

BY-LAWS
OF
WATERFORD CROSSING HOMEOWNERS' ASSOCIATION

ARTICLE I

DEFINITIONS

SECTION 1. The following words, when used in these By-Laws and any amendments thereto (unless the context prohibits), shall have the following meanings:

(a) "Association" shall mean and refer to the Waterford Crossing Homeowners' Association which is a not-for-profit corporation under the laws of the State of Ohio.

(b) The "Properties" shall mean and refer to the property described in Article II and any additions made thereto in accordance with Article II.

(c) "Common Properties" shall mean and refer to those areas of land and improvements and facilities thereon, shown on any recorded subdivision plat of the Properties and intended to be devoted to the common use and enjoyment of all owners of the Properties. All Easement Areas and recreational facilities, unless specifically designated in writing upon any subdivision plat pertaining to such separate ancillary Declaration to be solely for the benefit of the members of such Unit Cluster Parcel or Condominium Property encumbered by said separate ancillary Declaration, shall be deemed to be Common Properties and all such recreational facilities shall be available for use by any owner of a Living Unit and by Developer.

(d) "Condominium Property" shall mean and refer to any building and related common and limited common areas which are dedicated to be a condominium project pursuant to Chapter 5311 of the Ohio Revised Code.

(e) "Condominium Unit" shall mean any Unit and its related limited common areas and its pro rata share of any common areas of a Condominium Property.

(f) "Developer" shall mean and refer to Kingswood Group, Inc. and its successors and assigns and an individual or entity to whom or to which Kingswood Group, Inc. or a successor Developer conveys all or substantially all of the real estate comprising the Properties which have not been previously conveyed and one (1) or more individuals or entities to whom or to which Kingswood Group, Inc. or a successor Developer, at any time or from time to time, assigns or conveys all or any portion of the rights and/or obligations of the Developer hereunder.

(g) "Development Period" shall mean the development of the residential community in stages, including, but not limited to, any additional properties which were added to and made a part of the Properties pursuant to Article II, with the Development Period to end on December 31, 2007.

(h) "Living Unit" shall mean and refer to any building, or any portion of a building situated upon a Lot, or any unit of Condominium Property and/or any Unit Cluster Parcel, situated within the Properties, designed and intended for use and occupancy as a residence by a single family.

(i) "Lot" shall mean and refer to any subplot (whether or not improved with a house) shown upon any recorded subdivision plat of the Properties and any sublots (whether or not improved with the house) which have been formed due to the further subdivision or consolidation of any subplot.

(j) "Member" shall mean and refer to all those Owners called members of the Association as provided in Article III, Section 1, hereof.

(k) "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Lot or Living Unit situated upon the Properties, but shall not mean or refer to the mortgagee thereof unless and until such mortgagee has acquired title pursuant to foreclosure, or any proceeding in lieu of foreclosure.

(l) "Residential Community" shall include and mean the maximum number of Living Unit which may be developed upon the Properties pursuant to the provisions of Article IV, Section 1 hereof, as said number may be adjusted from time to time pursuant to Article II hereof, including, but not limited to any additional properties which may be added to or made part of the Properties, pursuant to Article II hereof.

(m) "Unit Cluster Parcel" shall mean and refer to those areas of land shown on any recorded subdivision plat of the Properties and intended to be devoted to the uses allowed by Section 1252.32 of the Codified Ordinances of the City of Strongsville, or any other successor ordinance regulating Unit Cluster Developments.

(n) "City" shall mean the City of Strongsville, a municipal corporation organized and existing under the laws of the State of Ohio. It is specifically acknowledged by all parties to these Covenants and Restrictions that the "City" is a third party beneficiary to these Covenants and Restrictions and has the same authority to administer and enforce these Covenants and Restrictions as they relate to the open spaces, Common Properties, storm sewers and swales, and other Easement Areas as more fully set out herein, as does the Association or Developer. The City, as a third-party beneficiary to these Covenants and Restrictions and by giving its approval to these documents, shall in no way be deemed to have waived any of its zoning, building or other requirements of ordinances or general law which requirements shall still be binding upon the Properties if they are more restrictive than the requirements set out within these Covenants and Restrictions.

