

Exhibit "B"
Articles of Incorporation



January 19, 2006

FLORIDA DEPARTMENT OF STATE

Division of Corporations

PALERMO PROPERTY OWNERS ASSOCIATION, INC.

4315 PABLO OAKS COURT

SUITE 5

JACKSONVILLE, FL 32224

The Articles of Incorporation for PALERMO PROPERTY OWNERS ASSOCIATION, INC. were filed on January 18, 2006, and assigned document number N06000000506. Please refer to this number whenever corresponding with this office.

This document was electronically received and filed under FAX audit number H06000014834.

A corporation annual report/uniform business report will be due this office between January 1 and May 1 of the year following the calendar year of the file/effective date. A Federal Employer Identification (FEI) number will be required before this report can be filed. Please apply NOW with the Internal Revenue Service by calling 1-800-829-3676 and requesting form SS-4 or by going to their website at www.irs.ustreas.gov.

Please be aware if the corporate address changes, it is the responsibility of the corporation to notify this office.

Should you have any questions regarding corporations, please contact this office at the address given below.

Sincerely,
Loria Poole
Document Specialist
New Filings Section
Division of Corporations

Letter Number: 706A00003899

ARTICLES OF INCORPORATION
OF
PALERMO PROPERTY OWNERS ASSOCIATION, INC.
A Florida Corporation Not-For-Profit

The undersigned resident of the State of Florida, for the purpose of forming a corporation not for profit under Chapter 617 of the laws of the State of Florida, hereby certifies:

ARTICLE I

Name

The name of this corporation is Palermo Property Owners Association, Inc. (the "Association").

ARTICLE II

Office and Registered Agent

The Association principal office is located at 4315 Pablo Oaks Court, Suite 5, Jacksonville, Florida 32224, who maintains a business office at 4315 Pablo Oaks Court, Suite 5, Jacksonville, Florida, 32224, is hereby appointed the initial registered agent of the Association. Both the Association's registered office and registered agent may be changed from time to time as provided by law.

ARTICLE III

Purpose and Powers of the Association

The Association does not contemplate pecuniary gain or profit to its members. It is formed to promote the health, safety, and general welfare of the residents within all or any portion of that tract of land located in Duval County, Florida, which is described in and made subject to the provisions of those certain proposed Declaration of Covenants and Restrictions for Palermo recorded or to be recorded in the Public Records of Duval County, Florida, as amended from time to time (the "Declaration") and any additions to such lands as hereafter may be brought within the Association's jurisdiction in the manner provided in the Declaration. Without limitation, the general nature, objects and purposes of the Association is to:

(a) Declaration Powers: Exercise all rights, powers, and privileges, and perform all duties of the Association from time to time set forth in the Declaration, including the right to enforce all of the provisions of the Declaration pertaining to the Association in its own name, including without limitation, enforcement of the provisions relating to the operation and maintenance of the Surface Water or Stormwater Management System.

(b) Property: Own, hold, improve, operate, maintain, sell, lease, transfer, and otherwise dispose of property of any nature whatsoever, real, personal, or mixed, tangible or intangible, in connection with this Association's affairs.

(c) Assessments: Adopt budgets and levy, collect, and enforce by any lawful procedure all charges or assessments established by, or pursuant to, the Declaration including assessment of fees for the costs of operation and maintenance of the Surface Water or Stormwater Management System and assessments for services or materials for the benefit of Owners or the Property for which the Association has contracted with third party providers.

(d) Costs: Use the proceeds collected from assessment to pay all costs, expenses, and obligations lawfully incurred in connection with the Association's affairs including, without limitation, all licenses, taxes, or other governmental charges levied or imposed against the Association property.

(e) Maintenance: Maintain, manage, repair, replace and operate all the Common Areas and Common Maintenance Areas, including but not limited to portions of the street right-of-ways, and the Surface Water or Stormwater Management System and all associated facilities. The Association shall operate, maintain and manage the Surface Water or Stormwater Management System in a manner consistent with the provisions and requirements set forth in the Declaration that relate to the maintenance of the Surface Water or Stormwater Management System.

(f) Reconstruction: Reconstruct improvements after casualty and construct further improvements to the Common Areas.

(g) Borrowings: Borrow money, mortgage, pledge, hypothecate, assign, grant security interests in, or otherwise transfer any or all of its property as security for money borrowed, debts incurred, or any of its other obligations.

(h) Reorganizations: Participate in mergers and consolidations with other nonprofit corporations organized for similar purposes.

(i) Regulations: From time to time adopt, amend, rescind, and enforce reasonable rules and regulations governing the use of the Lots and the Common Areas consistent with the rights and duties established by the Declaration.

(j) Contract: Contract with others for performance of the Association's management and maintenance responsibilities under the Declaration and for the furnishing of services or materials for the benefit of the Owners or the Property consistent with the provisions of the Declaration, including without limitation, contracting for utility telecommunications, internet, and security services.

(k) General: Have and exercise all rights, powers, and privileges that a corporation not for profit may now or hereafter have or exercise under the laws of the State of Florida, together with all other rights, powers, and privileges reasonably to be implied from the existence of any right, power, or privilege so granted, or

granted by the Declaration, or these Articles, or reasonably necessary, convenient, or desirable to exercise any right, power, or privilege so granted.

