

EXHIBIT E TO THE DECLARATION OF CONDOMINIUM OF
TopSail Village, A Condominium

BY-LAWS
OF
TOPSAIL VILLAGE CONDOMINIUM ASSOCIATION, INC.

a corporation not-for-profit
under the laws of the State of Florida

1. Purpose. These are the By-Laws of TopSail Village Condominium Association, Inc., a corporation not-for-profit under the laws of the State of Florida (the "Association"). The Association has been organized for the purpose of providing for the operation, management, maintenance, control and administration of TopSail Village, a Condominium, and with regard to such condominium, the legal entity created pursuant to Chapter 718, Florida Statutes, 2005 (the "Condominium Act").

2. Offices. The initial office of the Association shall be at a location designated by the Association Board of Directors.

3. Fiscal Year. The fiscal year of the Association shall be the calendar year; provided, however, the initial budget of the Association may run for a period that coincides with the beginning of the Association's fiscal activity, the exact timing of which can only be estimated in advance, and ends December 31 of the same year. For subsequent years, the Association budget will run from January 1 through December 31.

4. Seal. The seal of the corporation shall bear the name of the Association, the word "Florida" and the words "corporation not-for-profit," and the year of incorporation, "2005" an impression of which is as follows:

5. Members Meetings. The annual Members meeting shall be held each year at the office of the corporation on a date during the months of September, October, November or December as from time to time determined by the Board of Directors. The Members may transact at the annual members meeting any business authorized to be transacted by the Members.

6. Special Meetings. Special meetings shall be held whenever allowed by the Condominium Act or called by the President or Vice President, and must be called by such officers upon receipt of a written request from members holding ten percent (10%) of the voting interests of the entire membership.

7. Notice.
(a) Notice of all members meetings stating the time and place and identifying each agenda item for which the meeting is called shall be given by the President or Vice President or Secretary unless waived in writing. Such notice shall be posted at a conspicuous place designated by the Board of Directors on the condominium property at least fourteen (14) continuous days preceding the meeting and shall be in writing to each member at his address as it appears on the books of the Association and shall be mailed or hand delivered not less than fourteen (14) days prior to the date of the meeting. An officer of the Association shall provide an affidavit, to be included in the official records of the Association, affirming that notices of the Association meeting were mailed or hand delivered in accordance with this provision, to each Unit Owner at the address last furnished to the Association. Notice of meeting may be waived before the meetings.

(b) Except where provided to the contrary herein, notice of meetings of the Board of Directors, unit owner meetings and committee meetings may be provided by "electronic transmission" as that term is defined under chapter 617, Florida Statutes, to unit owners or committee members who consent to receive notice by electronic transmission. Electronic transmission shall not be used for unit owner meetings called to recall board members.

8. Quorum; Recess. A quorum of members meetings shall consist of persons holding one-third of the voting interests of the entire membership. The acts approved by a majority of the voting interests present at a meeting at which a quorum is present shall constitute the act of the members, except when approval by a greater voting interest is required by the Declaration of Condominium of the condominium operated by the Association, the Articles of Incorporation of the Association or these By-Laws. In determining whether a quorum is present, proxies may be counted as voting interests present. Once a quorum is determined to be present at an annual or special meeting, the President or other presiding officer may recess the meeting from time to time, by announcing the recess at the meeting and the time the meeting will reconvene.

9. Members Vote. At any meeting of the members, the voting interest of each Unit shall be entitled to cast one (1) vote for each unit he owns, which shall not be cumulative.

10. Approval or Disapproval of Matters. Whenever the decision of a unit owner is required upon any matter, whether or not the subject of an Association meeting, such decision may be expressed by written agreement as well as by duly recorded vote and shall, in either event, be expressed by the same person who would cast the vote of the unit owner if in an Association meeting, unless the joinder of record unit owners is specifically required by the Declaration.

11. Multiple Ownership.

a. If a Unit is owned by one (1) person or entity, the right to vote on behalf of such Unit shall be established by the record title to the Unit. If a Unit is owned by more than one (1) person, the person or entity entitled to cast the vote for the Unit shall be designated by a voting certificate signed by all of the record owners of the Unit and filed with the Secretary of the Association. If a Unit is owned by a corporation or other entity, the person entitled to cast the vote for the Unit shall be designated by a certificate signed by the President or Vice President and attested by the Secretary or Assistant Secretary of the corporation, or signed by a majority in interest of the ownership interests in the entity if other than a corporation, and filed with the Secretary of the Association. Such certificates shall be valid until revoked or until superseded by a subsequent certificate or a change in the ownership of the Unit concerned. A certificate designating a person entitled to cast the vote of a Unit may be revoked by any owner of a Unit. If such a certificate is not on file, the vote of such owner shall not be considered in determining the requirement for a quorum nor for any other purpose.

b. Notwithstanding the provisions of subparagraph a. above of this paragraph entitled "Multiple Ownership", whenever any Unit is owned by a husband and wife they may, but shall not be required to, designate a Voting Member. In the event a Voting Certificate designating a Voting Member is not filed by the husband and wife, the following provisions shall govern their right to vote.

(1) Where both husband and wife are present at a meeting, each shall be regarded as the agent and proxy of the other for purposes of casting the vote for each Unit owned by them. In the event they are unable to concur in their decision upon any subject requiring a vote, they shall lose their right to vote on that subject at that meeting.

(2) Where only one (1) spouse is present at a meeting, the spouse present may cast their Voting Interest without establishing the concurrence of the other spouse, absent any prior written notice to the contrary to the Association by the other spouse. In the event of prior written notice to the contrary to the Association by the other spouse, their Voting Interest shall not be considered.

(3) Where neither spouse is present, the person designated in a proxy or Voting Certificate signed by either spouse may cast the Voting Interest. In the event of the designation of a different Voting Member by the other spouse, the Voting Interest shall not be considered.