ARTICLE II

MEMBERSHIP

Section 1. Membership. Each person or entity who is a record Owner of a fee or undivided fee simple interest in any Lot or Living Unit shall automatically be a Member of the Association, provided that any such person or entity who holds such interest merely as a security for the payment of money or performance of an obligation shall not be a Member. When more than one persons hold such interest, or interests, in any Lot or Living Unit, all such persons shall be Members, but for quorum, voting, consenting and all other rights of Membership, such persons shall collectively be counted as a single Member, and entitled to one (1) vote for each such Lot or Living Unit, which vote for such Lot or Living Unit shall be exercised as they among themselves deem. Each such Member shall be jointly and severally liable for the payment of the assessments hereinafter provided with respect to such Lot or Living Unit.

Section 2. Rights Subject to Payment of Assessments. The rights of membership are subject to the payment of annual and special assessments levied by the Association, the obligation of which assessments is imposed against each Owner of and becomes a lien upon the property against which such assessments are made as provided by Article V of the Declaration of Covenants and Restrictions to which The Properties are subject.

Section 3. Suspension of Membership Rights. The membership rights of any person whose interest in The Properties is subject to assessments under Section 2 of this Article II, whether or not he be personally obligated to pay such assessments, may be suspended by action of the Trustees during the period when the assessments remain unpaid; but, upon payment of such assessments, his rights and privileges shall be automatically restored. If the Trustees have adopted and published rules and regulations governing the use of the Common Properties and facilities, and the personal conduct of any person thereon, as provided in Article V, Section 2 of these By-Laws, they may in their discretion, suspend the rights of any such person for violation of such rules and regulations for a period not to exceed thirty (30) days.

Section 4. Sale or Transfer of Lot or Living Unit. Membership may not be separated in any way from ownership of a Lot or Living Unit and upon the sale or transfer of title to a Lot or Living Unit, the membership of such assignor shall cease and terminate automatically, whether such transfer is voluntary or involuntary or by operation of law, provided, however, that if ownership is held in two or more names, the membership of the non-transferring owner shall in no way be effected.

ARTICLE III

VOTING RIGHTS

The Association (until the expiration of the Development Period, or until the occurrence of the event specified below, whichever event shall first occur) shall have two classes of voting Membership:

CLASS A: Class A Members shall be all Members (with the exception of the Developer until such time as the Developer's Class B votes are converted to Class A votes). Class A Members shall be entitled to one vote for each Lot or Living Unit owned by them; provided, however, that the Member is not in default with respect to the payment of any assessment or any other amount due the Association.

CLASS B: The Class B Member shall be the Developer. The Class B Member shall be entitled to two (2) votes for each Living Unit then owned by Developer and each Lot, Unit Cluster within a proposed Unit Cluster Parcel or Condominium Unit within a proposed Condominium Property then owned by Developer which constitutes a part of the Residential Community (as hereinbefore defined) provided that the Class B Membership shall cease and become converted to a Class A Membership on the happening of the following event:

When, or on the expiration of the Development Period, whichever event shall first occur, the total votes outstanding in the Class A Membership equal the total votes outstanding in the Class B Membership as computed upon the basis set forth above.

From and after the happening of the said event, the Class B Member shall be deemed to be a Class A Member and entitled to one vote for each Lot or Living Unit owned by it.

ARTICLE IV

PROPERTY RIGHTS AND RIGHTS OF ENJOYMENT

Section 1. Right of Enjoyment. Each Member shall be entitled to the use and enjoyment of the Common Properties as provided by Article IV of the Declaration of Covenants and Restrictions applicable to The Properties.

Section 2. Delegation of Rights. Any Member may delegate his rights of enjoyment in the Common Properties to his immediate household and guests or to any of his lessees who reside upon The Properties under a leasehold interest for a term of one (1) year or more. Such Member shall notify the Secretary in writing of the name of any such person and of the relationship of the Member to such person. The rights and privileges of such person are subject to suspension under Article II, Section 3 hereof, to the same extent as those of the Member, and are further subject to the reasonable rules and regulations of the Association governing the use of the Common Properties.

