

**BYLAWS
OF
PALM ISLAND PHASE 2
COMMUNITY ASSOCIATION, INC.**

OR BOOK 03750 PAGE 3726

1. GENERAL These are the Bylaws of Palm Island Phase 2 Community Association, Inc., (hereinafter the "Community Association"), a Florida corporation not for profit organized for the purposes set forth in the Articles of Incorporation.

1.1 Principal Office. The principal office of this corporation shall initially be located at 13891 Jetport Loop, Fort Myers, Florida 33913, and subsequently at such other place as may be established by resolution of the Board of Directors.

1.2 Definitions. All terms defined in the Declaration of Covenants, Condition and Restrictions for Palm Island Phase 2 (the "Declaration of Covenants") to which these Bylaws were attached as an exhibit when it was originally recorded, shall be used with the same meanings as defined therein.

1.3 Seal. The seal of the Community Association shall be inscribed with the name of the Community Association, the year of its organization, and the words "Florida" and "corporation not for profit". The seal may be used by causing it, or a facsimile of it, to be impressed, affixed, reproduced or otherwise placed upon any document or writing of the corporation where a seal may be required.

2. MEMBERSHIP AND VOTING RIGHTS. The classes of membership shall be as more fully set forth in Section 4.1 of the Declaration of Covenants.

2.1 Voting Rights; Voting Interests. The voting rights appurtenant to each class of membership shall be as follows:

(A) Regular Members - Each Lot or Living Unit shall have one (1) indivisible vote in all matters upon which the members are entitled to vote.

(B) Declarant - Until the turnover of control as described in Section 8 below, the Declarant shall have the number of votes in all matters equal to the total combined votes of all members, plus 100 votes.

The total number of voting interests of the Community Association shall be equal to the number of Lots and Living Units which exist in the Community, plus the number of Declarant votes (if any).

2.2 Method of Voting. All votes of the members pertaining to the Community Association, including the election of Directors, shall be cast by the individual members who shall have one (1) indivisible vote in all matters which members are entitled to vote. Nothing herein shall require the use of secret ballots unless such use is required by law. Votes of the Declarant member shall be cast by its designated representative.

2.3 Membership Records. Records shall be maintained by the Community Association showing the names of the members, their addresses, the number of Lots or Living Units owned by each member, the class of membership and such other information as the Board shall require. Members may be issued a certificate or other evidence of membership, which may be wallet-size. The certificate of membership may set forth the number of Lots or Living Units owned by the member and such other information as determined by the Board. Admission to any Common Area, facility, meeting or affair of the Community Association may be conditioned upon production of a current certificate of membership by the member.

2.4 Transfer of Membership. Except as provided in Section 2.7 below, no member may transfer his Community Association membership, except as an appurtenance to his Lot or Living Unit. The Community Association shall be entitled to charge an administrative transfer fee equal to \$100.00 for each transfer. When a member ceases to be an owner, his membership shall cease. The termination of membership in the Community Association does not relieve or release any former member from liability or obligation incurred under or in any way connected with the Community Association during the period of his membership, nor does it impair any rights or remedies which the Community Association may have against any former member arising out of or in any way connected with such membership and the covenants and obligations incident thereto. Interim membership is not transferrable.

2.5 Rights and Privileges of Members.

(A) Every member shall have the right to:

- (1) Have his vote cast by his voting representative at the meetings of the members;
- (2) Serve on the Board if elected;
- (3) Serve on committees; and
- (4) Attend membership meetings.

Each member is encouraged to take an active interest in Community Association affairs.

(B) Every member in good standing shall have the privilege of using and enjoying the Common Areas in accordance with the type of membership held by the member, subject to the rules of the Community Association and the right of the

Community Association to charge admission and other fees for the use of any facilities.

(C) A member is in good standing if he is current in the payment of all assessments and other financial obligations to the Community Association, and his membership is not suspended.

2.6 Delegation of Rights to use Common Areas.

(A) In accordance with Section 4.3 of the Declaration of Covenants, a member may delegate his privilege to use the Common Areas to:

- (1) A reasonable number of guests if accompanied by the member; or
- (2) Residential tenants who reside in the member's Living Unit

(B) In the case of residential tenants of the member's Living Unit, the delegating member must give prior written notice to the Community Association of such delegation. The written notification shall state the name, age, permanent address, intended length of time the delegation will be effective, and such other information about each residential tenant as the Board shall require.

(C) A member who has delegated his use privileges and is not in residence in Palm Island Phase 2 may not use Common Areas during the period of the delegation, except as a guest of another member. A member may not be the guest of his tenant.

