assessments in addition to the overall needs and assessment for the

community as a whole, and such special needs and special assessments may vary from one group to another.

4.4 Management Practices. The Board of Directors of the Association shall be guided by the following rules and principles as respects its management of the maintenance and other services for the owners within a special interest group which are banded together at Royal Highlands for the purpose of providing special services or maintenance for the members of that group in return for special assessments imposed on the members of said group.

4.4.1 Services and Standards. The Board shall have the ultimate authority to establish the details of the services and the standards to be maintained.

4.4.2 Special Interest Groups. The Board shall establish which residences and/or buildings are to form a single special interest group for accounting and assessment purposes.

4.4.3 Special Group Committee. The Board annually, at a date to be set by the Board, shall appoint several representatives from each special group to serve on a Committee representing that group of residents. If the residents in a given group have elected one or more of their number to be their representative(s) and have so notified the Board, the Board shall appoint those residents to the Committee.

4.4.4 Service and Standards Considerations. In deciding the details of service and standards under this section 4.4, the Board of Directors shall give due consideration to recommendations of any Committee which it has appointed to represent any given group of members.

4.5 Precinct Representative Appointment and Elections.

4.5.1[11] Precinct Representatives. As noted, the Board of Directors shall initially consist of persons named by the Developer. As the Development grows and building sites are constructed the Developer shall designate certain groups of sites comprising an identifiable section of the Development to be a "precinct". When a given precinct is three quarters occupied the residents there shall hold an election to elect a person to

be known as a "Representative" to provide advice and recommendations to the Directors. At the end of a given representative's term, or sooner if the occasion arises, the residents of that precinct shall elect a successor. Until a given precinct is three quarters occupied, the current representatives shall, by majority vote, appoint a resident of the precinct as representative. A new election or appointment in each precinct shall be held no less often than every two years.

4.5.2[3,4] Precinct Designation. Precincts in the development shall consist of an area including at least 75 lots or multifamily dwellings, but not more than 155. These shall be initially set by an announcement from the Developer which is recorded in the Association minute books. Precinct boundaries may be realigned by a written vote favoring the change and favored by a majority of all the members in the precincts whose boundaries would be affected. Realignment may include combining precincts or splitting precincts so that there may be a different number of precincts than before. The limitation of 75 minimum and 155 maximum homes shall be adhered to, however, unless different limits are written into these bylaws by a three quarters majority of the all the Directors in office at the time the change is instituted.

When the final development phases of Royal Highlands have been engineered and the final and complete layout and boundaries of the development are known, the Board of Directors shall have the power and authority to realign precinct boundaries to conform to a logical and consistent layout. This authority of the Board shall be exercised one single time, only. Any further realignment shall be made only in accordance with provisions elsewhere in these bylaws.

4.5.3[14] Representative Candidates. The time for regular elections shall be the first Tuesday of March each year. Candidates for representative positions shall make their candidacy known to the Board, by completing a "Request for Precinct Representative Nomination "form and submitting it by the first Tuesday of February, which is approximately a month prior to the election for the office to be filled. In addition, a resident may nominate himself or herself as a candidate for the Board at the meeting where the election is to be held. A notification of representative positions to be filled by election shall be

posted in a conspicuous spot in or outside the community Recreation Center at least one month prior to the deadline for candidates to make their candidacy known. This notification shall also be provided in the community newsletter at least one month prior to the deadline for candidates to make their candidacy known.

4.5.4[1] Election Committee. By the second Tuesday of January each year the Board shall appoint a three person election committee to oversee the elections for that year. The Board shall prepare written ballots for each precinct giving the names of all candidates for that precinct's representative. These shall be distributed to the members entitled to vote in that election at least a week before the election. The election committee shall provide clear instructions as to how to vote, where and when to return the ballots, and institute such other rules and procedures s they deem necessary for an orderly election.

4.5.5 Representative Elections. The first representative election for a given precinct shall take place at the March election immediately following the date on which the precinct becomes three quarters occupied and the term of that representative shall be for a period of two years. All subsequent regular elections for the representative of that precinct shall take place at two year intervals and shall elect a representative for a two year term. (It is expected that in the natural course of events this will result in staggered terms with only a part of the representatives being replaced at each annual election.)

4.5.6[10,12,15] Special Elections or Appointments. A special election or appointment shall be required if a representative becomes unable to serve, resigns, or is discharged. In the event that a representative gives notice of intent to sell their home or publicly lists their home as available for sale and does not provide to the Board "clear evidence of intent" to move to and reside in another location in the same precinct, the notice and or action shall be considered a resignation of the representative and a special election shall be deemed necessary. This is to ensure the proper transition of representatives and ensure adequate representation of the precinct members.