ARTICLE V

GENERAL POWERS OF THE ASSOCIATION

Section 1. Payments from Assessment Funds. The Association shall pay out of the fund hereinafter provided for, the following:

- (a) Care of Common Properties. Landscaping, gardening, snow removal, cleaning, maintenance, repair and replacements of the Common Properties and any of its facilities, the operation, maintenance and repair of any recreational facilities on The

Properties, a reasonable pro rata share of the costs of operation, maintenance and repair of such other recreational areas and facilities as may be made available for the non-exclusive use of all Owners (whether or not located on the Properties), and such other common expenses as the Association shall determine are necessary and proper;

- (b) **Wages and Fees for Services.** The services of any person or firm employed by the Association, including without limitation, the services of any person or persons required for the maintenance or operation of the Common Properties (including a recreation director, if any) and legal and/or accounting services, necessary and proper in the operation of The Properties or the enforcement of the Declaration and these By-Laws and for the organization, operation and enforcement of the rights of the Association;
- (c) **Capital Additions, Improvements and Replacements.** The Association's powers herein enumerated shall be limited in that the Association shall have no authority to acquire and pay for out of the maintenance fund any capital additions and improvements, having a total cost in excess of Fifty Thousand Dollars (\$50,000.00), nor shall the Association authorize any repair or replacement of existing facilities within the Common Properties requiring an expenditure in excess of Two Hundred Thousand Dollars (\$200,000.00) without in each case obtaining the prior approval of the Members of the Association entitled to exercise a majority of the voting power of the Association;
- (d) **Liability Insurance.** A policy or policies insuring the Association, the members of the Board and the Owners against any liability to the public or to the Owners of Lots or Living Units and their invitees or tenants, incident to the ownership and/or use of the Common Properties, the limits of which policy shall be reviewed annually;
- (e) **Workmen's Compensation.** Workmen's Compensation Insurance to the extent necessary to comply with any applicable laws;
- (f) **Discharge of Mechanic's Liens.** Any amount necessary to discharge any mechanic's lien or other encumbrance levied against The Properties or any part thereof which may in the opinion of the Association constitute a lien against the Common Properties rather than merely against the interests of particular Owners; it being understood, however, that the foregoing authority shall not be in limitation of any statutory provisions relating to the same subject matter. Where one or more Owners are responsible for the existence of such lien, they shall be jointly and severally liable for the cost of discharging it and any costs incurred by the Association by reason of said lien or liens shall be specifically assessed to said Owners;
- (g) **Additional Expenses.** Any other materials, supplies, labor, services, maintenance, repairs, alterations, insurance or assessments which the Association is required to secure or pay for pursuant to the terms of the Declaration and these By-Laws or

by law or which in the opinion of the Trustees shall be necessary or proper for the maintenance and operation of The Properties or the enforcement of the Declaration or these By-Laws.

Section 2. Rules and Regulations. The Association, by vote of the Members entitled to exercise a majority of the voting power of the Association, may adopt such reasonable rules and regulations and from time to time amend the same supplementing the rules and regulations set forth in the Declaration and these By-Laws as it may deem advisable for the maintenance, conservation and beautification of The Properties and for the health, comfort, safety and general welfare of the Owners and occupants of The Properties. Written notice of such rules and regulations shall be given to all Owners and The Properties shall at all times be maintained subject to such rules and regulations. In the event such supplemental rules and regulations shall conflict with any provisions of the Declaration or of these By-Laws, the provisions of the Declaration and of these By-Laws shall govern.

Section 3. No Active Business to be Conducted for Profit. Nothing herein contained shall be construed to give the Association authority to conduct an active business for profit on behalf of all the Owners or any of them.

Section 4. Delegation of Duties. Nothing herein contained shall be construed so as to preclude the Association, through its Board of Trustees and officers, from delegating to persons, firms or corporations of its choice such duties and responsibilities of the Association as the Trustees of the Association shall from time to time specify, and to provide for reasonable compensation for the performance of such duties and responsibilities.