12. Proxies. Votes may be cast in person or by proxy subject to the following provisions. A proxy may be made or revoked by any person entitled to vote and shall be valid only for the particular meeting designated in the proxy and must be filed with the Secretary before the appointed time of the meeting or any adjournment of the meeting, provided that in no event shall a proxy be valid for a period longer than ninety (90) days after the date of the first meeting for which it was given. A facsimile copy of a proxy shall be considered and accepted as having the same legal effect as an original.

a. Unit Owners may not vote by general proxy, but shall vote by limited proxy in the following instances:

- (1) to waive or reduce reserves,
- (2) to amend the Declaration, Articles of Incorporation or the By-Laws, and
- (3) for any other matter which requires a vote of the Unit Owners.

b. Unit Owners may not vote by limited or general proxy in the election of members of the Board of Directors, except that in recall elections, limited proxies are permissible.

c. General proxies may be used for other matters for which limited proxies are not required and may also be used in voting for non-substantial changes to items for which a limited proxy is required and given.

13. Lack of Quorum. If any meeting of members cannot be organized because a quorum is not present, the voting interests who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum is present.

14. Order of Business. The order of business at annual meetings and as far as practical at other members meetings shall be:

- a. Collection of election ballots
- b. Election of chairman at meeting.
- c. Call of the roll and certifying of proxies.
- d. Proof of notice of meeting or waiver of notice.
- e. Reading and disposal of any unapproved minutes.
- f. Report of officers.
- g. Report of committees.
- h. Election of inspectors of an election.
- i. Election of directors.
- j. Unfinished business.
- k. New business.
- l. Adjournment.

15. Reservation of Control by Developer. Until required by the Condominium Act including Section 718.301 thereof, or until the Developer or any subsequent developer elects to terminate their control of the Association and the condominiums operated by it, whichever occurs first, the members of Board of Directors shall be designated by the Developer and may be changed from time to time as the Developer, in its sole discretion may determine. During the time the majority of the directors serving on the Board of Directors are appointees of the Developer, the Developer reserves the right to chair or designate a representative to chair meeting(s) of members and meetings of the directors.

Section 718.301 of the Condominium Act provides as follows:

"718.301 Transfer of Association control.--

(1) When unit owners other than the developer own 15 percent or more of the units in a condominium that will be operated ultimately by an association, the unit owners other than the developer shall be entitled to elect no less than one-third of the members of the board of administration of the association. Unit owners other than the developer are entitled to elect not less than a majority of the members of the board of administration of an association;

(a) Three years after 50 percent of the units that will be operated ultimately by the association have been conveyed to purchasers;

(b) Three months after 90 percent of the units that will be operated ultimately by the association have been conveyed to purchasers;

(c) When all the units that will be operated ultimately by the association have been completed, some of them have been conveyed to purchasers, and none of the others are being offered for sale by the developer in the ordinary course of business;

(d) When some of the units have been conveyed to purchasers and none of the others are being constructed or offered for sale by the developer in the ordinary course of business; or

(e) Seven years after recordation of the declaration of condominium; or, in the case of an association which may ultimately operate more than one condominium, 7 years after recordation of the declaration for the first condominium it operates; or, in the case of an association operating a phase condominium created pursuant to s. 718.403, 7 years after recordation of the declaration creating the initial phase, whichever occurs first. The developer is entitled to elect at least one member of the board of administration of an association as long as the developer holds for sale in the ordinary course of business at least 5 percent, in condominiums with fewer than 500 units, and 2 percent, in condominiums with more than 500 units, of the units in a condominium operated by the association. Following the time the developer relinquishes control of the

association, the developer may exercise the right to vote any developer-owned units in the same manner as any other unit owner except for purposes of reacquiring control of the association or selecting the majority members of the board of administration."

16. Number of Directors. The affairs of the Association shall be managed by a Board of not less than three (3) nor more than seven (7) directors, the exact number to be determined by the Board of Directors prior to the election which accomplishes transfer of control of the Association. Such determination shall continue as to the number of directors until these Bylaws are amended to fix the number of directors at a different number than previously fixed by the Board of Directors prior to transfer of control. Directors must be owners of at least a 15% interest in a Unit or owners of at least a 15% interest in the entity that owns a Unit, as shown by evidence satisfactory to the Board of Directors. If there is only one 15% or more ownership interest for the Unit or entity, that person shall be the sole person eligible for board membership. If there is no person with at least a 15% ownership interest for a particular Unit or entity, then the owners of the Unit or entity, as the case may be, may designate a Voting Member from among those who have some ownership interest but less than a 15% ownership interest in the Unit or entity on a duly filed Voting Certificate and such Voting Member shall be considered eligible to be a nominee for director and eligible for board membership.

17. Board Vacancy: Except as otherwise provided in the by-laws, any vacancy occurring on the board before the expiration of a term may be filled by the affirmative vote of the majority of the remaining directors, even if the remaining directors constitute less than a quorum, or by the sole remaining director. In the alternative, a board may hold an election to fill the vacancy, in which case the election procedure must conform to the requirements in the paragraph below entitled, "Election of Directors". Unless otherwise provided in the bylaws, a board member appointed or elected under this section shall fill the vacancy for the unexpired term of the seat being filled. Filling vacancies created by recall is governed by subparagraph e., in the paragraph entitled "Election of Directors", below and rules adopted by the division.

18. Election of Directors. Election of directors shall be conducted in the following manner:

a. Election of directors shall be held at the annual members meeting.

b. In order to be eligible to be nominated for and elected to be a director of the Association a person must meet the requirements set forth in the declaration and in these bylaws.

c. The election shall be by secret ballot or voting machine and by a plurality of the voting interests, except that in recall elections, limited proxies are permissible. The owner of each Unit shall be entitled to cast a vote for each of as many candidates as there are vacancies to be filled. There shall be no cumulative voting. Proxies shall in no event be used in electing the Board, either in general elections or elections to fill vacancies caused by resignation or otherwise except that limited proxies may be used for elections to fill vacancies caused by recall.