4.5.6.1[16] Elected Representatives. The procedure for the special elections shall be essentially the same as in 4.5.5 except that the remaining representatives shall appoint a special election committee which shall then set the election date and distribute information about the dates for receipt of applications and for the election itself The elected replacement representative's term of office shall continue until the second annual members meeting after the special election.

4.5.6.2[17] Appointed Representatives. The procedure for appointed representatives shall be the same as specified in 4.5.1. The appointed replacement representative's term of office shall continue until the first annual meeting after the precinct becomes three quarters occupied but shall not extend beyond the second annual members meeting after the appointment.

4.5.7[2] Annual Meeting. An annual meeting of members shall be held the first Tuesday of March each year at a time and place to be determined and promulgated by the Directors. This meeting shall he held before the election is held or the election ballots collected. The purpose of the meeting shall be to provide a forum for candidates for election to speak and present their views. The meeting shall be presided over by a member of the Election committee who shall at the start of the meeting announce the length of the meeting and the time to be allotted each candidate. The announced meeting length shall be not less than 60 minutes or more than 180 minutes. Each candidate shall be allotted an equal amount of time which he may utilize himself or allow others to utilize on his behalf. If a candidate does not wish to use his time, or does not use all of it, the meeting shall be shortened by the amount of time not used."

4.6 Directors Meetings. In addition to meetings required elsewhere in these bylaws to discuss and adopt an annual budget, the Directors may meet at times and places of their own choosing. All meetings shall be open to all the residents and lot owners but the Directors may limit discussion and presentations by non-Directors at their discretion. Reasonable notice of time and place of all meetings must be given or made available to all representatives including, at the minimum, posting of notice of the Board meeting at least forty-eight (48) hours in advance in a conspicuous place on the Association

property. The meeting place must be reasonably convenient for the representatives, residents and owners to actually attend if they reside in the Development.

4.7 Representatives Organizational Meetings. An organizational meeting of a newly constituted body of representatives consisting of all the elected representatives shall be held within thirty (30) days of the election of any new representative. The time and place of the meeting shall be fixed by the previous body acting through its previously elected Chairman or spokesperson. Notice of said meeting shall be posted at least forty-eight (48) hours in advance in a conspicuous place on the Association property. Time and place of the very first such organizational meeting shall be determined by the Board of Directors and the notice of same posted as indicated.

4.8[5] Regular Meetings of the Board. Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the directors. Notice of regular meetings shall be given to each director, personally or by mail, telephone, telegraph, or by electronic means and shall be transmitted at least three (3) days prior to the meeting. Notice of said meeting shall be posted at least forty-eight (48) hours in advance in a conspicuous place on the Association property. Representatives may speak or make presentations at such meetings.

4.9[6] Special Meetings of the Board. Special meetings of the directors may be called by the Chairman of the Board and must be called by the Secretary at the written request of one-third of the Directors. Notice of the meeting shall be given personally or by mail, telephone, telegraph, or by electronic means to each Director and Representative which notice shall state the time, place and purpose of the meeting. Such notice shall be transmitted not less than three (3) days prior to the meeting and such notice shall be posted at least forty-eight (48) hours in advance in a conspicuous place on the Association property. A special meeting may be called with less notice if a Director or Officer certifies that an emergency exists requiring such a meeting. In all cases reasonable efforts shall be made to notify all Association Representatives of the time and place of all special board meetings. Representatives may speak or make presentations at such meetings.

4.10 Waiver of Notice. Any director may waive notice of a meeting before or after the meeting and that waiver shall be deemed equivalent of having been given notice.

4.11 Quorum for Board Meetings. A quorum at directors' 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 acts of the Board, except when approval by a greater number of directors or by certain designated directors is required by the Articles of Incorporation or these Bylaws.

4.12 Adjourned Meetings. 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 that might have been transacted at the meeting as originally called may be transacted without further notice.

4.13 Chairman of the Board. The presiding officer of Directors' meetings shall be the Chairman of the Board if such an officer has been elected; and if none has been elected, the directors present shall designate one of their numbers to preside long enough to elect a Chairman who shall then assume control and conduct the meeting. The Chairman of the Board shall continue until a successor is elected. A new vote for Chairman shall be held at the request of any director at any meeting of the directors except there shall not be more than one such election at any one meeting.