Section 5. Applicable Laws. The Association shall be subject to and governed by the provisions of any statutes adopted at any time and applicable to The Properties, provided, however, that all inconsistencies between or among the permissive provisions of any statute and any provision of the Declaration and these By-Laws, shall be resolved in favor of the Declaration and these By-Laws, and any inconsistencies between any statute applicable to Associations formed to administer the Common Property shall be resolved in favor of the latter statute. In the event of any conflict or inconsistency between the provisions of the Declaration and the Articles or By-Laws of the Association, the terms and provisions of the Declaration shall prevail, and the Owners and all persons claiming under them covenant to vote in favor of such amendments in the Articles or By-Laws as will remove such conflicts or inconsistencies.

Section 6. Additions to Properties and Membership. Additions to The Properties may be made only in accordance with the provisions of Article II, Section 2, of the recorded Declaration of Covenants and Restrictions applicable to The Properties. Such additions, when properly made under the applicable covenants, shall extend the jurisdiction, functions, duties, and membership of the Association to such Properties.

ARTICLE VI

BOARD OF TRUSTEES

Section 1. Number and Qualifications. The affairs of the Association shall be managed by a board of five (5) Trustees, all of whom must be Members of the Association, or be officers or representatives of the Developer.

Section 2. Election of Trustees; Vacancies. The Trustees initially appointed by the Developer as Incorporator shall serve for an initial term as specified in Section 3 hereof. Thereafter, the Trustees (whose terms will expire on or prior to the meeting) shall be elected at each annual meeting of Members of the Association or at a special meeting called for the purpose of electing Trustees. At a meeting of Members of the Association at which Trustees are to be elected, only persons nominated as candidates shall be eligible for election as Trustees, and the candidates receiving the greatest number of votes shall be elected with the three individuals receiving the most votes to occupy the two-year Trustee term positions. All ties shall be resolved by lot. In the event of the occurrence of any vacancy or vacancies in the Board of Trustees, however caused, the remaining Trustees, though less than a majority of the whole authorized number of Trustees, may, by the vote of a majority of their number, fill any such vacancy for the unexpired term.

Section 3. Term of Office; Resignations. At the first meeting after the date hereof at which Trustees are to be elected, three (3) of the Trustee positions shall have a term of office of two (2) years and two (2) Trustee positions shall have a term of office of one (1) year. At the next annual meeting, the Trustee positions (with an initial term of one (1) year) shall thereafter have a term of two (2) years. Each Trustee shall hold office until the second annual meeting of the Members of the Association, following his election, and until his successor is elected, or until his earlier resignation, removal from office or death; provided, however, that the Trustees initially elected with one (1) year terms, as provided above, shall hold office as provided above except, effective for the initial term only, "first annual" shall be substituted for "second annual". Any Trustee may resign at any time by oral statement to that effect made at a meeting of the Board of Trustees or in a writing to that effect to take effect immediately or at such other time as the Trustee may specify. Members of the Board of Trustees shall serve without compensation.

Section 4. Organization Meeting. Immediately after each annual meeting of the Association, the newly-elected Trustees and those Trustees whose terms hold over shall hold an organization meeting for the purpose of electing officers and transacting any other business. Notice of such meeting need not be given.

Section 5. Regular Meetings. Regular meetings of the Board of Trustees may be held at such times and places as shall be determined by a majority of the Trustees; but at least four (4) such meetings shall be held during each fiscal year.

Section 6. Special Meetings. Special meetings of the Board of Trustees may be held at any time upon call by the President or any two Trustees. Written notice of the time and place of each such meeting shall be given to each Trustee either by personal delivery or by mail, telegram or telephone at least two (2) days before the meeting, which notice need not specify the

purpose of the meeting; provided, however, that attendance of any Trustee at any such meeting without protesting, prior to or at the commencement of the meeting, the lack of proper notice shall be deemed to be a waiver by him of notice of such meeting and such notice may be waived in writing either before or after the holding of such meeting, by any Trustee, which writing shall be filed with or entered upon the records of the meeting. Unless otherwise indicated in the notice thereof, any business may be transacted at any organization, regular or special meeting of the Trustees.

Section 7. Quorum; Adjournment. A quorum of the Board of Trustees shall consist of a majority of the Trustees then in office; provided, that a majority of the Trustees present at a meeting duly held, whether or not a quorum is present, may adjourn such meeting from time to time. If any meeting is adjourned, notice of such adjournment need not be given if the time and place to which such meeting is adjourned are fixed and announced at such meeting. At each meeting of the Board of Trustees at which a quorum is present, all questions and business shall be determined by a majority vote of those present, except as may be otherwise expressly provided in the Declaration or in these By-Laws.