ARTICLE IV

Membership

Section 1. Lot Owner. Every person who from time to time holds the record fee simple title, or any undivided fee simple interest of record, to any Lot is a member of this Association, including contract sellers, but excluding all persons who hold an interest in any Lot merely as security for the performance of an obligation. An Owner of more than one Lot is entitled to one membership for each Lot owned. Membership is appurtenant to, and may not be separated from, ownership of at least one Lot. Membership may not be transferred except by transfer of record title to such Lot.

ARTICLE V

Voting Rights

Section 1. Classification. This Association has two classes of voting membership:

CLASS A. So long as there is Class B membership, Class A members are all Owners, except Developer. Class A members are entitled to one vote for each Lot owned. Upon termination of Class B membership, Class A members will be all Owners, including Developer so long as Developer is an Owner.

CLASS B. The Class B member is Developer, who is entitled to three (3) votes for each Lot owned by Developer within the Property described in the Declaration. The Class B membership will cease and convert automatically to Class A membership on the first to occur of the following events: (i) when the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership; (ii) three months after ninety (90) percent of the Lots in all phases of the Property that will ultimately be operated by the Association have been conveyed to members other than the Developer; or (iii) the effective date of the Developer's written waiver of the Class B membership rights. Upon the conversion of Class B membership, all provisions of the Declaration, these Articles, and the By-Laws referring to classes of membership will be of no further force and effect. For purposes of these Articles, the term members other than the Developer shall not include builders, contractors, or others who purchase a Lot for the purpose of constructing improvements thereon for resale.

Upon any of the above events occurring, the Class A members shall be obligated to elect the Board of Directors and assume control of the Association. The Developer is entitled to elect at least one member of the Board of Directors of the Association as long as the Developer holds for sale in the ordinary course of business at least five (5) percent of the Lots in all phases of the Property. Provided, however, the Class B membership shall be automatically reinstated at any time before the expiration of ten (10) years from the recording date of the Declaration if additional Lots owned by

the Class B member are annexed into the Association as permitted by the Declaration in sufficient numbers to restore a ratio of at least one (1) Class B Lot to three (3) Class A Lots in the overall area subject to the Declaration.

Section 2. Co-Ownership. If more than one Person owns a record fee simple interest in any Lot, all such Persons are members, although there is only one vote for such Lot and no fractional votes are permitted. The vote may be exercised as the Owners determine among themselves, but no split vote is permitted. Before any meeting at which a vote is to be taken, each co-owner must file the name of the authorized voting co-owner with the Secretary of the Association to be entitled to vote at such meeting, unless such co-owners have filed a general voting authority with the Secretary applicable to all votes until rescinded. Notwithstanding the foregoing, if title to any Lot is held by husband and wife, either co-owner is entitled to cast the vote for such Lot unless the Association is notified otherwise in writing.

ARTICLE VI

Board of Directors

Section 1. Management. This Association's affairs are managed by a Board of Directors initially composed of three Directors, who need not be Association members. The number of Directors from time to time may be changed from a minimum of three to a maximum of nine, but at all times it must be an odd number. The term of office for all Directors is one year, and any Director may succeed himself in office.

Section 2. Election. All Directors are elected by written ballot at the annual meeting. Each Member entitled to vote may cast as many votes for each vacancy as such member has under the provisions of Article V of these Articles and the person receiving the largest number of votes cast by the Class A and Class B members for each vacancy is elected. Cumulative voting is not permitted.

Section 3. Initial Directors. The names and addresses of the persons who will serve as Directors until their successors have been duly elected and qualify, unless they sooner die, resign, are removed, or are incapacitated or otherwise unable to serve, are:

Spencer T. Calvert
4315 Pablo Oaks Court, Suite 5
Jacksonville, Florida 32224

William J. Ash, III
4315 Pablo Oaks Court, Suite 5
Jacksonville, Florida 32224

Paulette E. Ash
4315 Pablo Oaks Court, Suite 5
Jacksonville, Florida 32224

ARTICLE VII

Officers

The affairs of the Association shall be administered by the officers designated by the Bylaws. The officers shall be elected by the Board of Directors at its first meeting following the annual meeting of the Association, and they shall serve at the pleasure of the Board of Directors.

The names and addresses of the officers who shall serve until their successors are designated by the Board of Directors are as follows:

Names and Addresses:

Spencer T. Calvert - President
4315 Pablo Oaks Court, Suite 5
Jacksonville, Florida 32224

William J. Ash, III - Vice President
4315 Pablo Oaks Court, Suite 5
Jacksonville, Florida 32224

Paulette E. Ash - Secretary/Treasurer
4315 Pablo Oaks Court, Suite 5
Jacksonville, Florida 32224

ARTICLE VIII

Existence and Duration

Existence of the Association shall commence with the filing of these Articles of Incorporation with the Secretary of State, Tallahassee, Florida. This Association exists perpetually. In the event of termination, dissolution or liquidation of the Association, the responsibility for the operation and maintenance of the Surface Water or Stormwater Management System must be transferred to and accepted by an entity which would comply with Section 40C-42.027, F.A.C., and be approved by the St. Johns River Water Management District prior to such termination, dissolution or liquidation.

ARTICLE IX

Bylaws

The Association's Bylaws initially will be adopted by the Board of Directors and may be amended by the Association's Board of Directors as provided in the Bylaws.