4.14 Order of Business. The order of business at directors' meetings shall be:

4.14.1 Select a temporary chairman and elect a Chairman of the board if the position is vacant.
4.14.2 Call the roll
4.14.3 Proof of due notice of meeting. Read and dispose of any unapproved minutes
4.14.4 Reports of officers and committees
4.14.5 Election of officers of the Association. This shall be done at least

once a year.
4.14.6 Unfinished business
4.14.7 New business
4.14.8 Adjournment

4.15 Director's Fees. Directors' fees, if any, shall be determined by a majority vote of all the members of the Association other than the Developer. An election committee shall be appointed by the Directors to develop procedures for, conduct and monitor any such election. During the time the Developer appoints the Directors there shall be no Directors' fees paid or payable.

4.16 General Powers and Duties. All of the powers and duties of the Association existing under the Articles of Incorporation and these Bylaws shall be exercised by the Board of Directors, which may direct implementation through its corporate officers, agents, contractors or employees, subject only to approval by the members when the latter is specifically required.

4.17 Acquisition and Granting of Property. The Association, through its Board, shall have the right and authority to acquire, by gift, purchase or otherwise, real or personal property to hold the same, improve it, build upon it, operate, maintain, convey, sell, lease, transfer, or dedicate for public use. In addition, the Association, through its Board, shall have the right and duty to maintain a surface water management system approved by the St. Johns River Water Management District or its successor or replacement.

4.18[18] Rules and Regulations. The Association, through its Board, shall have the right and authority to make and amend rules and regulations concerning the use of property within the development subject, however, to the following limitations, restrictions, and requirements:

4.18.1[18] Proposed Regulations. The Board of Directors must adopt, by majority vote, a resolution that the proposed regulation or amendment is not an unreasonable limitation on the use by the individual owners of their property and that the proposed regulation is for the benefit of the community.

4.18.2[18] Publication and Meetings:

4.18.2.1[18] First Reading. The text of the proposed regulation or regulation amendment must be posted in a conspicuous spot in or outside the community Recreation Center for a period of at least one month together with an announcement of the time and place of a meeting to introduce the said regulation. The text of the proposed regulation or amendment and meeting information shall also be provided in the community newsletter at least one month prior to when the meeting is to be held. During the period of Developer control the meeting specified in the first part off this section shall not be required but a meeting of the precinct representatives shall be held instead and for the same purpose. At this meeting, association members shall be afforded the opportunity to make their views known.

4.18.2.2[18] Second Reading No sooner than 21 days after the First Reading meeting, a second meeting shall be held to consider the proposed regulation or regulation amendment. At this meeting, association members shall again be afforded the opportunity to make their views known. During the period of Developed control, after considering the views of the association members, the precinct representatives shall make their majority opinion known to the Board of Directors.

4.18.3[18] Board Adoption of Proposed Regulation. The Board of Directors may then adopt the proposed regulation by majority vote. The resolution adopting said regulation must cert that the meetings of 4.18.2 were held, that the Directors heard and considered the views of the association members or precinct representatives, and that the majority of the Board members favored the adoption of the proposed regulation.

4.18.4 Regulation Examination and Availability. The Board of Directors shall have the regulation so adopted reproduced, together with all similar regulations previously adopted, and shall make a copy of said regulations available for examination by all residents and members; and in addition the Board shall make available at reasonable cost copies of said regulations for purchase by residents and members.

4.18.5 Enactment Restrictions. No regulation shall be enacted which requires the undoing, improvement or addition to or the re-doing of anything previously built or

installed which was previously allowed or authorized; nor shall any regulation be made which deprives any resident or owner of rights or expectations which could be reasonably be said to have vested (such as the right to own a pet or to bring a previously owned pet into the development). Regulations can be-enacted, however, having the effect of barring any future owner from something, notwithstanding earlier owners and residents are "grandfathered in".

4.18.6[18] Regulation Limitations. The Board of Directors shall have the power to make regulations affecting only certain well defined sectors, areas, buildings, or special interest groups in the development provided always that the owners affected shall have been notified, had the opportunity to attend a meeting, and have expressed their views as provided above for general rules affecting everyone. This section shall not be interpreted as preventing the Board from adopting rules and regulations where the Board has determined that the rules and regulations are for the overall good of the community; for example, rules setting reasonable standards for exterior maintenance or grounds care of buildings may be imposed for the benefit of the community as a whole.

4.18.7 Architectural Review.

4.18.7.1 Developer Control. The Developer shall be the final arbitrator concerning the architectural compliance and suitability of any new construction in the development notwithstanding any rules or regulations which may have been adopted by the Board. This right and power shall continue so long as the Developer is actively developing, promoting and selling property in the development as it may be constituted from time to time.