(D) Members shall be responsible for keeping the Community Association informed as to the identity and relationship of any persons who normally reside with the member and intend to utilize the Community Association Common Areas.

(E) The Board of Directors may limit the number of guests or the frequency or duration of any member's delegation of use rights, and may impose fees for the delegation of such rights of use of the facilities by renters or guests, which fees may be different from fees charged to members for their use.

(F) The delegation of membership is subject to the one (1) family limitation described in the Declaration of Covenants.

2.7 Suspension of Membership. As further provided in Section 10 of the Declaration, the Board may suspend a member's membership in the Community Association:

(A) For the period of time during which an assessment against the member remains unpaid more than thirty (30) days after the date it was due and payable; or

(B) For a reasonable period during or after any infraction of the Community Association's rules and regulations by a member or by any person to whom he has expressly or impliedly delegated his use privileges; or

(C) For misuse, abuse, or intentional destruction of Community Association property, real or personal.

Membership shall not be suspended until the member has been sent reasonable notice of the intended suspension and been offered a reasonable opportunity to be heard. Suspension of any member's membership temporarily revokes the member's rights and privileges to use and enjoy Common Areas and facilities and to participate in Community Association affairs. A suspension shall in no way impair the enforceability of any assessment or lien therefor, or the authority of the Community Association to assess and collect any future assessment and lien, nor shall it impair the member's right of access to, and use of, his own property in a manner consistent with the Governing Documents. The right of the member to vote may not be suspended.

3. MEMBERS' MEETINGS.

3.1 Annual Meeting. The annual meeting shall be held in Lee County during either March or April of each year, at a day, place and time designated by the Board of Directors, for the purpose of electing Directors (after such time as the members become entitled to do so) and transacting any other business duly authorized to be transacted by the members. The annual meeting is a general meeting, and unless the law or the governing documents require otherwise, notice of an annual meeting need not include a description of the purpose or purposes for which the meeting is called.

3.2 Special Members' Meetings. Special members' meetings must be held whenever called for by the President or by a majority of the Directors, and must be promptly called by the Board upon receipt of a written request signed by voting representatives of members entitled to cast at least ten percent (10%) of the members. Such requests shall be in writing and shall state the purpose or purposes of the meeting. Business at any special meeting shall be limited to the item specified in the request or contained in the notice of meeting.

3.3 Quorum. A quorum shall be attained at a members meeting by the presence in person or by proxy at least thirty percent (30%) of the total voting interests.

3.4 Vote Required to Transact Business. The acts or resolution approved by at least a majority of the votes cast at a duly called meeting at which a quorum has been attained shall be the act of the Members, unless a higher vote is specifically required by law or by the Governing Documents.

3.5 Notice of Meetings. Written notice of meetings shall be mailed or hand-delivered to the address last provided to the Association by the members. The notices must be mailed or delivered by the Community Association not less than fourteen (14) days prior to the date of the meeting.

3.6 Adjourned Meetings. Any duly called meeting of the members may be adjourned to be reconvened at a later time by vote of the majority of the voting interests present, regardless of whether a quorum has been attained. Unless the Bylaws require otherwise, adjournment of annual or special meeting to a different date, time or place must be announced at that meeting before an adjournment is taken, or notice must be given of the new date, time, or place pursuant to Section 720.303(2), Florida Statutes (2000) as amended. Any business that might have been transacted on the original date of the meeting may be transacted at the adjourned meeting. If a new record date for the adjourned meeting is or must be fixed under Section 617.0707, Florida Statutes (2000), as amended, notice of the adjourned meeting must be given to persons who are entitled to vote and are members as of the new record date but were not members as of the previous record date.

3.7 Order of Business. The order of business at Members' meetings shall be substantially as follows:

- (A) Determination that a quorum has been attained.
- (B) Reading or waiver of reading of minutes of last Members' meeting.
- (C) Reports of Officers
- (D) Reports of Committees
- (E) Election of Directors (when appropriate)
- (F) Unfinished Business
- (G) New Business
- (H) Adjournment

3.8 Minutes. Minutes of all meetings of the members must be maintained in written form, or in another form that can be converted into written form within a reasonable time.

3.9 Parliamentary Rules. Roberts' Rules of Order (latest edition) shall govern the conduct of the Community Association meetings when not in conflict with the law, with the Declaration of Covenants, or with these Bylaws. The presiding officer may appoint a Parliamentarian, but the decision of the presiding officer on questions of parliamentary procedure shall be final. Any question or point of order not raised at the meeting to which it relates shall be deemed waived.