ARTICLE X

Amendments

Section 1. Developer. For so long as the Developer has the right to elect a majority of the Board of Directors, the Developer shall have the right without the joinder or consent of any Owner, the Association, the holder of any mortgage, lien or other encumbrance affecting any portion of the Property, or any other Person to amend these Articles; or any governmental permit or approval applicable to the Property.

Section 2. Other Amendments. Other amendments to these Articles may be proposed and adopted in the manner from time to time provided by the laws of the State of Florida, except that each such amendment must have the approval of a majority of the Members, and the written approval of Developer.

ARTICLE XI

Other Approvals

As provided in the Declaration, for so long as Developer owns and holds any Lots, the written approval of the Developer is required for the merger, consolidation, or dissolution of this Association.

ARTICLE XII

Voting Requirements

Section 1. Percentage Requirements. Unless any provision of these Articles, the Declaration or the Bylaws expressly requires the approval of both classes of the membership or of the Developer or any other Person, the majority vote of those members present and voting at a duly called and convened meeting shall constitute the act of the membership. If any provision of these Articles, the Declaration, or the Bylaws expressly requires the approval of both classes of membership, and in the absence of an express provision requiring a specified percentage of the total votes eligible to be cast by either or both classes of membership, the majority vote of those members of each class present and voting at a meeting duly called and convened is sufficient to constitute the - act of that class.

Section 2. Two-Thirds of Class. Any of the following constitute extraordinary actions that must be approved by two-thirds (2/3) of each class of members and by Developer for so long as Developer is a member of the Association: (i) any dissolution of this Association.

Section 3. Two-Thirds of Those Present. Any of the following constitute extraordinary actions that require the approval of two-thirds (2/3) of the Class A members present in person or by proxy and of Developer for so long as Developer is a

member of the Association: (i) any extension of the Declaration to additional lands except as provided for in the Declaration.

Section 4. Notice, Proxies, and Quorum Requirements. Written notice of all meetings of the membership must be given to all Owners not less than 14 days nor more than 45 days in advance of such meeting. The presence of members or proxies entitled to cast at least thirty percent (30%) of the votes of each class, if such action must be approved by both classes, or of the Class A members, if such action must be approved only by Class A members, shall constitute a quorum. If the required quorum is not forthcoming, the members present shall have the power to adjourn the meeting, from time to time without notice other than announcement at the meeting, until the required quorum shall be present or represented. Proxies must be registered with the Secretary of the Association prior to members meetings. To be valid, a proxy must be dated, must state the date, time and place of meeting for which it was given, and must be signed by the authorized person who executed the proxy. A proxy is effective only for the specific meeting for which it was originally given, as the meeting may lawfully be adjourned and reconvened from time to time, and automatically expires ninety (90) days after the date of the meeting for which it was originally given. A proxy is revocable at any time at the pleasure of the person who executes it. No Owner may hold more than five (5) proxies.

Section 5. Written Action. Any action that may be taken at any membership meeting, including any extraordinary action enumerated in this Article, may be taken in the absence of a quorum, or without a meeting, without prior notice, and without a vote if: (i) written consent, setting forth the action so taken, is signed by those Owners entitled to exercise not less than the minimum number of votes necessary to authorize or take such action at a meeting; and (ii) within 10 days after obtaining such written consent, notice thereof is given to those members who have not so consented in writing.

Section 6. Certificate. An instrument signed by any executive officer of this Association and attested by the Association Secretary under the Association's seal, is conclusive that any required approval has been obtained in the manner provided in these Articles as to Persons without actual knowledge to the contrary.

ARTICLE XIII

Interpretation

Reference is made to the terms and provisions of the Declaration where necessary to interpret, construe, and clarify the provisions of these Articles. All terms defined in the Declaration have the same meaning where used in these Articles, and the rules of interpretation set forth in the Declaration apply to the interpretation, construction, application, and enforcement of these Articles. By subscribing and filing these Articles, the incorporator intends their provisions to be consistent with the provisions of the Declaration and to be interpreted, construed, applied, and enforced with those of the Declaration to avoid inconsistencies or conflicting results. The Declaration shall control in the event of a conflict with these Articles.

ARTICLE XIV

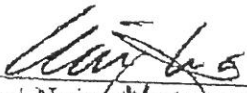
Incorporator

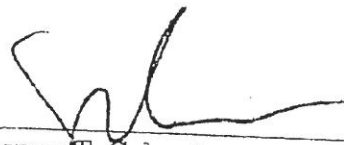
The name and address of the incorporator of this corporation is:


Spencer T. Calvert
4315 Pablo Oaks Court, Suite 5
Jacksonville, Florida 32224

IN WITNESS WHEREOF, the Incorporator has hereto set his hand and seal this 18th day of January, 2006.

Signed, sealed and delivered
in the presence of:


Print Name: William J. Asst III


Spencer T. Calvert
Incorporator


Print Name: Mariella Rodriguez

STATE OF FLORIDA

COUNTY OF DUVAL

The foregoing instrument was acknowledged before me this ___ day of January, 2006, by Spencer T. Calvert, the Incorporator of PALERMO PROPERTY OWNERS ASSOCIATION, INC., a Florida not-for-profit corporation, on behalf of the corporation.