d. Not less than sixty (60) days before a scheduled election, the Association shall mail, deliver or electronically transmit, whether by separate association mailing or included in another association mailing, delivery or transmission, including regularly published newsletters, to each Unit Owner entitled to a vote, a first notice of the date of the election. Any Unit Owner or other eligible person desiring to be a candidate for the Board of Directors shall give written notice to the Association not less than 40 days before a scheduled election. Together with the written notice and agenda as set forth in paragraph 7, the Association shall then mail, deliver or electronically transmit a second notice of the election meeting no less than 14 days and no more than 34 days prior to the election to all Unit Owners entitled to vote therein, together with a ballot which shall list all candidates. Upon request of a candidate, the Association shall include an information sheet, no larger than 8 1/2 inches by 11 inches which must be furnished by the candidate not less than 35 days before the election, to be included with the mailing, delivery or transmission of the ballot, with the costs of mailing, delivery or electronic transmission and copying to be borne by the Association. However, the Association has no liability for the contents of the information sheets prepared by the candidates. In order to reduce costs, the Association may print or duplicate the information sheets on both sides of the paper. Elections shall be decided by a plurality of those ballots cast. There shall be no quorum requirement; however, at least 20 percent of the eligible voters must cast a ballot in order to have a valid election of members of the Board of Directors. No Unit Owner shall permit any other person to vote his ballot, and any such ballots improperly cast shall be

deemed invalid. A Unit Owner who needs assistance in casting the ballot for the reasons stated in Section 101.051 may obtain assistance in casting the ballot. Any Unit Owner violating this provision may be fined by the Association in accordance with Section 718.303. The regular election shall occur on the date of the annual meeting. Notwithstanding the provisions of this Subparagraph, an election and balloting are not required unless more candidates file notices of intent to run than vacancies exist on the Board of Directors.

e. Subject to the provisions of Section 718.301, Florida Statutes, any member of the Board of Directors may be recalled and removed from office with or without cause by the vote or agreement in writing by a majority of all the voting interests. A special meeting of the Unit Owners to recall a member or members of the Board of Directors may be called by ten (10%) percent of the voting interest giving notice of the meeting as required for a meeting of Unit Owners, and the notice shall state the purpose of the meeting. Electronic transmission may not be used as a method of giving notice of a meeting called in whole or in part for this purpose.

(1) If the recall is approved by a majority of all voting interests by a vote at a meeting, the recall shall be effective as provided herein. The Board of Directors shall duly notice and hold a Board of Directors meeting within 5 full business days of the adjournment of the Unit Owner meeting to recall one or more Board of Directors members. At the meeting, the Board of Directors shall either certify the recall, in which case such member or members shall be recalled effective immediately and shall turn over to the Board of Directors within 5 full business days any and all records and property of the Association in their possession, or shall proceed as set forth in subparagraph (3) below.

(2) If the proposed recall is by an agreement in writing by a majority of all voting interests, the agreement in writing or a copy thereof shall be served on the Association by certified mail or by personal service in the manner authorized by chapter 48 of the Florida Rules of Civil Procedure. The Board of Directors shall duly notice and hold a meeting of the Board of Directors within 5 full business days after receipt of the agreement in writing. At the meeting, the Board of Directors shall either certify the written agreement to recall a member or members of the Board of Directors, in which case such member or members shall be recalled effective immediately and shall turn over to the Board of Directors within 5 full business days any and all records and property of the Association in their possession, or proceed as described in subparagraph (3) below.

(3) If the Board of Directors determines not to certify the written agreement to recall a member or members of the Board of Directors, or does not certify the recall by a vote at a meeting, the Board of Directors shall, within 5 business days after the meeting, file with the division a petition for arbitration pursuant to the procedures of Section 718.1255. For purposes of this section, the Unit Owners who voted at the meeting or who executed the agreement in writing shall constitute one party under the petition for arbitration. If the arbitrator certifies the recall as to any member or members of the Board of Directors, the recall will be effective upon mailing of the final order of arbitration upon the Association. If the Association fails to comply with the order of the arbitrator, the division may take action pursuant to s. 718.501. Any member or members so recalled shall deliver to the Board of Directors any and all records of the Association in their possession within 5 full business days of the effective date of the recall.

f. Provided, however, that notwithstanding the provision in these By-Laws for the election of directors and the provision for directors terms, these provisions shall not serve to eliminate the Developer's reserved right to retain control of the Association pursuant to 718.301.

19. Director's Term. If seven (7) directors are being elected, the four (4) directors receiving the greatest number of votes during the first election in which unit owners other than the Developer elect a majority of the Board of Directors shall serve a term of two (2) years and the other three (3) directors elected at that election shall serve a term of one (1) year. If five (5) directors are being elected, the three (3) directors receiving the greatest number of votes during the first election in which unit owners other than the Developer elect a majority of the Board of Directors shall serve a term of two (2) years and the other two (2) directors elected at that election shall serve a term of one (1) year. In subsequent elections, directors shall be elected to serve a term of two (2) years. The terms of each director's service shall extend until his successor is duly elected and qualified or until he is removed in the manner elsewhere provided.

20. Director's Organizational Meeting. The organizational meeting of the newly elected Board of Directors may be held at the location of and immediately after the conclusion of the Unit Owner meeting at which the Owners for the first time elect a majority of the Board of Directors (hereafter sometimes referred to as the "transfer of control" or "transfer of control meeting") or at such other

time and place as considered convenient, after proper notice. If the organizational meeting is planned to follow the transfer of control meeting, a notice of this organizational meeting shall be included in the meeting notice for the transfer of control meeting and a copy of it shall be duly posted as elsewhere provided herein. If because of the lateness of the hour or other considerations it seems inconvenient to hold the organizational meeting as planned, the meeting may be canceled and rescheduled for the earliest date reasonably convenient on proper notice.

21. Regular Meetings. 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 or telegraph, at least three (3) days prior to the day named for such meeting.

22. Special Meeting. Special meetings of the directors may be called by the President and must be called by the Secretary at the written request of one-fourth (1/4) of the directors. Not less than three (3) days notice of the meeting shall be given personally or by mail, telephone or telegraph, which notice shall state the time, place and purpose of the meeting.