3.10 Action by Members without a Meeting. Except the holding of the annual meeting and annual election of Directors, any action required or permitted to be taken at a meeting of the Members may be taken by mail without a meeting if written instruments expressing approval of the action proposed to be taken are signed and returned by Members having not less than the minimum number of votes that would be necessary to take such action at a meeting at which all of the voting interests were present and voting. If the requisite number of written consents are

received by the Secretary within sixty (60) days after the earliest date which appears on any of the consent forms received, the proposed action so authorized shall be of full force and effect as if the action had been approved at a meeting of the Members held on the sixtieth (60th) day. Within ten (10) days thereafter, the Board shall send written notice of the action taken to all Members who have not consented in writing. Nothing in this paragraph affects the rights of members to call a special meeting of the membership, as provided for by Section 3.2 above, or by law.

4. BOARD OF DIRECTORS. The administration of the affairs of the Community Association shall be by a Board of Directors. All powers and duties granted to the Community Association by law, as modified and explained in the Declaration of Covenants, Articles of Incorporation, and these Bylaws, shall be exercised by the Board, subject to the approval or consent of the members only when such is expressly required.

4.1 Powers. The Board shall have the authority to:

- (A) Manage and control the affairs of the Community Association.
- (B) Appoint and remove at its pleasure all officers, agents and employees of the Community Association, prescribe their duties, fix their compensation and require of them such security or fidelity bond as it may deem expedient. Nothing in these Bylaws shall be construed to prohibit the employment of any member, officer or Director of the Community Association in any capacity whatsoever.
- (C) Establish, levy assess, and collect any assessment or charge provided for in the Governing Documents.
- (D) Designate one or more financial institution(s) as depository for Community Association funds, and the officer(s) authorized to make withdrawals therefrom.
- (E) With the prior consent of at least a majority of the voting interests, borrow money for Community Association purposes, and assign, pledge, mortgage or encumber any Community or Community Association Common Areas or future revenues of the Community Association as security therefor;
- (F) Adopt, amend or revoke rules and regulations relating to the use of Common Areas, and such sanctions for noncompliance therewith, as it may deem necessary for the best interest of the Community Association and its Members. The Board may also establish and levy fees for the use of Common Areas or Community Association property;
- (G) Cause the Community Association to employ sufficient personnel to adequately perform the responsibilities of the Community Association;

(H) Negotiate and enter into contracts for the maintenance and operation of the Common Areas;

(I) Make improvements to the Common Areas.

(J) Establish committees of the Community Association and appoint the members thereof. It may assign to such committees responsibilities and duties not inconsistent with the provisions of these Bylaws as it may deem appropriate;

(K) Acquire property, real or personal, and enter into agreements with any persons, including Declarant relating to the orderly transfer of property from said person to the Community Association and such other matters as the Board may deem appropriate.

(L) Perform all other acts not inconsistent with law or the governing documents and necessary for the proper functioning of the Community Association.

4.2 Number; Qualifications. Initially the Board of Directors shall consist of three (3) Directors appointed by the Declarant Member, who are not subject to removal by the members, and who need not be members of the Community Association. Each Director elected by the regular members must be a member, or the spouse of a member.

(A) At the Turnover Meeting, all Directors then serving shall resign, and the size of the Board shall increase to five (5) Directors elected by the members. Any of the remaining five (5) seats will be filled at large by the vote of all non-Declarant Members. As long as at least five percent (5%) of the Lots remain unsold, the Declarant shall be entitled to appoint one additional Director.

4.3 Term of Office. In order to provide for a continuity of experience by establishing a system of staggered terms of office, at the Turnover Meeting three (3) Directors shall each be elected for a term that ends at the next annual meeting of the Community Association, and two (2) Directors shall be elected for a term which expires at the annual meeting after the next annual meeting. Thereafter, each Director shall be elected for a term of two (2) years, which will end upon final adjournment of the annual meeting in conjunction with which the Director's successor is to be elected. There is no limit on the number of consecutive terms to which a Director may be elected. A resignation must be in writing to be effective, and may not be revoked once received by the Community Association.

4.4 Nominations and Elections. The non-Declarant Members are entitled to vote in the election of the Directors.

(A) **Candidates.** The Board shall adopt and utilize procedures whereby any person eligible to serve as a Director may qualify as a candidate and have his name on the ballot, by notifying the Community Association in writing, at least

forty-five (45) days in advance of the election, of his desire to be a candidate for any vacancy which he is eligible to fill. All eligible persons giving timely written notice of desire to be a candidate shall be listed alphabetically by surname on any ballots distributed or used by the Community Association. Candidates may also be nominated in any other way permitted by law.