4.18.7.2[20] Directors Authority. The Directors of the Association shall be the final authority on architectural compliance and suitability of any additions, renovations, changes or embellishments to any property in the development after the initial construction of, at or upon such property is complete. The Directors may appoint an architectural review committee to advise them in such matters and may delegate some authority to the committee; however, the Directors shall retain final appeal authority in cases of rejection.

4.19[13] Non-Compliance

4.19.1 Failure to Comply with Governing Documents. If a member fails to comply with the governing documents of Royal Highlands Property Owners Association and/or Royal Highlands Rules and Regulations the association may suspend the rights of the member, the member's tenants, guests, or invitees, to use common areas and facilities owned by the association and may levy fines, not to exceed $100 per violation, against any member or any tenant, guest or invitee. A fine may be levied on the basis of each day of a continuing violation, with a single notice and opportunity for hearing, except that no fine shall exceed $5, 000 in the aggregate.

4.19.2 Fines or Suspension Hearing Committee. A fine or suspension may not be imposed without notice of at least 14 days to the person sought to be fined or suspended and an opportunity for a hearing before a committee of at least three members appointed by the board who are not officers, directors, or employees of the association, or the spouse, parent, child, brother, or sister of an officer, director, or employee. If the committee, by majority vote, does not approve of a proposed fine or suspension, it may not be imposed.

4.19.3 Failure to make Assessment Payments. Failure to make general or special assessment payments when due is defined as a failure to comply with the governing documents.

4.19.4 Opportunity for a Hearing. The requirement for a hearing prior to imposition of a fine and/or suspension does not apply to the imposition of suspensions and/or fines upon any member because of the failure of the member to pay assessments or other charges when due.

4.19.5 Suspension of Voting Rights. The voting rights of a member who is delinquent in the payment of general or special assessments in excess of 90 days may be suspended until the delinquencies are rectified.

5. Conversion of Representatives to Directors.

5.1 End of Developer Control. When the Developer control ends then the representatives referred to above

shall immediately become, directors.

5.2 When Developer Control Ends. Developer control ends at the point where one or more of the criteria of the following section is no longer met, or at the point when Developer voluntarily relinquishes control.

5.3 Appointment of Representatives as Directors. The last official act of the Developer while it is still in control shall be deemed to have been the dismissal of all the directors it has appointed and the appointment of each of the then Representatives as a Director of the Association.

5.4 Provisions relating to election of Directors. From the time Developer control ends, all of the provisions relating to the election of Representatives shall continue in force and be interpreted as referring to the election and terms of Directors instead of Representatives.

5.5 Organizational Meeting of New Board. The Representative who had previously been chosen to preside at meetings of the Representatives shall become the new Chairman of the Board of Directors and shall call an organizational meeting of the newly constituted Board as soon as reasonably convenient after Developer control ends; but said organization meeting shall be held within 45 days of the time the Representatives, or any of them, become aware that Developer control has ended.

5.6 Appointment of Officers. The primary purpose of the organization meeting of the newly constituted board referred to above shall be the appointment of officers for the Association. Until such new officers are appointed the old officers shall continue in the performance of their duties as Association officers.

6. Developer Control.

6.1 Developer Control of the Association. During the time the Developer meets all of the criteria listed below, the Developer shall remain in control of the Association and have and exercise the right to appoint members of the Board of Directors and shall also have the right to discharge any Director at any time. The criteria are:

6.1.1 Promoting and Selling. The Developer is actively promoting and selling the project.

6.1.2 Ownership and/or Additions. The Developer retains ownership of at least 8 lots of land or dwellings in the community and holds them for sale or is actively engaged in preparations for additions to the development.

6.1.3 Assessment Guarantee(s). The Developer continues to guarantee that the annual general assessment will not increase over an amount which has been set forth in the original schedule of guaranteed figures for the general assessment as set forth in the Deed Restrictions filed in the Public Records of Lake County, Florida. (Note: The general assessment is set in the deed restrictions filed in connection with the initial phase.)

6.2 Developer Assessment Limitation. During the period of Developer control, during which period the Developer guarantees the maximum general assessment, the Developer shall not be required to pay any assessments.

6.3 Association Reserve Funds. During the period of Developer control the Association may accumulate reserve funds for various purposes but is not required to do so. The Developer shall not be required to contribute toward such reserve funds and any assessment or portion thereof for the accumulation of reserves shall be excluded from any and all calculations of subsidies owing from Developer. Any income earned by said reserves shall be added to the reserves for accounting purposes and the Developer's subsidy shall not be reduced by reason of such income, if any.