23. Notice of Meetings of the Board of Directors.

(a) Adequate notice of all meetings, which notice shall specifically incorporate an identification of agenda items, shall be posted conspicuously on the condominium property at least 48 continuous hours preceding the meeting except in an emergency. Written notice of any meeting at which non-emergency special assessments, or at which an amendment to rules regarding use of Units will be proposed, discussed or approved, shall be mailed or delivered to the Unit Owners and posted conspicuously on the condominium property not less than 14 days prior to the meeting. Evidence of compliance with this 14-day notice shall be made by an affidavit executed by the secretary and filed among the official records of the Association. Notice of any meeting in which regular 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 assessment.

(b) In lieu of or in addition to the physical posting of notice of any meeting of the Board of Directors on the condominium property, such notice, along with the agenda for the meeting, may be conspicuously posted and repeatedly broadcast on a closed-circuit cable television system serving the Association. If broadcast notice is used in lieu of a notice posted physically on the condominium property, the notice and agenda must be broadcast at least four times every broadcast hour of each day that a posted notice is otherwise required. When broadcast notice is provided, the notice and agenda must be broadcast in a manner and for a sufficient continuous length of time so as to allow an average reader to observe the notice and read and comprehend the entire content of the notice and the agenda.

24. Open Meetings and Records. Meetings of the Board of Directors shall be open to all Unit Owners. Minutes of all meetings of the members or the Board of Directors shall be kept in a book available for inspection by unit owners or their authorized representatives, and Board members at any reasonable time. Said minutes shall be retained for a period of not less than seven (7) years.

25. Waiver of Notice. Any director may waive notice of a meeting before or after the meeting and such waiver shall be deemed equivalent to the giving of notice.

26. Quorum. A quorum at director's meetings shall consist of a majority of the entire Board of Directors. The acts approved by a majority of those present at a meeting at which a quorum is present shall constitute the acts of the Board of Directors, except when approval by a greater number of directors as required by the Declaration of Condominium of the condominium operated by the Association, the Articles of Incorporation of the Association and these By-Laws.

27. Adjourned Meetings. If at any meeting of the Board of Directors there is less than a quorum present, the majority of those present may adjourn the meeting from time to time until a quorum is present. Notice of meetings of the Board, including adjourned meetings, must be posted conspicuously 48 continuous hours preceding the meeting and the notice shall specifically incorporate an identification of agenda items.

28. Director Action.

a. Registering Position. A member of the Board of Directors or a committee may submit in writing his or her agreement or disagreement with any action taken at a meeting that the member did not attend. This agreement or disagreement may not be used as a vote for or against the action taken and may not be used for the purposes of creating a quorum.

b. Presumption of Consent. A director of the Association who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken, unless he votes against such action or abstains from voting in respect thereto because of an asserted conflict of interest. Directors may not vote by proxy or by secret ballot at Board of Directors meetings. A vote or abstention for each member present shall be recorded in the minutes.

29. Presiding Officer. The presiding officer at directors meetings shall be the chairman of the Board of Directors if such an officer has been elected; and if none, the President shall preside. In the absence of the presiding officer, the directors present shall designate one of their number to preside.

30. Order of Business. The order of business at a directors meeting shall be:

- a. Calling of roll.
- b. Proof of due notice of meeting.
- c. Reading and disposal of any unapproved minutes.
- d. Report of officers and committees.
- e. Election of officers.
- f. Unfinished business.
- g. New business.
- h. Adjournment.

31. Directors Compensation. Directors fees or other compensation, if any, shall be determined by a majority of the voting interests.

32. Powers and Duties of the Board of Directors. All of the powers and duties of the Association existing under the Condominium Act, the Declaration of Condominium of the condominium operated by the Association, the Articles of Incorporation of the Association and these By-Laws shall be exercised exclusively by the Board of Directors, its agents, contractors or employees subject only to the approval by the voting interests when such approval is specifically required.

33. Officers. The executive officers of the Association shall be a President, who shall be a director, a Vice President, who shall be director, a Treasurer, a Secretary, and an Assistant Secretary, all of whom shall be elected annually by the Board of Directors and who may be peremptorily removed by vote of the directors at any meeting. Any person may hold two (2) or more offices except that the President shall not also be the Secretary or an Assistant Secretary. The Board of Directors from time to time shall elect such other officers and designate their powers and duties as the Board of Directors shall find to be necessary or convenient to manage the affairs of the Association.

34. President. The President shall be the chief executive officer of the Association. He shall have all of the powers and duties usually vested in the office of President of an Association, including but not limited to the power to appoint committees from among the members from time to time, as he in his discretion may determine appropriate, to assist in the conduct of the affairs of the Association.

35. Vice President. The Vice President in the absence or disability of the President shall exercise the powers and perform the duties of the President. He also shall assist the President generally and exercise such other powers and perform such other duties as shall be prescribed by the directors.

36. Secretary. The Secretary shall keep the minutes of all proceedings of the directors and the members in a businesslike manner and available for inspection by unit owners and directors at all reasonable times. He shall attend to the giving and 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 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. The Assistant Secretary shall perform the duties of the Secretary when the Secretary is absent.

37. Treasurer. The Treasurer shall have custody of all property of the Association, including funds, securities and evidence of indebtedness. He shall keep the books of the Association in accordance with good accounting practices; he shall submit treasurer's reports to the Board of Directors at reasonable intervals; he shall make the treasurer's records available for inspection by directors or members at reasonable times; and he shall perform all other duties incident to the office of treasurer.

38. Officer Compensation. The compensation of all officers and employees of the Association shall be fixed by the Board of Directors. If an officer or employee is also a director, the compensation for the performance of officer or employee duties, as may be the case, shall take into account the separate

compensation, if any, paid to the person on account of his status as a director. The provision that directors' fees shall be determined by voting interests shall not preclude the Board of Directors from employing a director as an employee of the Association nor preclude the contracting with a director for the management of the condominium operated by the Association, the Association or any portions of the property thereof.