Section 8. Removal of Trustees. At any regular or special meeting of Members of the Association duly called, at which a quorum shall be present, any one or more of the Trustees may be removed with or without cause by the vote of Members entitled to exercise at least seventy-five percent (75%) of the voting power of the Association, and a successor or successors to such Trustee or Trustees so removed shall then and there be elected to fill the vacancy or vacancies thus created. Any Trustee whose removal has been proposed by the Members of the Association shall be given an opportunity to be heard at such meeting.

Section 9. Fidelity Bonds. The Board of Trustees shall require that all officers and employees of the Association handling or responsible for Association funds shall furnish adequate Fidelity Bonds. The premiums on such bonds shall be paid by the Association and shall be a common expense.

Section 10. Indemnification of Trustees. Each Trustee shall be indemnified by the Owners against all expenses and liabilities, including attorneys' fees, reasonably incurred or imposed upon him in connection with any proceeding to which he may be a party, or which he may become involved, solely by reason of his being or having been a Trustee, or any settlement thereof, whether or not he is a Trustee at the time the expenses are incurred, except in such cases wherein the Trustee is adjudged guilty of willful misfeasance or malfeasance in the performance of his duties, provided, that in the event of a settlement, the indemnification shall apply only when the Board of Trustees approves such settlement and reimbursement as being for the best interests of the Board of Trustees and the Association.

ARTICLE VII

OFFICERS

Section 1. Election and Designation of Officers. The Board of Trustees shall elect a President, a Vice-President, a Secretary and a Treasurer. The Board of Trustees may also appoint an Assistant Treasurer, an Assistant Secretary and such other officers as in their judgment

may be necessary. The President and the Treasurer shall be members of the Board of Trustees and all officers shall be Members of the Association or an officer or representative of Developer.

Section 2. Term of Office; Vacancies. The officers of the Association shall hold office until the next organizational meeting of the Board of Trustees and until their successors are elected, except in the case of resignation, removal from office or death. The Board of Trustees may remove any officer at any time with or without cause by a majority vote of the Trustees then in office. Any vacancy in any office may be filled by the Board of Trustees.

Section 3. The President. The President shall preside at all meetings of the Board of Trustees, shall see that orders and resolutions of the Board of Trustees are carried out and shall sign all notes, checks, leases, mortgages, deeds, and all other written instruments, which shall be countersigned as provided below.

Section 4. The Vice-President. The Vice-President shall perform all the duties of the President in his absence.

Section 5. The Secretary. The Secretary shall be ex officio the secretary of the Board of Trustees, shall record the votes and keep the minutes of all proceedings in a book to be kept for the purpose. He shall sign all certificates of membership. He shall keep the records of the Association. He shall record in a book kept for that purpose the names of all Members of the Association together with their addresses as registered by such Members. He shall countersign all leases, mortgages, deeds and all other written instruments, along with the President, or in his absence, the Vice-President.

Section 6. The Treasurer. The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Trustees, provided, however, that a resolution of the Board of Trustees shall not be necessary for disbursements made in the ordinary course of business conducted within the limits of a budget adopted by the Board. The Treasurer shall sign all checks and notes of the Association, provided that such checks and notes shall also be signed by the President, or in his absence, by the Vice-President.

The Treasurer shall keep proper books of account and cause an annual audit or financial review of the Association books to be made by a certified public accountant at the completion of each fiscal year. He shall prepare an annual budget and an annual balance sheet statement and the budget and balance sheet statement shall be presented to the membership at its regular annual meeting.

Section 7. Other Officers. The Assistant Secretaries and Assistant Treasurers, if any, and any other officers which the Board of Trustees may appoint shall, respectively, have such authority and perform such duties as may be determined by the Board of Trustees.

Section 8. Delegation of Authority and Duties. The Board of Trustees is authorized to delegate the authority and duties of any officer to any other officer and generally to control the actions of the officers and to require the performance of duties in addition to those mentioned herein.