Print Name: Kristine Hannah

NOTARY PUBLIC
State of Florida at Large
Commission # DD327907
My Commission Expires: _____
Personally Known or
Produced ID

Type of Identification Produced:

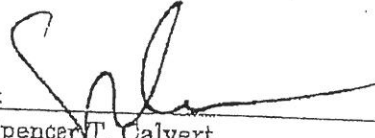


CERTIFICATE DESIGNATING PLACE OF BUSINESS OR DOMICILE
FOR THE SERVICE OF PROCESS WITHIN THE STATE OF FLORIDA
AND NAMING THE REGISTERED AGENT UPON
WHOM PROCESS MAY BE SERVED

PALERMO OWNERS ASSOCIATION, INC., desiring to organize under the laws of the State of Florida as a corporation not for profit with its principal place of business at 4315 Pablo Oaks Court, Suite 5, Jacksonville, Florida 32224, has named Spencer T. Calvert, whose business office is 4315 Pablo Oaks Court, Suite 5, Jacksonville, Florida, 32224 as its Registered Agent to accept service of process within this state, all in accordance with Section 607.034, Florida Statutes.

PALERMO PROPERTY OWNERS
ASSOCIATION, INC.

By:

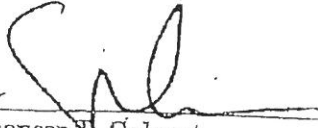

Spencer T. Calvert
Incorporator

Dated: January 18th, 2006

ACCEPTANCE

Having been named to accept service of process for the foregoing corporation, at the place designated in this certificate, and being familiar with the obligations of such position, I hereby agree to act in such capacity and agree to comply with the provisions of the laws of the State of Florida, relative to maintaining such registered office.

By:


Spencer T. Calvert
Registered Agent

Dated: January 18th, 2006

Exhibit "C"

Bylaws

BYLAWS OF
PALERMO PROPERTY OWNERS ASSOCIATION, INC.

A Florida Corporation Not-For-Profit

ARTICLE I

General

Section 1. Definitions and Operation. These are the Bylaws of Palermo Property Owners Association, Inc., a Florida not-for-profit corporation (the "Association"), having its principal office at 4315 Pablo Oaks Court, Suite 5, Jacksonville, Florida, 32224. Reference is made to the Declaration of Covenants and Restrictions for Palermo (the "Declaration") where necessary to interpret, construe and apply the provisions of the Bylaws. When interpreting these Bylaws, the following shall apply:

(a) Definitions. All terms defined in the Declaration have the same meaning when used in these Bylaws.

(b) Consistency. By adopting these Bylaws, this Association's Directors intend them to be consistent with the provisions of this Association's Articles of Incorporation (the "Articles") and with those of the Declaration.

(c) Conflict. These Bylaws are to be interpreted, construed and enforced with the Articles and the Declaration to avoid inconsistencies or conflicting results. If a conflict necessarily results, the provisions of the Declaration control over both the Articles and Bylaws, and in the Articles control over these Bylaws.

Section 2. Membership and Voting Rights. Membership and voting rights in this Association are set forth in Articles IV and V of the Articles.

Section 3. Seal. This Association has a seal in circular form having within its circumference the words "Palermo Property Owners Association, Inc." and "Corporation Not For Profit".

Section 4. Fiscal Year. This Association's fiscal year begins on the first day of January each calendar year.

Section 5. No Vested Rights. No Member of this Association has any vested right, interest, or privilege of, in or to the assets, functions, affairs, or franchises of this Association, nor any right, interest, or privilege that is transferable or inheritable except as an incident to the transfer of title to such Member's Lot.

Section 6. Developer. For so long as the Developer has the right to elect a majority of the board of Directors, the Developer shall have the right without the joinder or consent of any Owner, the Association, the holder of any mortgage, lien or other encumbrance affecting any portion of the Property, or any other Person to amend these Bylaws.

Section 7. Other Amendments. Other Amendments to Bylaws may be altered, amended or rescinded by majority vote of the Board of Directors at a duly constituted meeting of the Board.

Section 8. General. Amendments shall be effective on the date of passage by the Board and no amendment need be recorded in the public records of Duval County, Florida.

ARTICLE II

Member's Meeting

Section 1. Annual Meetings. The annual meeting of this Association is held each year during the month of October, November or December, on such date and at such time and place as the Board of Directors determines.

Section 2. Special Meetings. Special Membership meetings may be called at any time by: (i) the President or the Board of Directors; or (ii) upon the written request of the Members in good standing who are entitled to cast one-fourth (1/4) of the vote of the Class A Membership; or (iii) by Declarant, so long as Declarant is a member of the Association.

Section 3. Notice. Written notice of each Members' meeting shall be given in accordance with the Articles by or at the direction of the Secretary, and shall specify the place, day, and hour of the meeting and its purpose. Meetings may be held at such places within the County where the Property is located, as may be designated by the Board of Directors. All notices may be given by personal delivery or by mailing a copy, postage prepaid, addressed to the member's address last appearing on the Association's books.

Section 4. Special Notices. Any notice to non-members required by the Declaration may be given by mail. Mailing or delivery of notice to any co-owner is effective upon all co-owners of such Lot, unless any co-owner has requested the Association in writing to give notice to such co-owner and furnished the Association with the address to which such notice may be given by mail.