39. Fiscal Management. Provisions for fiscal management of the Association as set forth in the Declaration of Condominium of the condominium operated by the Association, the Articles of Incorporation and the Condominium Act shall be supplemented by the following provisions:

a. Budget. The Board of Directors shall adopt a budget for each fiscal year that shall include the estimated funds required to defray the common expenses and to provide and maintain funds according to good accounting practices by accounts and expense classifications including, if applicable, but not limited to the following:

- (1) Administration of the Association
- (2) Management fee
- (3) Maintenance
- (4) Rent for recreational and other commonly facilities.
- (5) Taxes upon Association Property
- (6) Taxes upon leased area
- (7) Insurance
- (8) Security provisions
- (9) Other expenses
- (10) Operating Capital
- (11) Reserves - In addition to annual operating expenses, the

budget shall include reserve accounts for capital expenditures and deferred maintenance. These accounts shall include, but not be limited to, roof replacement, building painting and pavement resurfacing regardless of the amount of deferred maintenance expense or replacement cost, and for any other item for which deferred maintenance expense or replacement cost exceeds Ten Thousand Dollars (\$10,000). The amount to be reserved shall be computed by means of a formula which is based upon estimated remaining useful life and estimated replacement cost or deferred maintenance expense of each reserve item. The Association may adjust replacement reserve assessments annually to take into account any changes in estimates or extension of the useful life of a reserve item caused by deferred maintenance. This subsection shall not apply to budgets in which the members of the Association have, by a majority vote at a duly called meeting of the Association, determined for a fiscal year to provide no reserves or reserves less adequate than required by this subsection. However, prior to transfer of control of the Association by the Developer to Unit Owners other than the Developer pursuant to Section 718.301 of the Condominium Act, the Developer may vote to waive the reserves or reduce the funding of reserves for the first two years of the operation of the Association, after which time reserves may only be waived or reduced upon vote of a majority of the non-developer voting interests present at a duly called meeting of the Association. If a meeting of the Unit Owners has been called to determine to provide no reserves or reserves less adequate than required, and no such result is attained or a quorum is not attained, the reserves as included in the budget shall go into effect.

Reserve funds and any interest accruing thereon shall remain in the reserve account or accounts, and shall be used only for authorized reserve expenditures, unless their use for other purposes is approved in advance by a vote of the majority of the voting interests, voting in person or by limited proxy at a duly called meeting of the Association. Prior to turnover of control of the Association by the Developer to Unit Owners other than the Developer under Section 718.301, the Developer-controlled Association shall not vote to use reserves for purposes other than that for which they were intended without the approval of a majority of all non-developer voting interests, voting in person or by limited proxy at a duly called meeting of the Association.

(12) Fees payable to Division

(13) Betterments (Betterments shall include the funds to be used for capital expenditures for additional improvements or additional personal property that will be a part of the common elements of the condominium or the property of the Association.)

(14) Operations (Operations shall include the gross revenues, if any, from the use of the common elements or other property owned by the Association and only the additional direct expense required by the revenue producing operation. Any surplus from such operations shall be used to reduce the assessments in the year following the year in which the surplus is realized. Any losses from such operation shall be met by assessments in the year following the year in which the loss is realized, unless funds cannot be adequately and timely raised in such fashion, in which event the required funds shall be provided by special assessment.) Notwithstanding the foregoing, after transfer of control of the Association from the Developer to Unit Owners other than the Developer, any of the expenses listed above that are not applicable need not be listed.

b. Adoption of Budget. A copy of the proposed annual budget of common expenses shall be hand delivered, mailed or electronically transmitted to the location furnished by the Unit Owner for that purpose not less than fourteen (14) days prior to the meeting at which the budget will be considered, together with a notice of that meeting. The Unit Owner shall be given written notice of the time and place at which such meeting of the Board of Directors to consider the budget shall be held, and such meeting shall be open to the Unit Owners. If the Board of Directors adopts in any fiscal year an annual budget which requires assessments against the Unit Owners which exceed one hundred fifteen percent (115%) of the assessments for the preceding fiscal year, the Board of Directors shall conduct a special meeting of the Unit Owners to consider a substitute budget if the Board of Directors receives, within twenty-one (21) days after adoption of the annual budget, a written request for a special meeting from at least ten percent (10%) of the voting interests. The special meeting shall be conducted within 60 days after adoption of the annual budget. At least 14 days prior to such special meeting, the Board of Directors shall hand deliver to each Unit Owner, or mail to each Unit Owner at the address last furnished to the Association, a notice of the meeting. At the special meeting, Unit Owners affected by the budget shall consider and may enact a substitute budget upon vote of two-thirds (2/3) of the voting interests affected by the budget in question.

In any event, the Board of Directors may propose a budget to the Unit Owners at a meeting of the members or in writing, and if the budget or proposed budget is approved by the voting interests affected by the budget at the meeting or by a majority of all voting interests affected by the budget in question in writing, without a meeting, the budget so approved shall be adopted. If a meeting of the Unit Owners affected by a budget has been called and a quorum of those Unit Owners affected by the budget in question is not attained or a substitute budget is not adopted, the budget adopted by the Board of Directors shall go into effect as scheduled.

In determining whether assessments exceed One Hundred-fifteen percent (115%) of similar assessments in prior years, any authorized provisions for reasonable reserves for repair or replacement of the condominium property, anticipated expenses by the condominium Association which are not anticipated to be incurred on a regular or annual basis, or assessments for betterments to the condominium property shall be excluded from the computation. However, as long as the Developer is in control of the Association, the Board shall not impose an assessment for any year greater than One Hundred-fifteen percent (115%) of the prior fiscal or calendar year's assessment without approval of a majority of all voting interests.

c. Assessments. The Board of Directors shall make assessments against each unit for its share of the items of the budget in an amount no less than required to provide funds in advance for payment of all the anticipated current operating expenses and for all of the unpaid operating expenses previously incurred. The assessments shall be made annually in advance and shall be due quarterly on the first day of each month of each quarter of the year for which the assessments are made. If an annual assessment is not made as required, an assessment shall be presumed to have been made in the amount of the last prior assessment and such annual assessment shall be due on the first day of each quarter until changed by an amended assessment. In the event the annual assessment shall be insufficient in the judgment of the Board of Directors, the Board of Directors shall amend the budget and shall make amended assessments for the balance of the year in sufficient amounts to meet the expenses for the balance of the year; provided, however, that any amount of the amended budget that exceeds the limit upon increases shall be subject to approval of membership of the Association as previously required in these By-Laws.