ARTICLE VIII

MEETINGS OF MEMBERS

Section 1. Annual Meeting. The regular annual meeting of the Members shall be held in the month of January of each year at a place and time designated in the notice of such meeting.

Section 2. Special Meetings. Special meetings of the Members for any purpose may be called at any time by the President, the Vice-President, the Secretary or the Treasurer, or by any two or more Members of the Board of Trustees, or upon written request of the Members who have a right to vote one-fourth of all of the votes of the entire membership or who have a right to vote one-fourth of the votes of the Class A membership.

Section 3. Notices of Meetings. Not less than seven (7) nor more than sixty (60) days before the day fixed for a meeting of the Members of the Association, written notice stating the time, place and purpose of such meeting shall be given by or at the direction of the Secretary of the Association or any other person or persons required or permitted by these By-Laws to give such notice. The notice shall be given by personal delivery or by mail to each Member of the Association who is an Owner of record of a Lot or Living Unit located in The Properties as of the day next preceding the day on which notice is given. If mailed, the notice shall be addressed to the Members of the Association at their respective addresses as they appear on the records of the Association. Notice of the time, place and purposes of any meeting of Members of the Association may be waived in writing, either before or after the holding of such meeting, by any Members of the Association, which writing shall be filed with or entered upon the records of the meeting. The attendance of any Member of the Association at any such meeting without protesting, prior to or at the commencement of the meeting, shall be deemed to be a waiver by him of notice of such meeting.

Section 4. Quorum; Adjournment. Except as may be otherwise provided by law or by the Declaration, at any meeting of the Members of the Association, the Members of the Association entitled to exercise a majority of the voting power of the Association present in person or by proxy shall constitute a quorum for such meeting, provided, however, that the Members of the Association entitled to exercise a majority of the voting power represented at a meeting of Members, whether or not a quorum is present, may adjourn such meeting from time to time. If any meeting is adjourned, notice of such adjournment need not be given if the time and place to which such meeting is adjourned are fixed and announced at such meeting.

Section 5. Majority Vote. For the purposes of these By-Laws, any requirement herein to "a majority of the voting power of the Association" shall mean the vote of the Class A and Class B Members voting as a whole as one combined class of stock, except as to the number of votes which each Class A and each Class B Member is entitled to vote. The vote of a majority of the total voting power of the Association at a meeting at which a quorum is present shall be binding upon all Members for all purposes except where in the Declaration, or these By-Laws or by law, a higher percentage vote is required.

Section 6. Order of Business. The order of business of meetings of the Members of the Association shall be as follows:

- (a) Calling of meeting to order.
- (b) Proof of notice of meeting or waiver of notice.
- (c) Reading of minutes of preceding meeting.
- (d) Reports of Officers.
- (e) Reports of Committees.
- (f) Election of Inspectors of election.
- (g) Election of Trustees.
- (h) Unfinished and/or old business.
- (i) New Business.
- (j) Adjournment.

Section 7. Place of Meetings. Meetings of Members may be held within or without the State of Ohio at the discretion of the Board of Trustees.

Section 8. Irregular Elections and Votes. Notwithstanding any good faith error or irregularities (including, but not limited to, the lack of a quorum) with respect to the nomination or election of any member of the Board or any officer of the Association or with respect to any action taken by the Association, all acts and omissions, in good faith and otherwise in compliance with the law and the Declaration and these By-Laws, shall be binding and effective as if such errors or irregularities had not occurred; provided, however, that the required notice to Association members or Board members was made in each case.

ARTICLE IX

PROXIES

Section 1. Authorized. At all corporate meetings of Members of the Association, each Member may vote in person or by proxy.

Section 2. Requirements and Duration. All proxies shall be in writing and filed with the Secretary prior to commencement of the meeting at which such proxy is to be voted. No proxy shall extend beyond a period of eleven (11) months, and every proxy shall automatically cease upon sale by the Member of his Lot or Living Unit.

Section 3. All Proxies Revocable. All proxies shall be revocable at any time by actual notice to the Secretary of the Association by the Member making such designation. Notice to the Association in writing or in open meeting of the revocation of the designation of a proxy shall not affect any vote or act previously taken or authorized.