Section 5. Proof of Notice. An affidavit by the person or persons actually giving notice of any meeting, and attested by the Secretary under this Association's seal, is conclusive as to the regularity of any notice with respect to any Person absent actual knowledge of any defect in notice.

Section 6. Waiver of Notice. Notice of any meeting may be waived in writing at any time before, at, or after such meeting; and neither the business transacted at, nor the purpose of, any regular or special meeting need be specified in any written waiver. A Member's attendance at any meeting constitutes a waiver of all defects in notice unless the Member expressly objects at the beginning of the meeting to the transaction of any business because the meeting is not regularly called.

Section 7. Quorum. Quorum requirements are as set forth in the Articles.

Section 8. Adjournment. If a meeting otherwise duly called and convened, with requisite quorum present, is adjourned to another time or place, notice of the adjourned meeting is not required, if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. Any business may be transacted at the original meeting without additional notice and without reconstituting a quorum.

Section 9. Record Date. Any notice of a meeting of the Membership must be given to each Member as shown upon the Association's books as of the date such notice is given. Only those Members shown as Members in good standing upon the Association's books are entitled to vote at meetings.

Section 10. Proxies. Members may vote in person or by proxy at any meeting. All proxies are revocable and terminate automatically upon conveyance of title to the Member's Lot. All proxies must be in writing, dated, signed by the Member, and state the date, time and place of the meeting. All proxies expire ninety days from date unless otherwise expressly provided. A proxy is not revoked by incompetency or death until the Association receives written notice thereof. No person shall be permitted to vote more than five proxies at a meeting. A Member represented by a valid proxy at any meeting is "present" for all purposes.

Section 11. Membership List. A complete list of the Members entitled to vote at all meetings, and their respective addresses, must be kept on file at the Association's office, open to inspection by any member. The list also must be produced at the time and place of the meeting for inspection by any Member at any time during the meeting.

Section 12. Voting Requirements. Every act and decision done or made by a majority of the Members present at a meeting duly called at which a quorum is present is the act of the Membership, except where higher voting requirements are established by applicable provisions of the Articles or Declaration.

Section 13. Joinder in Minutes of Meeting. Members may join in the action of a meeting or any portion thereof by signing and concurring in the minutes or a selected portion thereof. Such joinder shall constitute the vote of the Members for the purpose of approval or disapproval of any matter and the presence of such Member for the purpose of establishing a quorum.

ARTICLE III

Board of Directors

Section 1. Number and Composition. The Board of Directors shall consist of at least three, but not more than nine Members, provided there shall not be an even number of Directors. Each Director continues in office until a successor has been elected and qualified, unless the Director sooner dies, resigns is removed, or is incapacitated or otherwise unable to serve. Directors need not be Association Members.

Section 2. Standard of Care. Each Director must perform all duties as a Director, including duties as a committee member: (1) in good faith; and (ii) in a manner the Director reasonably believes is in the best interest of this Association; and (iii) with such care as an ordinarily prudent person in a similar position would exercise under similar circumstances.

Section 3. Reliance. A Director is entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, prepared or presented by any of the following, unless the Director has actual knowledge that reliance is unjustified:

(a) Officers. One or more officers, employees, or managers of this Association whom the Director reasonably believes are reliable and competent in the matters presented.

(b) Professionals. Legal counsel, public accountants, architects, engineers, or other professionals as to matters that the Director reasonably believes are within such person's professional or expert competence.

(c) Committees. An Association committee upon which such Director does not serve, duly constituted pursuant to the Declaration, the Articles, or these Bylaws, as to matters within its designated authority, if the Director reasonably believes the committee merits confidence.

Section 4. Compensation. Any director may be reimbursed by the Board for actual expenses incurred in the performance of the Director's duties, but no Director may be paid any compensation by this Association for services rendered to the Association as a Director.

Section 5. Nomination. Nomination for election to the Board of Directors maybe made from among Members or non-Members by the Nominating Committee or from the floor at the annual meeting of the Members. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more Members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the Members to serve from the close of such annual meeting until the close of the next annual meeting. - The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled,

Section 6. Election. Election to the Board of Directors must be by secret written ballot, Each Member entitled to vote for the election of Directors may cast as many votes for each vacancy as the Member has under the provisions of the Declaration. The person receiving the largest number of votes cast by the Class A and Class B Members for each vacancy is elected. Cumulative voting is not permitted.

Section 7. Term of Office. The term of office for all Directors is one year, and any Director may succeed himself in office.

Section 8. Removal. Any Director, or the entire Board of Directors, may be removed with or without cause at any meeting called expressly for such purpose by a majority vote of the Members entitled to vote for the election of Directors.

Section 9. Vacancies. If a Director dies, resigns, is removed, or is incapacitated or otherwise unable to serve, the remaining Directors, even if less than a quorum, may fill such vacancy by majority vote. Any appointed Director serves only the unexpired term of his predecessor.

ARTICLE IV

Directors' Meetings

Section 1. Regular Meetings. The Board of Directors shall conduct regular meetings at such place and time as is fixed by Board resolution, but not less often than once annually during the month of October or November. If a regularly scheduled meeting falls on a legal holiday, such meeting is held at the same time on the next day that is not a legal holiday. All meetings of the Board must be open to all Members except for meetings between the Board and its attorney with respect to proposed or pending litigation where the contents of the discussion would otherwise be governed by the attorney-client privilege.