d. Reserves. If a meeting of the unit owners has been called to determine to provide no reserves or reserves less adequate than required, and such result is not attained or a quorum is not attained, the reserves, as included in the budget, shall go into effect.

e. Commingling. All funds collected by the Association shall be maintained separately in the Association's name. For investment purposes only, reserve funds may be commingled with operating funds of the Association. Commingled operating and reserve funds shall be accounted for separately and a commingled account shall not at any time be less than the amount identified as reserve funds. When operating and reserve assessments are collected as a single payment, such shall not be considered commingling of funds provided the reserve portion of the payment is transferred to a separate reserve account, or accounts, within 30 calendar days from the date such funds were deposited.

f. Delinquent Assessments. An assessment, annual or special, is to be paid on the due date established in these Bylaws or, in the case of a special assessment, by the date established for payment in the notice of assessment. Time is of the essence. Payments shall be due on the due date or within 15 calendar days after the due date, and if not paid within such grace period, the

Association shall be entitled to charge a late fee of the greater of \$25.00 or 5% of the late installment. Delinquent installments shall also bear interest at the rate of 18% per annum calculated from the end of the grace period referred to above. A payment received later than 10 calendar days after the due date shall be considered late and the Association may charge an administrative late fee in addition to interest not to exceed the greater of \$25.00 or 5% of each installment of the assessment for each delinquent installment that the payment is late.

40. Special Assessments. Assessments for common expenses that cannot be paid from the annual assessment for common expenses shall be made only after notice of the need for such is given to the unit owners concerned. After such notice, Special Assessments may be made in one of two ways, depending on the purpose of the Special Assessment. When the purpose of the Special Assessment is limited to the payment of costs of reconstruction and repair where the loss is occasioned by natural disaster or other casualty, it may be made by the Board of Directors, without approval of the unit owners or their mortgagees, upon a 2/3's vote of the directors, a quorum being present. Such assessment shall be effective and paid as determined by the Board of Directors and indicated in the notice of assessment. All other Special Assessments must be approved in writing by persons entitled to cast more than three-fourths (3/4) of the Voting Interests, and thereupon the assessment shall become effective, and shall be paid in such manner as the Board of Directors of the Association may require in the notice of assessment.

41. Depository. 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 from such accounts shall be withdrawn only by checks signed by such persons as are authorized by the directors.

42. Parliamentary Rules. Roberts' Rules of Order (latest edition) shall govern the conduct of Association meetings when not in conflict with the Declaration of Condominium, Articles of Incorporation or these By-Laws.

43. Official Records:

a. From the inception of the Association, the Association shall maintain a copy of each of the following, where applicable, which shall constitute the official records of the Association:

(1) The plans, permits, warranties, and other items provided by the Developer pursuant to Section 718.301(4);

(2) A photocopy of the recorded Declaration of each condominium operated by the Association and all amendments thereto;

(3) A photocopy of the recorded By-Laws of the Association and all amendments thereto;

(4) A certified copy of the Articles of Incorporation of the Association or other documents creating the Association and all amendments thereto;

(5) A copy of the current rules of the Association;

(6) A book or books containing the minutes of all meetings of the Association, of the Board of Directors, and of Unit Owners, which minutes shall be retained for a period of not less than seven (7) years;

(7) A current roster of all Unit Owners, their mailing addresses, Unit identifications, voting certifications and if known, telephone numbers; the Association shall also maintain the electronic mailing addresses and the numbers designated by unit owners for receiving notice sent by electronic transmission of those unit owners consenting to receive notice by electronic transmission. The electronic mailing addresses and numbers provided by unit owners to receive notice by electronic transmission shall be removed from association records when consent to receive notice by electronic transmission is revoked. However, the Association is not liable for an erroneous disclosure of the electronic mail address or the number for receiving electronic transmission of notices. The Association shall not sell or exchange for any consideration lists of electronic mailing addresses of its unit owners or the numbers of unit owners for receiving electronic transmission of notices;

(8) All current insurance policies of the Association and condominiums operated by the Association;

(9) A current copy of any management agreement, lease, or other contract to which the Association is a party or under which the Association or the Unit Owners have an obligation or responsibility;

(10) Bills of sale or transfer for all property owned by the Association;

(11) Accounting records for the Association and separate accounting records for each condominium it operates. All accounting records shall be maintained for a period of not less than seven (7) years. The accounting records shall include, but are not limited to:

(i) Accurate, itemized, and detailed records of all receipts and expenditures.

(ii) A current account and a monthly, bimonthly, or quarterly statement of the account for each Unit designating the name of the Unit Owner, the due date and amount of each assessment, the amount paid upon the account, and the balance due.

(iii) All audits, reviews, accounting statements, and financial reports of the Association or condominium.

(iv) All contracts for work to be performed. Bids for work to be performed shall also be considered official records and shall be maintained for a period of one (1) year.

(12) Ballots, sign-in sheets, voting proxies, and all other papers relating to elections, which shall be maintained for a period of one (1) year from the date of the election, vote, or meeting to which the document relates.

(13) All rental records when the Association is acting as agent for the rental of condominium Units.

(14) A copy of the current Question and Answer Sheet as described in §718.504, Florida Statutes.