6.4 General Assessment Limitation. The "general assessment" referred to in this section shall not include an assessment for special services provided to any given group nor to any added assessment imposed by reason of a decision to add an additional service of some kind for the benefit of all the residents.

6.5 Developer Relinquishing Control. The Developer may voluntarily give up control at any time by notice given in writing and conveyed to all the then Representatives.

7. Officers.

7.1 Officers of the Board. The officers of the Association who may also serve as directors shall be a President, a Vice President, a Treasurer and a Secretary all of whom shall be elected at least annually by the Board of Directors and who may be peremptorily removed at any meeting by concurrence of a majority of all of the directors. A person may hold more than one office except that the President may not also be the Secretary. No person shall sign an instrument or perform an act in the capacity of more than one office. The Board of Directors from time to time shall elect or appoint such other officers or representatives and designate their powers and duties as the Board shall find necessary or useful to manage the affairs of the Association.

7.2 President's Powers and Duties. The President shall be the chief executive officer of the Association. He shall have all of the powers and duties that are usually vested in the office of president of an association, including but not limited to the power of appointing committees from time to time to assist in the conduct of the affairs of the Association as he in his discretion may determine appropriate.

7.3 Vice President's Powers and Duties. The Vice President shall exercise the powers and perform the duties of the President in the absence or disability of the' President. He shall also assist the President and exercise such other powers and perform such other duties as shall be prescribed by the directors.

7.4 Secretary's Powers and Duties. The Secretary shall keep the minutes of all proceedings of the directors and the members. He shall attend to the serving of all notices to the members and directors and other notices required by law. He shall have custody of the seal of the Association and shall affix it to instruments requiring a seal when duly signed. He 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 and as may be required by the directors or the President.

7.5 Treasurer's Powers and Duties. The Treasurer shall have custody of all property of the Association,

including funds, securities and evidences of indebtedness. He shall keep books of account for the Association in accordance with good accounting practices which, together with substantiating papers, shall be made available to the Board of Directors for examination at reasonable times. He shall submit a Treasurer's report to the Board of Directors at reasonable intervals and shall perform all other duties incident to the office of treasurer.

7.6 Officer, Directors and Employee Compensation. The compensation of all officers and employees of the Association shall be fixed by the directors either directly or through delegation to managers or representatives responsible to the Officers or to the Board. The requirement that directors' fees shall be determined by the members shall not preclude the Board of Directors from employing a director as an employee of the Association nor shall it preclude the contracting with a director for management services.

8. Fiscal Management.

8.1 Affairs and Accounts. The affairs shall be managed and accounts kept in accordance with sound accounting principles.

8.2 Annual Budget. A Budget shall be prepared each year and a report given at the start of the succeeding year showing performance against that budget.

8.3 Budget Requirements. If a new budget requires an assessment against the lot owners exceeding the prior year's assessment by more than fifteen percent (15%), then on written application of ten percent (10%) of the said owners the Board shall call a special meeting at which meeting the owners shall adopt a budget. If the foregoing process fails to produce an acceptable budget, the Board shall immediately propose and adopt a budget falling within the above noted fifteen percent (15%) limitation without further notice to said owners. (Note: During the period of developer control a new budget might exceed the prior year's budget by more than 15 % due to an increased of residents. Moreover, the budgeted cost per residence might go up by more than 15% without triggering the requirement of owner approval; this could occur if the Developer's guarantee were still in effect so that the assessment didn't go up enough to trigger the requirement.

8.4 Proposed Budget Meeting. Copies of a proposed budget and proposed assessments shall be mailed to each member not less than thirty (30) days prior to the meeting of the Board of Directors at which the proposed budget will be considered for adoption, together with a notice of that meeting. If the budget is amended subsequently, a copy of the amended budget shall be furnished to each member.

8.5 Assessments.

8.5.1 Annual Assessments. Assessments against the owners for their shares of the items of the budget shall be made by the Board of Directors for the fiscal year annually in advance on or before a date at least ten days prior to the first day of each fiscal year. The annual assessment from each owner to meet the annual budget shall be due and payable at the start of each fiscal year for which the assessment is made, but not before fifteen (15) days after the mailing. To the members concerned of a statement of the year's assessment.

8.5.2 Succeeding Year Assessments. If the assessments are not made annually as required, the succeeding years' assessment shall be presumed to have been made in the same amount as the preceding year until changed by a later or amended assessment.