(B) Election and Voting Materials. Candidates shall have a reasonable opportunity to communicate their qualifications to the Members and to solicit votes at their own expense. Any written materials distributed to the Members by the Community Association regarding an election shall be non-partisan, and Community Association funds shall not be used in any Way to promote the election of any candidate over another. No ballot or other election materials used by the Community Association shall endorse, disparage, or comment on any Candidate or indicate whether a candidate is an incumbent, however the Community Association shall duplicate and distribute without editing brief resumes of background and qualifications provided by any candidates who would like it distributed. The ballots and all other election and voting materials shall be distributed by the Community Association with the notice of the annual meeting described in Section 3.5 above.

(C) Balloting. Elections shall be by written ballot. The candidate who receives a plurality of the votes cast shall be elected. Each member may cast as many votes as there are Directors to be elected, but not more than one vote for any candidate. Each member may also cast one vote for each Director to be elected, it being the intent hereof that cumulative voting is prohibited. Election ballots shall be cast by the Members directly with the Community Association, which shall count the ballots at a Community Association Annual Meeting which is properly noticed and open to all members. Any ballots received after the first vote is counted at the Community Association Annual Meeting shall be invalid.

(D) Vote Counting. On the day of the annual meeting, before the meeting begins, at a place and time which was stated in the notice of the meeting, the Board (or its designees) shall open the sealed envelopes and count the votes in such manner as it (or they) deem advisable. Any member shall be entitled to attend and observe. The results of the election shall be announced at the beginning of the annual meeting, and the new Directors shall take office at the final adjournment of the meeting. A tie vote shall be broken by agreement between the tied candidates, or, in the absence of agreement, by lot. Any dispute as to the validity of any ballots shall be resolved by the incumbent Board.

4.5 Vacancies on the Board. If the office of any Director or Directors, except those appointed by Declarant, becomes vacant for any reason, a majority of the remaining Directors, though less than a quorum, shall promptly choose a successor or successors, who shall hold office for the entire remaining term. If for any reason there should arise circumstances in which no Directors

are serving and the entire Board is vacant, the Members shall elect successors at a special meeting by the same method as is provided for at the Turnover Meeting in Sections 4.2 through 4.4 above.

4.6 Removal. Any Director, except those appointed by the Declarant, may be removed from the Board with or without cause by vote of a majority of the voting interests. Directors may also be removed as provided in Section 4.8 below.

4.7 Organizational Meeting. An organizational meeting of a new Board of Directors shall be held within ten (10) days after the election of new Directors at such place and time as may be fixed by the new Directors at the meeting when they were elected.

4.8 Regular Meetings. After turnover of control, regular meetings of the Board shall be held at such time and place in Lee County, Florida, as shall be determined from time to time by the Directors. A regular meeting of the Board of Directors is any meeting held according to a regular weekly, monthly or other periodic schedule adopted from time to time by the Board. Notice of regular meetings shall be given to each Director, personally or by mail, telephone or telegram, at least ten (10) days before the day named for such meeting. At regular meetings any business of the Community Association may be transacted. If any Director elected by the Members shall be absent for any reason from three (3) consecutive regular meetings of the Board, the Board may, by vote of at least a majority of the whole Board taken at the next meeting, declare the office of said Director to be vacant, and may appoint a successor.

4.9 Special Meetings. Special meetings of the Board are all meetings other than the annual organizational meeting and regular meetings. Special meetings may be called by the President, the Secretary, or by a majority of the Directors. Not less than two (2) days notice of a special meeting shall be given to each Director, personally or by mail, facsimile, telephone or telegram, which notice shall state the time, place, and purposes of the meeting. Business conducted at a special meeting shall be limited to the items specified in the notice of the meeting.

4.10 Waiver of Notice by Directors. Any Director may waive notice of a Board meeting before or after the meeting, and such waiver shall be deemed equivalent to the receipt of notice. Attendance at a meeting by any Director constitutes waiver of notice, unless that Director objects to the lack of notice at the beginning of the meeting.

4.11 Board Meetings; Notice to Members. A meeting of the Board of Directors occurs whenever a quorum of the Board gathers and conducts Community Association business. All meetings of the Board shall be open to all members, except as otherwise provided by law. Notice of all Board meetings shall be posted in a conspicuous place on the Community Association Common Areas at least seventy-two (72) hours in advance of a meeting, except in an emergency. An assessment may not be levied at a Board meeting unless the notice of the meeting includes a statement that assessments will be considered and the nature of such assessments. Any owner may tape-record or videotape meetings of the Board and meetings of the members. The Board may adopt reasonable rules governing the taping of meetings of the Board and the membership.