(15) All other records of the Association not specifically included in the foregoing which are related to the operation of the Association.

b. The official records of the Association shall be maintained in the county in which the condominium is located or within twenty-five (25) miles of the property if maintained in another county.

c. The official records of the Association are open to inspection by any Association member or the authorized representative of such member at all reasonable times. The right to inspect the records includes the right to make or obtain copies at the reasonable expense, if any of the Association member. The Association may adopt reasonable rules regarding the frequency, time, location, notice and manner of record inspection and copying. The failure of an Association to provide the records within ten (10) working days after receipt of a written request shall create a rebuttable presumption that the Association willfully failed to comply with this paragraph. A Unit Owner who is denied access to official records is entitled to the actual damages or minimum damages for the Association's willful failure to comply with this paragraph. The minimum damages shall be \$50 per calendar day up to ten (10) days, the calculation to begin on the eleventh working day after receipt of the written request. Failure to permit inspection of the Association records as provided herein entitles any person prevailing in an enforcement action to recover reasonable attorneys' fees from the person in control of the records who, directly or indirectly, knowingly denied access to the records for inspection. The Association shall maintain an adequate number of copies of the Declaration, Articles of Incorporation, By-Laws, and rules, and all amendments to each of the foregoing, as well as the Question and Answer Sheet provided for in §718.504, Florida Statutes and year end financial information required by the Condominium Act, on the condominium property to ensure their availability to Unit Owners and prospective purchasers, and may charge its actual costs for preparing and furnishing these documents to those requesting the same. Notwithstanding the provisions of the foregoing paragraphs, the following records shall not be accessible to Unit Owners:

(1) Any record protected by the lawyer-client privilege as described in Section 90.502, Florida Statutes, and any record protected by the work-product privilege including any record prepared by an Association attorney or prepared at the attorney's express direction, which reflects a mental impression, conclusion, litigation strategy, or legal theory of the attorney or the association, and which was prepared exclusively for civil or criminal litigation or for adversarial administrative proceedings, or which was prepared in anticipation of imminent civil or criminal litigation or imminent adversarial administrative proceedings until the conclusion of the litigation or adversarial administrative proceedings.

(2) Information obtained by the Association in connection with the approval of the lease, sale, or other transfer of a Unit.

(3) Medical records of Unit Owners.

d. The Association shall prepare a Question and Answer Sheet as described in §718.504, Florida Statutes, and shall update it annually.

44. Financial Reporting. Within 90 days after the end of the fiscal year, the Association shall prepare and complete, or cause to be prepared and completed by a third party, a financial report for the preceding fiscal year. Within 21 days after the financial report is completed or received by the association from the third party, the Association shall mail to each unit owner at the address last furnished to the Association by the unit owner, or hand deliver to each unit owner, a copy of the financial report or a notice that a copy of the financial report will be mailed or hand delivered to the unit owner, without charge, upon receipt of a written request from the unit owner.

45. Fidelity Bonds. The Association shall obtain and maintain adequate insurance or fidelity bonding of all persons who control or disburse funds of the Association. The insurance policy or fidelity bond shall cover the maximum funds that will be in the custody of the Association or its management agent at one time. As used in this paragraph, the term "persons who control or disburse funds of the association" includes, but is not limited to, those individuals authorized to sign checks and the president, secretary, and treasurer of the Association. The Association shall bear the cost of bonding.

46. Fines. In addition to all remedies provided in the Declaration of Condominium of the condominium operated by the Association, the Articles or these By-Laws, the Board of Directors of the Association may, upon reasonable notice of not less than 14 days and an opportunity for hearing, fine and charge any offending member a sum not to exceed One Hundred Dollars (\$100.00) for each infraction of the provisions of said Declaration, Articles, By-Laws or reasonable rules and regulations of the Association. However, a fine may be levied on the basis of each day of a continuing violation, with a single notice and opportunity for hearing, provided that no such fine shall in the aggregate exceed \$1,000.00. No fine may be levied except after giving reasonable notice and opportunity for a hearing to the Unit Owner and, if applicable, its licensee or invitee. The hearing must be held before a committee of other Unit Owners. If the committee does not agree with the fine, the fine may not be levied.

The Notice shall include the following:

- a. Statement of date, time and place of hearing.
- b. Statement of provisions allegedly violated (Declaration, By-Laws, Rules) and
- c. Short and plain statement of the matters asserted by the Association.

The party against whom the fine may be levied shall have an opportunity to respond, to present evidence and to provide written or oral argument on all issues involved and shall have an opportunity at the hearing to review, challenge and respond to any material considered by the committee. If the committee agrees with the fine, the Board of Directors shall receive the report of the committee and if the Board approves the recommendation of the committee, the Board of Directors may levy the fine. No fines shall become a lien against the Unit. The provisions of this paragraph shall not apply to unoccupied units.

47. Transfer Fee. No fee shall be charged by the Association in connection with a transfer, lease, sale or sublease of a Unit. No charge shall be made in connection with an extension or renewal of a lease.

48. Alternate Dispute Resolution; Voluntary Mediation; Mandatory Nonbinding Arbitration, Voluntary Arbitration.

a. Definitions. As used in this section, the term "dispute" means any disagreement between two or more parties that involves:

- (1) The authority of the Board of Directors, under any law or association document to:
 - (i) Require any owner to take any action, or not to take any action, involving that owner's Unit.
 - (ii) Alter or add to a common area or element.
- (2) The failure of a governing body, when required by law or an association document to:
 - (i) Properly conduct elections.
 - (ii) Give adequate notice of meetings or other actions.
 - (iii) Properly conduct meetings.
 - (iv) Allow inspection of books and records.

"Dispute" does not include any disagreement that primarily involves title to any unit or common element; the interpretation or enforcement of any warranty; or the levy of a fee or assessment, or the collection of any assessment levied against a party.

b. Voluntary Mediation. Voluntary mediation through Citizen Dispute Settlement Centers as provided for in s. 44.201 is encouraged.

c. Mandatory Nonbinding Arbitration Of Disputes. The Division of Florida Land Sales, Condominiums, and Mobile Homes of the Department of Business and Professional Regulation has made provision for conducting arbitration hearings under the Florida Condominium Act. The department has promulgated rules of procedure to govern such arbitration hearings. The decision of an arbitrator shall be final; however, such a decision shall not be deemed final agency action. Nothing in this provision shall be construed to foreclose parties from proceeding in a trial de novo. If such judicial proceedings are initiated, the final decision of the arbitrator shall be admissible in evidence.

(1) Prior to the institution of court litigation, the parties to a dispute shall petition the division for non-binding arbitration. Arbitration shall be conducted according to rules promulgated by the division. The filing of a petition for arbitration shall toll the applicable statute of limitations.