8.5.3 Amended Assessments. In the event an assessment shall be insufficient, in the judgment of the Board of Directors, to provide funds for the anticipated current expense for the ensuing month and for all of the unpaid operating expenses previously incurred, the Board of Directors shall amend the budget and shall make an amended assessment for the balance of the fiscal year in sufficient amount to meet these expenses for the year; provided, however, that any amount of the amended assessment that exceeds the limit upon increases for that year shall be subject to the approval of the membership of the Association as previously required by these Bylaws.

8.5.4 Association Member Assessment Liability. Each member of the Association shall be liable for his proportionate share of each general assessment, including special assessments under subsection 8.5.3, above, in the same proportion as his lot ownership, to the nearest half lot, or his residence ownership bears to the

total ownership of the development. The ownership of a dwelling in a multi-dwelling unit shall be considered as being the same as the ownership of one building lot.

8.5.5 Assessment for Dwelling or Vacant Lot. Assessments shall take into account whether or not a lot has a completed dwelling on it and, in accordance with the deed restrictions, the annual assessment on a vacant lot shall be different from that on a lot with a completed dwelling on it.

8.5.6 Lot Pro Rata Assessment. Notwithstanding the foregoing language on annual assessments, the assessment on a lot on which title passes from Developer to owner during the fiscal year shall be taken as a pro rata amount based on the number of complete months remaining in the fiscal year after title passes. (Example: If title passes in July and the fiscal year is from Jan through Dec, there would be 5 months remaining and the assessment would be 5/12's the annual assessment on a vacant lot.)

8.5.7 Dwelling Pro Rata Assessment. Notwithstanding the foregoing, when a dwelling is completed on a lot its assessment basis shall change to the assessment applicable to a lot with a dwelling and the remainder of the assessment for the year shall be at the higher amount pro rated on the number of complete months remaining in the fiscal year after the month in which the dwelling is completed. (Example: If, in the example above, a home were completed in October, there would be two months left in the fiscal year and for those two months the assessment would be 2/12's of the annual assessment attributable to a lot with a dwelling on it.)

8.6 Assessments for Emergencies. Assessments for common expenses to pay for emergency needs that cannot be paid from the annual assessments for common expenses shall be due after thirty (30) days' notice is given to the lot owners concerned, and shall be paid in such manner as the Board of Directors of the Association may require in the notice of assessment. If the Board certifies and records in its minutes at a Board meeting duly held that an emergency assessment is necessary, such assessment shall be exempt from any voting requirements of section 8.3 that might have applied.

8.6.1 Emergency Assessments by Developer. There shall be no emergency assessment imposed so long as the Developer remains in control and continues to guarantee the maximum assessment.

8.6.2 Maximum Assessment under Developer Control. The maximum assessment which the developer guarantees will not be exceeded includes any assessment for "emergencies". This is tantamount to saying the Developer pays any unforeseen expenses. This is one reason the Developer must maintain control during the time it chooses to remain obligated to subsidize the community in this way. Thus "guarantee" means there cannot actually be any "emergencies" as far as the Association is concerned during the period of Developer control.)

8.7 Monthly Assessment Installment Payments. If the Directors elect to allow any assessment to be paid in monthly installments and if any such monthly payment due from an owner remains unpaid for thirty (30) days after it is due, then all payments which were to become due for the entire balance of the fiscal year from that owner shall be immediately due and payable in full.

8.8 Bank Accounts. The depository of the Association shall be such bank or banks as shall be designated from time to time by the directors and in which the monies of the Association shall be deposited. Withdrawal of monies from those accounts shall be by checks signed by such persons as are authorized by the directors.

8.9 Annual Audit Report. A report concerning the accounts of the Association shall be made annually and a copy of the report shall be furnished to each member not later than four months after the end of the fiscal year for which the report is made.

8.10 Accounting Year. As used herein, the term "year" may mean either a calendar year, or any period of 12 months commonly known as a "fiscal year" as the context may permit or require, and the Association may operate on a fiscal year basis.

8.11 Assessments and Voting Rights. The above provisions of this section relating to assessments along with the provisions relating to voting rights are to be construed as applying to the Royal Highlands Development as

a whole. It is intended that each building site shall have the same voting rights and the same general assessment regardless of whether the lot is a single family detached home, or whether it comprises a dwelling in a multi-dwelling building, or some other type of residential structure or facility.