4.12 Quorum of Directors. A quorum at a Board meeting shall exist only when a majority of all Directors are present in person. Directors may not vote by proxy or secret ballots at Board meetings, except that secret ballots may be used in electing officers. Any Director has a right to participate in any meeting of the Board, or meeting of an executive or other committee, by means of a conference telephone call or similar communicative arrangement whereby all persons present can hear and speak to all other persons. Participation by such means shall be deemed equivalent to presence in person.

4.13 Vote Required. Except as otherwise required by law or the governing documents, the acts approved by a majority of the Directors present and voting at a duly called Board meeting at which a quorum exists shall constitute the acts of the Board of Directors.

4.14 Presumption of Assent. A Director who is present at a meeting of the Board shall be deemed to have voted in favor of the point of view that prevails on any question, unless he voted against such action or abstained from voting because of an asserted conflict of interest. The vote of each Director on each matter considered, including abstention because of an asserted conflict of interest, must be recorded in the minutes of the meeting.

4.15 Adjourned Meetings. The majority of the Directors present at any meeting of the Board, regardless of whether a quorum exists, may adjourn the meeting to be reconvened at a later time. When the meeting is reconvened, provided a quorum exists, any business that might have been transacted at the meeting originally called may be transacted without further notice.

4.16 The Presiding Officer. The President of the Community Association, or in his absence, the Vice-President, shall be the presiding officer at all meetings of the Board of Directors. If neither is present, the presiding officer shall be selected by majority vote of those present.

4.17 Compensation of Directors and Officers. Neither Directors nor officers shall receive compensation for their services as such. Directors may not also be employees of the Community Association. Directors and officers may be compensated for all actual and proper out-of-pocket expenses relating to the proper discharge of their respective duties.

4.18 Emergency Powers. In the event of an "emergency" as defined in Paragraph 4.18(G) below, the Board of Directors of the Community Association may exercise the emergency powers as described in this Section, and any other emergency powers authorized by Sections 617.0207, and 617.0303, Florida Statutes (2000), as amended from time to time.

(A) The Board may name as assistant officers persons who are not Directors, which assistant officers shall have the same authority as the executive officers of whom they are assistant during the period of the emergency, to accommodate the incapacity of any officer of the Community Association.

(B) The Board may relocate the principal office or designate alternative principal offices or authorize the officers to do so.

(C) During any emergency the Board may hold meetings with notice given only to those Directors with whom it is practicable to communicate, and the notice may be given in any practical manner, including publication or radio. The Director or Directors in attendance at such a meeting shall constitute a quorum.

(D) Corporate action taken in good faith during an emergency under this Section to further the ordinary affairs of the Community Association shall bind the Community Association; and shall have the rebuttable presumption of being reasonable and necessary.

(E) Any officer, Director or employee of the Community Association acting with a reasonable belief that his actions are lawful in accordance with these emergency Bylaws shall incur no liability for doing so, except in the case of willful misconduct.

(F) The provisions of these emergency Bylaws shall supersede any inconsistent or contrary provisions of the Bylaws during the period of the emergency.

(G) For purposes of this Section, an "emergency" exists only during a period of time that the Neighborhood, or the immediate geographic area in which the Neighborhood is located, is subjected to:

- (1) a state of emergency declared by law enforcement authorities;
- (2) a hurricane warning;
- (3) a partial or complete evacuation order;
- (4) designation by federal or state government as a "disaster area;" or
- (5) a catastrophic occurrence, whether natural or man-made, which seriously damages or threatens serious damage to the Neighborhood, such as an earthquake, tidal wave, fire, hurricane, tornado, war, civil unrest, or acts of terrorism.

4.19 Committee Meetings. The provisions of this Section 4 governing the calling and holding of Board meetings shall also apply to the meetings of all committees or other similar bodies specified in the Governing Documents, and to any committee or similar body appointed by the Board or any member thereof, or elected by the members, to which the Board has delegated its decision-making powers. The meetings of any committee, including any body vested with the power to approve or disapprove architectural decisions with respect to a specific parcel of residential property owned by a member of the Community Association, must be conducted with the same formalities as required for meetings of the Board.

5. OFFICERS.

5.1 Officers and Elections. The executive officers of the Community Association shall be a President, and one or more Vice-Presidents, who must be Directors of the Community Association, as well as a Treasurer and a Secretary, all of whom shall be elected annually by majority vote of the Board of Directors. Any officer may be removed, with or without cause, by vote of a majority of all Directors at any meeting. Any person except the President may hold two or more offices. The Board of Directors shall, from time to time, appoint such other officers, and designate their powers and duties, as the Board shall find to be required to manage the affairs of the Community Association. If the Board so determines, there may be more than one Vice-President. The officers may delegate their duties and responsibilities.