ARTICLE X

DETERMINATION AND PAYMENT OF ASSESSMENTS

Section 1. Obligation to Pay Assessments. It shall be the duty of the Developer for each Lot with a house thereon and Living Unit owned by it and leased or rented to another person, and of each other Owner to pay his proportionate share of the assessment for the expenses of administration, maintenance and repair of the Common Properties and of the other expenses provided for herein. Such proportionate share shall be calculated by dividing the total amount of expenses by the total number of Lots and Living Units to be assessed and each assessment shall be in the same amount for each such Lot or Living Unit. Payment thereof shall be in such amounts and at such times as may be determined by the Board of Trustees of the Association, as hereinafter provided and in accordance with the provisions of the recorded Declaration of Covenants and Restrictions.

Section 2. Preparation of Estimated Budget. Each year on or before December 1st, the Association shall estimate the total amount necessary to pay the cost of wages, materials, insurance, services and supplies which will be required during the ensuing calendar year for the rendering of all services, together with a reasonable amount considered by the Association to be necessary for a reserve for contingencies and replacements and shall on or before December 15th notify the Owner of each such Lot and Living Unit in writing as to the amount of such estimate, with reasonable itemization thereof. Said "estimated cash requirement" shall be assessed to said Owners according to the proportionate shares set forth in Section 1 of this Article X. On or before January 1st of the ensuing year, the Owner of each such Lot and Living Unit shall be obligated to pay to the Association or as it may direct, the assessments made pursuant to this paragraph. On or before the date of the annual meeting of each calendar year, the Association shall supply to all Owners an itemized accounting of the maintenance expenses for the preceding calendar year actually incurred and paid together with a tabulation of the amounts collected pursuant to the estimates provided, and showing the net amount over or short of the actual expenditures plus reserves. Any builder who purchases a Lot from Developer shall have no liability to pay any general or special assessment for a period of one (1) year from the transfer of title to such Lot to such builder.

Section 3. Reserve for Contingencies and Replacements. The Association shall build up and maintain a reasonable reserve for contingencies and replacements. Extraordinary expenditures not originally included in the annual estimate which may be necessary for the year, shall be charged first against such reserve. If the "estimated cash requirement" proves inadequate for any reason, including non-payment of any Owner's assessment, the Association shall prepare an estimate of the additional cash requirements necessary, or necessary for the balance of the year, which additional amount of cash requirement shall be assessed to all of the Owners, and shall be considered as part of the annual assessment. The Association shall serve notice of such further assessment on all Owners by a statement in writing giving the amount and reasons therefor, and

such further assessment shall become due and payable no later than thirty (30) days after the delivery or mailing of such notice of further assessments.

Section 4. Budget for First Year. When the first Board of Trustees elected hereunder takes office, the Association shall determine the "estimated cash requirement", as hereinabove defined, for the period commencing thirty (30) days after the said election and ending on December 31st of the calendar year in which said election occurs. Assessments shall be levied against the Owners during said period as provided in Section 2 of this Article X.

Section 5. Failure to Prepare Annual Budget. The failure or delay of the Association to prepare or serve the annual or adjusted estimate on an Owner shall not constitute a waiver or release in any manner of such Owner's obligation to pay the maintenance costs and necessary reserves, as herein provided, whenever the same shall be determined, and in the absence of any annual estimate or adjusted estimate, the Owner shall continue to pay the annual charge at the existing rate established for the previous year until such new annual or adjusted estimate shall have been mailed or delivered.

Section 6. Books and Records of Association. The Association shall keep full and correct books of account and the same shall be open for inspection by any Owner or any representative of an Owner duly authorized in writing, at such reasonable time or times during normal business hours as may be requested by the Owner. Upon ten (10) days notice to the Board of Trustees and payment of a reasonable fee, any Owner shall be furnished a statement of his account setting forth the amount of any unpaid assessments or other charges due and owing from such Owner.

Section 7. Status of Funds Collected by Association. All funds collected hereunder shall be held and expended solely for the purposes designated herein, and (except for such special assessments as may be levied hereunder against less than all of the Owners, and for such adjustments as may be required to reflect delinquent or prepaid assessments) shall be deemed to be held for the use, benefit and account of all of the Owners in the proportion set forth in Section 1 of this Article X.