8.11.1 Board Special Assessments. Notwithstanding the above, the Board is authorized to make special assessments, including emergency assessments, against multi-dwelling owners or other special groups of owners either by specific buildings or by groups of similar buildings (similar in age, amenities and construction, for example) for the purpose of providing special services to those buildings or groups (such as grounds care, security, exterior maintenance or some combination of those and similar services). To the maximum practical extent the Board of Directors shall assure that such special assessments levied against a given group is made according to a fee schedule applied uniformly across that group of owners and that the proceeds are applied for their benefit. Said fee schedule shall take into account significant differences in maintenance costs for one dwelling unit as compared to another such as those occasioned by the greater yard area and exterior exposure of an end dwelling as compared to an interior dwelling, if any, in the same multi-dwelling structure. To the maximum extent possible and practical the accounting practices relating to the assessment, funds and disbursements for such special group shall follow the same principles outlined above for making and disbursing the general assessment.

8.11.2 Special Assessment Groups. The Board is authorized to establish more than one special assessment group and the services and assessments need not be identical from one group to the next. Such special assessment groups are also authorized to be set up to serve groups of special interests based on factors other than multi-dwelling residential owners.

9. Parliamentary Rules. Robert's Rules of Order (latest edition) shall govern the conduct of Association meetings when not in conflict with the Articles of Incorporation or these Bylaws.

10. Amendments. Except as elsewhere provided otherwise, these Bylaws may be amended in the following

manner:

10.1[19] Publication and Meetings:

10.1.1[19] First Reading. The text of the proposed amendment must be posted in a conspicuous spot in or outside the community Recreation Center for a period of at least one month together with an announcement of the time and place of a meeting to introduce the said regulation. The text of the proposed amendment and meeting information shall also be provided in the community newsletter at least one month prior to when the meeting is to be held. At this meeting, association members shall be afforded the opportunity to make their views known.

10.1.2[19] Second Reading. No sooner than 21 days after the First Reading meeting, a second meeting shall be held to consider the proposed amendment. At this meeting, association members shall again be afforded the opportunity to make their views known.

10.2[19] Adoption. A resolution adopting a proposed amendment may be proposed by either the Advisory Board, the Board of Directors of the Association or by a majority of the members of the Association. Except as otherwise provided, the approvals must be by either one of the following means:

10.2.1[19] By the Board.

10.2.1.1[19] Advisory Board Endorsement of Proposed Amendment. During the period of Developer control, the Advisory Board may recommend the proposed amendment to the Board of Directors by a 3/4 affirmative vote of all Advisory Board members. This Advisory Board meeting may be concurrent with the Second Reading meeting, however, if at least 3/4 of the Advisory Board members are not present at the Second Reading meeting, the vote shall be conducted during the first Advisory Board meeting subsequent to the Second Reading meeting at which at least 3/4 of the entire membership of the Advisory Board is present.

10.2.1.2[19] Board Adoption of the Proposed Amendment. Following the Publication and Meetings Section of 10.1 and Section 10.2.1.1, if applicable, the Board of Directors may then adopt the proposed regulation

by a 3/4 affirmative vote of the all Directors at any Board of Directors Meeting. This Board of Directors meeting may be concurrent with the Second Reading meeting, however, if at least 3/4 of the Directors are not present at the Second Reading meeting, the vote shall be conducted during the first Board of Directors meeting subsequent to the Second Reading meeting at which at least 3/4 of the entire membership of the Board is present.

10.2.2 By Membership. By a favorable vote from not less than 2/3 of the entire membership of the Board plus a favorable vote from not less than 2/3 of the entire membership of the Association; or

10.2.3 By Petition. By signed petition or petitions showing not less than 80% of the entire membership of the Association favors the amendment followed by a ratification of the change by the Developer if still in control of the Association.

10.3 Apathy Clause. Notwithstanding the foregoing provision for amending these Bylaws, amendments may also be made as follows:

10.3.1 Declared an Important Issue. The Board of Directors by a two-thirds (2/3) majority vote of the directors must declare the proposed amendment to be an important issue.

10.3.2 Proposed Amendment Fully Described. The proposed amendment must be fully described in writing, its ramifications and its need explained, and the time, place and method of voting described and explained in detail.

10.3.3 Delivery to Eligible Voting Members. The materials of 10.3.2, above must be delivered to each owner or other person who is allowed or required to vote on the amendment. A copy of this Section of the bylaws shall also be included. Delivery shall be by registered mail with return receipt requested or by hand with signed receipt obtained.

10.3.4 Re-Voting Schedule. Along with the materials above shall be sent a subsequent voting schedule established by the Board of Directors for re-voting the issue in case the issue should meet the requirements for

re-voting but does not pass in earlier voting.

10.3.5 Initial Voting Requirements. If at the time for approval the percentages of the total membership required for approval are not obtained because not enough members voted but the percentage of those voting does meet the requirements, then the proposed change shall be re-voted at the time and the manner specified by the Board of Directors in the original notice and the issue may be re-voted repeatedly in accordance with the schedule laid down under 13.3.6, below.