5.2 President. The President shall be the chief executive officer of the Community Association; he shall preside at all meetings of the Members and Directors, shall be ex-officio a member of all standing committees, shall have general and active management of the business of the Community Association, and shall see that all orders and resolutions of the Board are carried into effect. He shall execute bonds, mortgages and other contracts or documents requiring the seal of the Community Association, except where such are permitted by law to be otherwise executed, and the power to execute is delegated by the Board of Directors to another officer or agent of the Community Association.

5.3 Vice-Presidents. The Vice-Presidents in the order of their seniority shall, in the absence or disability of the President, perform the duties and exercise the powers of the President; and they shall perform such other duties as the Board of Directors shall prescribe.

5.4 Secretary. The Secretary shall attend the meetings of the Board and meetings of the members, and shall record all votes and the minutes of all proceedings in a book or books to be kept for the purpose, and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of the members and of the Board of Directors, and shall perform such other duties as may be prescribed by the Board or the President. He shall keep in safe custody the seal of the Community Association and, when authorized by the Board, affix the same to any instrument requiring it. The Secretary shall be responsible for the proper recording of all duly adopted amendments to the Governing Documents. Any of the foregoing duties may be performed by an Assistant Secretary, if any has been designated.

5.5 Treasurer. The Treasurer shall have responsibility for the collection, safe-keeping, and disbursement of funds and securities of the Community Association, shall keep full and accurate accounts of receipts and disbursements in books belonging to the Community Association, and shall deposit all monies and other valuable effects in the name and to the credit of the Community Association in such depositories as may be designated by the Board of Directors, and prepare the budget for the Community Association. He shall disburse the funds of the Community Association, making proper vouchers for such disbursements, and shall render to the President and Directors, at the regular meetings of the Board, or whenever they may require it,

an account of all transactions and of the financial condition of the Community Association. Any of the foregoing duties may be performed by an Assistant Treasurer, if any has been designated.

6. ARCHITECTURAL REVIEW COMMITTEE. The ARC provided for in Section 6 of the Declaration of Covenants shall be selected, and conduct its affairs as provided in this Section.

6.1 Members; Qualification. The Architectural Review Committee, hereinafter the "ARC," shall initially be composed of three (3) persons, all appointed by the Declarant, who may also be Directors of the Community Association. Except for those appointed by the Declarant, and as otherwise provided in Section 6.5 below, no member of the ARC shall be a Director. Whenever possible and practical, one of the committee members should be an architect, general contractor, or other person with professional expertise in building, landscaping, or architectural design.

6.2 Selection; Terms. The members of the ARC shall be appointed by the President of the Community Association to serve terms of one year beginning on January 1 of each year. If a mid-term vacancy occurs for any reason, the President shall appoint a successor to fill the unexpired term. Members of the ARC, once appointed, may be removed only by vote of a majority of all the voting interests, and not by the officers or Directors.

6.3 Compensation. If approved by the Board of Directors, any or all members of the ARC may be compensated for their services.

6.4 Meetings. The ARC shall meet at least once during each quarter, and otherwise at the call of the Chairman as necessary, to carry out its duties and functions. The ARC shall meet with the same formalities and notice requirements as required for Board meetings, unless otherwise permitted by law. Written notice of meetings shall be provided to each Neighborhood Association at least one week in advance, and any Owner wishing to appear before the ARC may do so. Special meetings may be called as needed by the Chairman.

6.5 Procedures, Voting. A majority of the members of the ARC present in person at any duly called meeting shall constitute a quorum. All questions shall be decided by a majority of the entire committee. Where a question involves proposed changes to a Lot or Living Unit owned by a member of the ARC, that member shall be disqualified from participation in the proceedings, and his place shall be taken by the then President of the Community Association. If a proposed change is not approved, the reasons for disapproval shall be stated in writing. Minutes of all meetings of the ARC shall be kept in a business-like manner, and shall be available at reasonable times for inspection or photocopying by any owner. Copies of the plans and specifications for all approved changes and construction shall be kept for at least five years.

6.6 Developer Control. During the period of Developer control of the Association, the Developer's project manager shall be the sole person responsible for making Architectural Review Committee decisions.

7. FISCAL MATTERS. The provisions for assessments and fiscal management of the Community Association set forth in the Declaration of Covenants shall be supplemented by the following provisions:

7.1 Depository. The Community Association shall maintain its accounts in federally insured accounts at financial institutions doing business in the State of Florida as may be designated from time to time by the Board. Withdrawal of monies from such accounts shall be only by such persons as are authorized by the Board. The Board may invest Community Association funds in interest-bearing accounts, money market funds, certificates of deposit, U.S. Government securities, and other similar investment vehicles, provided they are federally insured, or backed by the full faith and credit of the United States.