Section 2. Special Meetings. Special Board meetings must be held when called by the President, or by any two Directors, after not less than seven days prior notice to each Director, except in an emergency. Notice may be waived in writing at any time before, at, or after the meeting. Neither the business transacted at, nor the purpose of the special meeting need be specified in any written waiver.

Section 3. Notice and Quorum.

(a) **Notice.** Notices of all Board meetings must be posted in a conspicuous place in the Property at least forty-eight hours in advance of a meeting, except in an emergency. In the alternative, if notice is not posted in a conspicuous place in the Property, notice of each Board meeting must be mailed or delivered to each Member at least seven days before the meeting, except in an emergency. In the alternative, notice of Board meetings may be posted electronically in the Property intranet bulletin board or a schedule of Board meetings may be published on the intranet bulletin board or in a newsletter or similar publication mailed to each Member. Assessments 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 the assessment. A director's presence at any meeting constitutes a waiver of notice of such meeting and of any and all objections to the place or time of such meeting, or the manner in which it has been called or convened, unless the Director at the beginning of the meeting objects to the transaction of business because the meeting is improperly called or convened.

(b) **Quorum.** Except where the provisions of the Declaration expressly require action by two-thirds (2/3) of the Members of the Board of Directors, a majority of the Directors constitutes a quorum for all purposes. Every act and decision done or made by a majority of the Directors present at a meeting duly called at which a quorum is present constitutes the act of the Board. Where any provision of the Declaration expressly requires approval by two-thirds (2/3) or more of the Directors, the stated percentage constitutes the quorum for such action. Once established, a quorum is effective for all purposes, notwithstanding the subsequent withdrawal of one or more Directors.

Section 4. Conflict of Interest. No contract or other transaction between this Association and one or more of its Directors, or any entity in which one or more of this Associations Directors are directors, officers, or financially interested, is void or voidable because of such relationship or interest if:

(a) Board Disclosure. Such relationship or interest is disclosed or known to the Board of Directors that authorizes, or ratifies the contract or transaction by vote or written consent sufficient for such purpose without counting the votes or consents of the interested Directors; or

(b) Membership. Such relationship or interest is disclosed or known to the Members of the Association entitled to vote thereon and they authorize or ratify such contract or transaction by the requisite vote; or

(c) Fairness. Such contract or transaction if fair and reasonable to the Association at the time it is authorized by the Board or the Members.

Common or interested Directors may be present at the meeting of the Board or Membership that authorizes or ratifies such contract or transaction and may be counted in determining the presence of a quorum at any such meeting without rendering the contract or transaction void or voidable.

Section 5. Adjournment. A majority of the Directors present at any meeting duly called, regardless of whether a quorum exists, may adjourn the meeting to another time and place, but notice of such adjourned meeting must be given to the Directors not present at the time of adjournment.

Section 6. Voting. Any Director present at a Board Meeting at which action on any matter is taken is presumed to have assented to such action unless the Director:

(a) votes against the action; or

(b) abstains from voting because of an asserted conflict of interest.

Directors may not vote by proxy or by secret ballot at Board meetings, except that secret ballots may be used in the election of officers. A vote or abstention from voting on each matter voted upon for each director present at a Board meeting must be recorded in the minutes.

Section 7. Informal Action. Any Board action that is required or permitted to be taken at a meeting may be taken without a meeting if a written consent to such action is signed by all Directors and filed in the minutes of the Board's proceedings. Directors are deemed present at any meeting for all purposes if a conference telephone or similar communications equipment is used by means of which all persons participating in the meeting can hear each other.

Section 8. Declarant Representation. For so long as Declarant holds for sale in the ordinary course of business at least five percent (5%) of the total Lots within all phases of the Palermo PUD, Declarant shall be entitled to elect at least one member of the Board of

Directors. For so long as Declarant is a Member of the Association, Declarant shall have the right to receive notice of all meetings of the Directors or any committees of Directors and to attend and be heard at such meetings.

ARTICLE V

Powers of Board of Directors

Section 1. General. The Board has the power to exercise for and on behalf of this Association all powers, duties, and privileges vested in, or delegated to, this Association and not reserved to its Membership by any provision of these Bylaws, the Articles, or the Declaration. Without limitation, the Board may employ all managers, independent contractors, professional advisors, and employees and agents as the Board deems advisable, prescribe their duties, and fix their compensation, if any. The Board has the authority to contract for services and materials to be provided for the benefit of the Owners or the Property consistent with the provisions of the Declaration.

Section 2. Rules and Regulations. The Board has the power from time to time to adopt, amend, rescind, and enforce reasonable rules and regulations governing the use of all or any portion of the Property and this Association's activities, so long as such rules and regulations are consistent with the rights and duties established by the Articles and the Declaration.

Section 3. Enforcement.

(a) **Authority.** For material violation of any of the Governing Documents or the Regulations by a Member or his family Members, tenants, guests, contractors, agents or invitees, the Board has the authority to: (i) require any member to make restitution to this Association for any loss resulting from any violation; and/or (ii) impose reasonable fines; and/or (iii) suspend for a reasonable period of time, the rights of a Member or a Member's family Members, tenants, guests or invitees, or both, to use the Common Areas.