(2) Parties to an arbitration proceeding may avail themselves of the use of subpoenas and court orders for the attendance of witnesses and the production of books, records, documents, and other evidence, to the extent provided by law and applicable regulation; subpoenas shall be served and shall be enforceable in the manner provided by law.

(3) The arbitration decision shall be presented to the parties in writing. An arbitration decision shall be final if a complaint for a trial de novo is not filed in a court of competent jurisdiction within 30 days. The right to file for a trial de novo entitles the parties to file a complaint in the appropriate trial court for a judicial resolution of the dispute. The prevailing party may be awarded reasonable attorney's fees.

(4) The party who files a complaint for a trial de novo shall be assessed the other party's arbitration costs, court costs, and other reasonable costs, including attorney's fees, investigation expenses, and expenses for expert or other testimony or evidence incurred after the arbitration hearing if the judgment upon the trial de novo is not more favorable than the arbitration decision. If the judgment is more favorable, the party who filed a complaint for trial de novo shall be awarded reasonable court costs and attorney's fees.

(5) Any party to an arbitration proceeding may enforce an arbitration award by filing a petition in the circuit court for the circuit in which the arbitration took place. A petition may not be granted unless the time for appeal by the filing of complaint for trial de novo has expired. If a complaint for trial de novo has been filed, a petition may not be granted with respect to an arbitration award that has been stayed.

49. Mediation of Other Disputes.

a. Definition. For purposes of this section, the term "other disputes" means any disagreement between two or more parties, including the Association, Unit Owners or non-Unit Owners, other than any disagreement that primarily involves title to any unit or common element, the levy of a fee or assessment, or the collection of any assessment levied against a party or "disputes", as defined in paragraph 49. Alternate Dispute Resolution; Voluntary Mediation; Mandatory Nonbinding Arbitration, Voluntary Arbitration.

b. Mediation. The purpose of this section is to facilitate the Association's resolution of other disputes with a minimum expenditure of time and resources. To prevent excessive and unanticipated legal cost, prior to the institution of court litigation to resolve other disputes, the Association must attempt in good faith to resolve all other disputes through a mediation process.

(i) Procedure. Any party to a controversy subject to mediation hereunder may institute mediation proceedings upon written notice delivered to the other parties in person or by certified mail, which shall reasonably identify the subject of the controversy. Within fifteen (15) days from receipt of such notice, the parties shall select a mediator or in the event the parties cannot agree on a mediator, each party shall name and appoint one mediator. If any party fails to appoint a mediator within such period, the mediator shall be the mediator appointed by the party having timely made such appointment. The two appointed mediators shall then appoint a mediator who will mediate the controversy between the parties. The mediator shall select the time and place for hearing the controversy and shall notify the parties of such time and place by written notice delivered in person or by certified mail at least five (5) days prior to the proceeding. The proceeding shall be conducted by the mediator and conducted according to the mediation rules of the American Arbitration Association, except where they are specifically overridden by or contradict the laws of the State of Florida.

- (ii) Decision. Any resolution resolved by mediation shall be in writing, signed by all parties and shall be binding on all parties and enforceable in any court of competent jurisdiction. The fees for the mediator and costs and expenses incurred by the mediator shall be paid equally by the parties. Each party shall be responsible for its own attorney's fees and costs.

50. Condemnation. The Association has the limited power to convey a portion of the Common Elements to a condemning authority for the purpose of providing utility easements, right-of-way expansion, or other public purposes, whether negotiated or as a result of eminent domain proceedings.

51. Certificates of Compliance. A certificate of compliance from a licensed electrical contractor or electrician may be accepted by the Association's Board of Directors as evidence of compliance of the condominium units with the applicable fire and life safety code.

52. Amendments. In addition to any other method provided under the Declaration or Articles of Incorporation, these By-Laws may be amended in the following manner:

a. Notice of the subject matter of a proposed amendment shall be included in the notice of any meeting at which a proposed amendment is considered.

b. A resolution adopting a proposed amendment may be proposed by either the Board of Directors of the Association or by the voting interests of the Association. Directors or voting interests not present in person or by proxy at the meeting considering the amendment may express their approval or disapproval in writing, but the approval or disapproval may not be used as a vote for or against the action taken and may not be used for purposes of creating a quorum. Except as elsewhere provided, such approvals must be either by:

(1) Not less than two-thirds (2/3) of the voting interests of the entire membership of the Association who are present at the meeting or have submitted a proxy.

(2) Until the transfer of control from the Developer to Unit Owners other than the Developer, by two-thirds (2/3) of the directors.

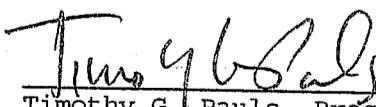
c. No By-Law shall be revised or amended by reference to its title or number only. Proposals to amend existing By-Laws shall contain the full text of the By-Laws to be amended; new words shall be inserted in the text underlined, and the words to be deleted shall be lined through with hyphens. However, if the proposed change is so extensive that this procedure would hinder, rather than assist, the understanding of the proposed amendment, it is not necessary to use underlying and hyphens as indicators of words added or deleted, but, instead, a notation must be inserted immediately preceding the proposed amendment in substantially the following language:

"Substantial rewording of By-Law. See By-Law _____ for present text."

Non-material errors or omissions in the By-Law process shall not invalidate an otherwise promulgated amendment.

53. Execution and Recording. A copy of each amendment shall be attached to or incorporated in a certificate certifying that the amendment was duly adopted as an amendment of the Declaration and By-Laws, which certificate shall be executed by the officers of the Association with the formalities of a deed. The amendment shall be valid and effective when such certificate, with a copy of the amendment attached thereto or incorporated therein, is recorded in the public records of Walton County, Florida.

The foregoing was adopted as the By-Laws of TopSail Village Condominium Association, Inc., a not for profit corporation under the laws of the State of Florida, at the first meeting of the Board of Directors on the 21st day of March, 2005.



Timothy G. Pauls, President