7.2 Budget. The Board of Directors shall, at a November meeting each year, adopt a budget of general expenses for the next fiscal year. The budget must reflect the estimated revenues and expenses for that year and the estimated surplus or deficit as of the end of the current year. The budget must set out separately all fees or charges for recreational amenities, whether owned by the Community Association, the Developer, or another person. The Community Association shall provide each member with a copy of the annual budget or a written notice that a copy of the budget is available upon request at no charge to the member. The proposed budget shall be detailed and shall show the amounts budgeted by accounts and expense classifications.

7.3 Reserves. The Board may establish in the budgets one or more reserve accounts for contingencies, operating expenses, repairs, improvements, capital expenditures or deferred maintenance. The purpose of the reserves is to provide financial stability and to avoid the need for special assessments. The amounts proposed to be so reserved shall be shown in the proposed annual budgets each year. These funds may be spent only for purposes for which they were reserved, unless another use is approved by unanimous consent of the entire Board.

7.4 Fidelity Bonds. The Treasurer, and all other officers who are authorized to sign checks, and all Directors and employees of the Community Association handling or responsible for Community Association funds, shall be bonded in such amounts as determined by the Board of Directors. The premiums on such bonds shall be paid by the Community Association.

7.5 Accounts and Accounting Procedures. The financial and accounting records of the Community Association, must be kept according to good accounting practices. All financial and accounting records must be maintained for a period of at least seven (7) years. The financial and accounting records must include:

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

(B) A current account and a period statement of the account for each member, designating the name and current address of each member who is obligated to pay assessments, the due date and amount of each assessment or other charge against

the member, the date and amount of each payment on the account, and the balance due.

(C) All tax returns, financial statements, and financial reports of the Community Association.

(D) Any other records that identify, measure, record or communicate financial information.

7.6 Financial Reporting. The Community Association shall prepare an annual financial report within sixty (60) days after the close of the fiscal year. The Community Association shall, within ten (10) business days after the report is prepared, provide each member with a copy of the report, or a written notice that a copy of the financial report is available upon request at no charge to the member. The financial report must consist of either:

(A) Financial statements presented in conformity with generally accepted accounting principles; or

(B) A financial report of actual receipts and expenditures, cash basis, which report must show:

(1) The amount of receipts and expenditures by classification; and

(2) The beginning and ending cash balances of the Community Association.

7.6 Audits. A formal certified audit of the accounts of the Community Association, if required by law, or by a majority of the voting interests, or by a majority of the Board of Directors, shall be made by an independent certified public accountant, and a copy of the audit report shall be available on request to each member.

7.7 Application of Payments and Commingling of Funds. All monies collected by the Community Association may be commingled, for investment purposes only, in a single fund, or divided into two or more funds, as determined by the Board of Directors. The books and records of the Community Association shall be kept in conformity to generally accepted accounting principles, and the audit and accounting guide for Common Interest Realty Associations of the American Institute of Certified Public Accountants. All payments on account by an Owner shall be applied as to interest, delinquencies, costs and attorney's fees, other charges, and annual or special assessments, in such manner and amounts as the Board of Directors may determine, or as may be required by law.

7.8 Fiscal Year. The fiscal year for the Community Association shall begin on the first day of January each year. The Board of Directors may change to a different fiscal year in accordance

with the provisions and regulations from time to time prescribed in the Internal Revenue Code of the United States.

7.9 Payment of Assessments. Annual assessments based on the adopted budgets shall be payable annually (due on January 1 of each year or such other date as the Board of Directors may determine). Written notice of the annual assessment shall be sent to all owners at least thirty (30) days prior to the due date. Failure to send or receive such notice shall not, however, excuse the obligation to pay. By resolution, the Board may establish the place for payment, the method of payment, and a late payment fee.

7.10 Special Assessments. Special assessments may be imposed by the Board of Directors whenever necessary to meet unbudgeted, emergency, or non-recurring expenses, or for such other purposes as are authorized by the Declaration of Covenants or these Bylaws. Special assessments are due on the day specified in the resolution of the Board approving such assessment. The notice of any special assessment must contain a statement of the purpose(s) of the assessment, and the funds collected must be spent for the stated purpose(s) or returned to the Members in a manner consistent with law. The total of all special assessments payable by the Members generally shall not exceed \$200 per Lot or Living Unit in any fiscal year unless approved in advance by a majority of the voting interests.

7.11 Proof of Payment. Within fifteen (15) days after receipt of request from the Owner, mortgagee, or purchaser of a Lot or Living Unit, the Community Association shall furnish a written statement certifying that all assessments then due from any Lot or Living Unit have been paid, or indicating the amounts then due. Anyone other than the Owner who relies upon such statement shall be protected thereby.