(b) **Procedures.** Imposition of any of the foregoing sanctions requires the following procedures:

(i) **Notice.** The party against whom the sanction is to be imposed shall be afforded an opportunity for hearing after reasonable notice of not less than fourteen days. The notice shall include:

- (1) A statement of the date, time and place of the hearing;
- (2) A statement of the provisions of the Declaration, Association Articles or Bylaws, or Association rules which have allegedly been violated; and,
- (3) A short and plain statement of the matters asserted by the Association.

(ii) Hearing. The alleged violation shall be presented to a committee of at least three Members appointed by the Board of Directors who are not officers, directors or employees of the Association, or the spouse, parent, child, brother or sister of an officer, director or employee of the Association (the "Committee"). The person(s) against whom the sanctions may be imposed shall have an opportunity to respond, to present evidence, to provide written and 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. A written decision of the Committee shall be submitted to the person(s) not later than twenty-one days after the hearing. If the Committee does not by majority vote approve the sanction, the sanction shall not be imposed.

(iii) Penalties. For each non-compliance or violation the Board of Directors may impose a fine not in excess of One Hundred Dollars (\$100.00). However, every day a non-compliance or violation is allowed to exist may be deemed another violation, provided that no such fine shall in the aggregate exceed One Thousand Dollars (\$1,000.00). For violations of the Governing Documents or Regulations pertaining to the use of Common Area recreational facilities or other common facilities, the Board may also suspend a Member's or Member's family Members, tenants, guests or invitees use of such facilities for a period not to exceed ninety days. The Board of Directors shall consider, among other factors, the nature of the violation and the number of prior violations of the same or similar rules or regulations by the violator.

(iv) Payment of Penalties. Fines shall be paid not later than ten days after receipt of notice of the imposition or assessment of a fine, and thereafter shall bear interest until paid at the interest rate adopted by the Board of Directors for delinquent assessments.

(v) Collection of Penalties. Fines shall be treated as an assessment subject to the provisions for the collection of assessments as set forth in the Declaration.

(vi) Application of Penalties. All monies received from penalties shall be allocated as directed by the Board of Directors.

(vii) Limitation. The requirements of this subsection do not apply to the imposition of suspensions or fines authorized by the Governing Documents upon any Member because of the failure of the Member to pay assessments or other charges when due.

Section 4. Suspension of Membership Rights. The Board is authorized, without prior notice, to suspend any Member's voting rights during any period in which the Member is more than ninety days delinquent in payment of any assessment levied by the Association.

Section 5. Assessments. The Board has the power to determine what assessments, if any, are to be levied pursuant to the Declaration.

Section 6. Indemnification. The Board has the power to provide indemnification for this Association officers, directors, employees (including volunteer employees), agents, and Members to the extent and in the manner from time to time permitted by the laws of the

State of Florida, except that the Board cannot provide indemnification for criminal, intentional or willful misconduct.

ARTICLE VI

Duties of Board of Directors

Section 1. General. The Board is responsible to see to the performance of all duties of the Association as set forth in the Declaration except to the extent specifically assigned to others by the Governing Documents. The Board shall keep a complete record of the minutes of its meetings and shall keep copies thereof available for inspection by Members at the annual meeting, or as special meetings when such statement is requested. The Board supervises all of the Association officers, agents, employees (including volunteer employees), committees, and contractors and sees that their respective duties are properly performed. The Board otherwise manages the affairs of this Association as provided in these Bylaws, the Articles, and the Declaration.

Section 2. Estoppel Certificates. Upon request by any interested Person, the Board shall cause an appropriate Association officer to issue a certificate as to the status of assessments with respect to any Lot. Such certificates bind this Association as of the date of issuance properly executed by an appropriate officer. The Board may make a reasonable, uniform charge for issuing such certificates.

Section 3. Financial. With the assistance of this Association's Treasurer, the Board prepares an annual budget and financial statements and causes an audit of this Association's financial statements to be made by an independent accountant whenever requested by a majority of Members present at a duly called meeting of Members. The Association's annual financial report shall be prepared within sixty days after the close of the fiscal year. The Association shall, within ten days of receipt of written request, provide a Member with a copy of the annual financial report or a written notice that a copy of the financial report is available upon request of 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:

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

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

Section 4. Insurance. The Board shall use best efforts to procure and maintain in force and effect at all times adequate public liability and fire extended coverage casualty insurance with respect to all property from time to time owned by this Association. The Board also must cause persons or entities employed, authorized, or contracted with to collect, disburse, and manage the Association's funds, including the Association's officers, directors, and uncompensated volunteers, to be bonded or insured with adequate fidelity

and errors and omissions coverage for the benefit of the Association. The premiums for the foregoing shall be paid from the Association funds.

Section 5. Management. Within the limits of available funds, the Board may employ such professional managers, accountants, attorneys, architects, and other professionals to assist the Board in the performance of its duties. The Board may contract with the Declarant or any other Person to manage the Association affairs, in whole or in part. No such management contract may be for a term longer than one year and must be terminable by the Association without cause upon not more than ninety days prior written notice.

ARTICLE VII

Committees

Section 1. Permanent Committees The Board shall appoint a Modification Committee, as provided in the Declaration, and a Nominating Committee, as provided by these Bylaws.