10.3.6 Re-Voting Requirements. At each re-voting the total membership shall be treated as if reduced by one-third (1/3) from the previous voting round, or to the number actually voting in the new round, if greater; and the percentage approval shall be computed as if the new number were the total membership; for example,

> In the case of owners where approval by two-thirds (2/3) of all affected owners was originally required, a four-ninths (4/9) approval will suffice at the next voting provided the requirement of two-thirds (2/3) approval, by those voting is also met. A second re-vote will require approval by eight twenty-sevenths of those eligible to vote provided two-thirds (2/3) of those voting approve; and so forth until the issue is finally approved or defeated.

10.3.7 Voting Procedures. All vote taking, above, shall be done in a manner that is in compliance with Florida Statutes and the Board of Directors shall announce the results including the qualifications and need for a re-vote if such be the case.

10.4 Developer Amendment Approval. No amendment of these bylaws shall be effective while the Developer still has property for sale in the Development, including the territorial expansion thereof, unless the Developer shall have approved such amendments. This applies equally to regulations made under the authority of these bylaws.

11. Insurance. The Association shall arrange for suitable liability insurance and for suitable and appropriate insurance on Association buildings and property. The cost of insurance shall be an Association

expense paid for from the assessments on the owners.

12. Indemnification. Every Director, Officer, Employee and Agent of the Association, and every Owner serving the Association at its request shall be indemnified by the Association against all expenses and liabilities to the maximum extent allowed by Florida Statutes 617.0831. Implementation of this section shall be accomplished according to the provisions of said statute

Source for Change(s):

1. BOD meeting, September 1, 1995 amended Section 4.5.4 to call for the Board of Directors to appoint a three-person election committee by the second Tuesday of each January.

2. BOD meeting, September 1. 1995 inserted Section 4.5.7 “Annual Meeting”.

3. BOD Meeting, April 30, 1997 amended 4.5.2 to increase the maximum number of lots in a precinct from 150 to 155 lots.

4. BOD Meeting, December 17, 2001 added second paragraph to 4.5.2. Precinct realignment was approved during this meeting.

5. BOD Meeting, December 17, 2001 amended Section 4.8 to add “electronic means” as an additional method for providing notice of meetings.

6. BOD Meeting, December 17, 2001 amended Section 4.9 to add “electronic means” as an additional method for providing notice of meetings.

7. BOD Resolution, August 28, 2003 replaced Section 3.7 “Quorum”, deleted Section 3.9 “Adjourned Meetings”

8. BOD Resolution, August 28, 2003 changed the Section number from 3.10 to 3.9

9. BOD Resolution, August 28, 2003 changed the Section number from 3.11 to 3.10

10. BOD Resolution, August 28, 2003 replaced Section 4.5.6. “Special Elections”

11. BOD Resolution, December 19, 2003 modified Section 4.5.1 by adding precinct Representatives authority to appoint representatives for precincts with less than 75% occupancy.

12. BOD Resolution, December 19, 2003 modified Section

4.5.6 by adding provision for replacement of an appointed representatives position.

13. BOD Resolution, December 19, 2003 Added Section 4.19 and sub sections 1 through 5 regarding member non-compliance to community governing documents and penalties there from.

14. BOD Resolution #1, May 24, 2004 changed Section 4.5.3 “Representative Candidates”

15. BOD Resolution #2, May 24, 2004 Replaced “4.5.6 Special Elections” with “4.5.6 Special Elections or Appointments”

16. BOD Resolution #2, May 24, 2004 added sub-section “4.5.6.1 Elected Representatives”

17. BOD Resolution #2, May 24, 2004 added sub-section “4.5.6.2 Appointed Representatives”

18. BOD Resolution #3, May 24, 2004 changed sections 4.18; 4.18.1, 4.18.2; 4.18.3 and 4.18.6, and added sub-sections 4.18.2.1 and 4.18.2.2

19. BOD Resolution #2, October 27, 2004 changed sections 10.1, 10.2 and 10.2.1 and added sub-sections 10.1.1, 10.1.2, 10.2.1.1 and 10.2.1.2

20. BOD Resolution #1, October 27, 2004 changed section 4.18.7.2

21. BOD Resolution, February 9, 2005 clarified section 4.1 regarding number of board members from the time Developer control ends.

22. BOD Resolution, January 11, 2006 clarified section 4.1 regarding number of board members.

23. BOD Resolution, February 13, 2008 deleting section 13 regarding disputes.