7.12 Suspension. The Community Association shall not be required to transfer Memberships on its books or to allow the exercise of any rights or privileges of Membership on account thereof to any owner, or to any persons claiming under an owner, unless and until all assessments and charges to which said owner and his Lot or Living Unit is subject have been paid in full.

8. TURNOVER OF CONTROL OF COMMUNITY ASSOCIATION.

8.1 Time of Turnover. Turnover of control of the Community Association occurs when the members first elect a majority of the Directors of the Community Association. Owners other than the Developer shall be entitled to assume control of the Community Association by electing the entire Board of Directors not later than ninety (90) days after the conveyance of title, to owners other than Developer, of at least ninety percent (90%) of residential units within Palm Island Phase 2. At that time the Directors appointed by the Developer shall resign. The election shall occur at a meeting of the members (the Turnover Meeting).

8.2 Procedure for Calling Turnover Meeting. No less than sixty (60) days prior to the Turnover Meeting, the Community Association shall notify in writing all members of the date of

the Turnover Meeting. At the Turnover Meeting the Directors elected by the Members as further provided in Section 4.4 above, and all but one of the Directors previously appointed by the Declarant shall resign. PAGE 3742

8.3 Early Turnover. The Declarant may turn over control of the Community Association to the Members prior to the time for turnover set forth above, by causing all but one of its appointed Directors to resign, whereupon it shall be the affirmative obligation of the Members to elect the other Directors and assume control of the Community Association. If at least sixty (60) days notice of Declarant's decision to cause its appointees to resign is given as described in Section 8.2 above, neither the Declarant, nor such appointees shall be liable in any manner in connection with such resignations if the Members refuse or fail to assume control.

8.4 Developer Representative. The Developer is entitled to appoint at least one member of the Board of Directors as long as the Developer holds for sale in the ordinary course of business at least five percent (5%) of the Lots or units in the Community. After the Developer relinquishes control of the Community Association, the Developer may exercise the right to vote any Developer-owned interests in the same manner as any other member, except for purposes of reacquiring control of the Community Association or selecting a majority of the Directors.

9. AMENDMENT OF BYLAWS. Amendments to these Bylaws shall be proposed and adopted in the following manner:

9.1 Proposal. Amendments to these Bylaws may be proposed either by a resolution approved by a majority of the whole Board of Directors, or by a petition to the Board signed by the voting representatives of at least twenty-five percent (25%) of the voting interests of the Community Association. Once so proposed, the amendments shall be submitted to a vote of the Members at a meeting no later than the next annual meeting for which notice can still properly be given.

9.2 Vote Required. Except as otherwise provided by law, or by specific provision of the Governing Documents, these Bylaws may be amended by concurrence of at least two-thirds (2/3) of the voting interests present and voting at any annual or special meeting, provided that the text of any proposed amendment has been given to the Members with notice of the meeting.

9.3 Amendment by Board. As long as Declarant Membership exists, the Board of Directors, by majority vote, may unilaterally amend these Bylaws in any manner which it deems advisable, including but not limited to amendments to correct errors or conform the Bylaws to any applicable statute or local ordinance. Such amendments shall not require consent of the Members.

9.4 Certificate; Recording. A copy of each approved amendment shall be attached to a certificate reciting that the amendment was duly adopted, which certificate shall be executed by the President or Vice-President of the Community Association with the formalities of a deed. The amendment shall be effective when the certificate and copy of the amendment are recorded

in the Public Records of the County. The certificate must identify the book and page of the Public Records where the Declaration of Covenants was originally recorded.

10. MISCELLANEOUS.

10.1. Gender Number. Whenever the masculine or singular form of the pronoun is used in these Bylaws, it shall be construed to mean the masculine, feminine or neuter; singular or plural, as the context requires.

10.2 Severability. Should any portion hereof be void or become unenforceable, the remaining provisions of the instrument shall remain in full force and effect.

10.3 Conflict. If any irreconcilable conflict should exist, or hereafter arise, with respect to the interpretation of these Bylaws and the Declaration of Covenants or the Articles of Incorporation of the Community Association, the provisions of the Declaration of Covenants or Articles of Incorporation shall prevail over the provisions of these Bylaws.

The foregoing constitute the first Bylaws of Palm Island Phase 2 Community Association, Inc., and were duly adopted at the first meeting of the Board of Directors held on the 7th day of October, 2002

Date: Oct 7, 2002

ATTEST:

Kirk W. Knowles
Secretary Signature
KIRK KNOWLES
Printed Name

John B. Desautels
President Signature
JOHN B. DESAUTELS
Printed Name