Section 8. Remedies for Failure to Pay Assessments. If an Owner is in default in the payment of the aforesaid charges or assessments for ten (10) days, the Board of Trustees may bring suit for and on behalf of themselves and as representatives of all of the Owners, to enforce collection thereof or to foreclose the lien therefor as provided in the Declaration; and, there shall be added to the amount due, the cost of said suit together with interest at the rate of three percent (3%) above the prime rate of interest from time to time charged by KeyBank and reasonable attorneys' fees to be fixed by the Court. To the extent permitted by the Declaration, any decision or any statute or law now or hereafter effective, the amount of any delinquent and unpaid charges or assessments, and interest, costs and fees as above provided, shall be and become a lien or charge against the ownership of the Owner involved when payable and may be foreclosed by action brought in the name of the Board of Trustees as in the case of foreclosure of liens against real estate, as provided in the Declaration. Any mortgagee shall be entitled to written notice of such failure to pay such assessment.

ARTICLE XI

AMENDMENTS

Section 1. Procedure. These By-Laws may be amended, at a regular or special meeting, provided that any matter stated herein to be or which is in fact governed by the Declaration of Covenants and Restrictions applicable to The Properties may not be amended except as provided in such Declaration.

Section 2. Conflicts. In the case of any conflict between the Covenants and Restrictions applicable to The Properties and these By-Laws, the Covenants and Restrictions shall control.

Section 3. Rights Not Impaired. No amendment shall be effective to impair or dilute any rights of Members that are governed by the recorded Declaration of Covenants and Restrictions applicable to The Properties (as, for example, membership and voting rights) which are part of the property interests created thereby.

ARTICLE XII

GENERAL PROVISIONS

Section 1. Copies of Notice to Mortgage Lenders. Upon written request to the Board of Trustees of any duly recorded mortgage or trust deed against any Lot or Living Unit, the Board of Trustees shall give such mortgage holder a copy of any and all notices permitted or required by the Declaration or these By-Laws to be given to the Owner or Owners whose Lot or Living Unit ownership is subject to such mortgage or trust deed.

Section 2. Service of Notice on Devisees and Personal Representatives. Notices required to be given any devisees or personal representatives, of a deceased Owner may be delivered either personally or by mail to such party at his, her or its address appearing on the records of the court wherein the estate of such deceased Owner is being administered.

Section 3. Disposition of Assets Upon Dissolution. Upon dissolution of the Association, the assets, both real and personal of the corporation, shall be dedicated to an appropriate public agency or utility to be devoted to purposes as nearly as practicable the same as those to which they were required to be devoted by the corporation. In the event that such dedication is refused acceptance, such assets shall be granted, conveyed and assigned to any non-profit corporation, association, trust or other organization to be devoted to purposes as nearly as practicable the same as those to which they were required to be devoted by the corporation. No such disposition of Association properties shall be effective to divest or diminish any right or title of any Member vested in him under the recorded Covenants and Restrictions applicable to The Properties unless made in accordance with the provisions of the Declaration of such Covenants and Restrictions.

Section 4. Dissolution Limitation. Notwithstanding any contrary provision of these By-Laws, the Association may not be dissolved unless and until the City has consented thereto in writing.

Section 5. Non-Waiver of Covenants. No covenants, restrictions, conditions, obligations or provisions contained in the Declaration of Covenants and Restrictions applicable to The Properties or these By-Laws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same irrespective of the number of violations or breaches which may occur.

Section 6. Agreements Binding. All agreements and determinations lawfully made by the Association in accordance with the procedures established in the Declaration and these By-Laws shall be deemed to be binding on all Owners, their successors, heirs and assigns.

Section 7. Severability. The invalidity of any covenant, restriction, condition, limitation or any other provision of these By-Laws, or of any part of the same, shall not impair or affect in any manner the validity, enforceability or effect of the rest of these By-Laws.

IN WITNESS WHEREOF, Kingswood Group, Inc., has executed these By-Laws as of this 4th day of April, 2003.

KINGSWOOD GROUP, INC.

By: 