Section 2. Other Committees The Board from time to time may form and dissolve such other committees as the Board deems necessary or appropriate to assist or advise the Board in managing the Association's affairs. All committee Members are appointed by, and serve at the pleasure of, the Board unless the appointing authority is delegated by Board resolution to an officer. No such committee can be authorized to expend or commit the Association to expend any Association monies unless the action is ratified or approved by the Board. Committee Members need not be Members of this Association.

Section 3. Committee Meetings The provisions of Article IV, Section 3(a) Notice and Section 6 Voting of these Bylaws apply to all meetings of any committee, when a final decision will be made regarding the expenditures of Association funds, and to meetings of the Modifications Committee when architectural approval or disapproval of applications shall be decided.

ARTICLE VIII

Books and Records

Section 1. Official Records Enumerated. The Association shall maintain each of the following items, when applicable, which constitute the official records of the Association:

(a) Copies of any plans, specifications, permits, and warranties related to improvements constructed on the Common Areas or other property that the Association is obligated to maintain, repair, or replace.

(b) A copy of the Bylaws of the Association and of each amendment to the Bylaws.

(c) A copy of the Articles of Incorporation of the Association and of each amendment thereto.

(d) A copy of the Declaration and a copy of each amendment thereto.

- (e) A copy of the current Regulations of the Association.
- (f) The minutes of all meetings of the Board of Directors and of the Members, which minutes must be retained for at least seven years.
- (g) A current roster of all Members and their mailing addresses and Lot identifications.
- (h) All of the Association's insurance policies or a copy thereof, which policies must be retained for at least seven years.
- (i) A current copy of all contracts to which the Association is a party. Bids received by the Association for work to be performed are a part of the official records and must be kept for a period of one year.
- (j) The financial and accounting records of the Association, kept according to good accounting practices. All financial and accounting records must be maintained for a period of at least seven years. The financial and accounting records must include:
 - (i) Accurate, itemized, and detailed records of all receipts and expenditures.
 - (ii) A current account and a periodic 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.
 - (iii) All tax returns, financial statements, and financial reports of the Association.
 - (iv) Any other records that identify, measure, record, or communicate financial information.

Section 2. Inspection. All books, records, and papers of this Association will be open to inspection and copying during reasonable business hours within ten days after receipt of a written request by any Owner, any Mortgagee, insurer or guarantor of a First Mortgage, and by Declarant, so long as Declarant is a member of the Association. Such right of inspection may be exercised personally or by one or more representatives. Upon request, the Association also will furnish to any such Person copies (certified, if requested) of any of its books, records, and other papers, although the Association may make a reasonable, uniform charge for such copies and certification. The official records of the Association must be available for inspection by any Person at the Association's principal office, where copies also may be purchased at a charge to cover reproduction costs.

ARTICLE IX

Officers

Section 1. Enumeration. This Association's regular officers are a President, Vice President, Secretary, and Treasurer, who are elected at the first Board meeting of the newly elected Board following each annual meeting for a term of one year, and until their respective successors are elected and qualified, unless any such officer sooner dies, resigns, is removed, or is incapacitated or otherwise unable to serve.

Section 2. Special Offices. The Board of Directors may appoint such other officers as it deems advisable, each of whom will hold the office for such period, have such authority, and perform such duties as the Board from time to time determines.

Section 3. Resignation and Removal. Any officer may be removed by the Board with or without cause at any time. No officer has any vested right, privilege, or immunity with respect to any office. A resignation of any office need not be accepted to be effective. Vacancies are filled by Board appointment.

Section 4. Multiple Offices. No person simultaneously may hold more than one other regular office, except that the offices of Secretary and Treasurer may be held by the same person. Any regular officer also may hold one or more special offices.

Section 5. Duties. The duties of the regular officers are as follows:

(a) **President.** The President shall be the chief executive officer of the Association. He shall have all of the powers and duties which are 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 may in his discretion determine appropriate, to assist in the conduct of the affairs of the Association. He shall serve as chairman of all Board and Members' meetings.

(b) **Vice-President.** The Vice-President shall in the absence or disability of the President exercise the powers and perform the duties of the President. He shall also generally assist the President and exercise such other powers and perform other duties as shall be prescribed by the Directors.

(c) **Secretary and Assistant Secretary.** The Secretary shall keep the minutes of all proceedings of the Directors and the Members. He shall attend to the giving and serving of all notices to the Members and Directors and other notices required by law. 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 Association and as may be required by the Directors or the President. The Assistant Secretary, if any, shall perform duties of the Secretary when the Secretary is absent. The duties of the Secretary may be fulfilled by a manager employed by the Association.

(d) Treasurer. The Treasurer shall have custody of all property of the Association, including funds, securities and evidences of indebtedness. He shall keep the books of the Association in accordance with good accounting practices and provide for collection of assessments and shall perform all other duties incident to the office of Treasurer. The duties of the Treasurer may be fulfilled by a manager employed by the Association.

Any regular officer also may exercise such other powers, and discharge such other duties, as the Board from time to time may require or permit.

Adopted by the Board of Directors of Palermo Property Owners Association, Inc. a Florida corporation not for profit, effective January 18, 2006.

By: Paulette E. Ash
Print Name: Paulette E. Ash
Its Secretary