

CODE OF REGULATIONS
OF
STRAWBERRY HILL RECREATION ASSOCIATION, INC.

ARTICLE I

Scope

These Regulations are not intended to state purposes or authorize powers different from or in addition to those provided in the Articles of Incorporation.

ARTICLE II

Definitions

As used in these Regulations, unless the context otherwise requires, the following terms shall have the same definition as set forth in the Declaration: Annual Meeting, Assessment, Association, Board, Class A Members, Class B Member, Default, Developer, Development Period, Dwelling Unit, Fiscal Meeting, Master Declaration, Owner, Parcel, Property, Recreation Facilities, Secretary of the Board and Trustee.

"Declaration" means the Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for Strawberry Hill Recreation Association, Inc. recorded with the Recorder of Warren County, Ohio at Deed Book 520, Page 454.

ARTICLE III

Membership

Every Owner shall be a member of the Association. During the Development Period, the Association shall have Class A Members (being all Owners except the Developer) and a Class B Member (the Developer). After the Class A Members are entitled to elect all of the Board, the Class B membership shall terminate, and the Developer, if it is then an Owner, shall become a Class A Member and continue as such so long as it shall remain an Owner.

ARTICLE IV

Meetings of Members

Section 1. Annual Meeting. In the year in which the Declaration shall become effective, the Annual Meeting shall be held on such date as the Board shall determine. Thereafter, the Annual Meeting shall be held on the first Wednesday in April of each year.

Section 2. Special Meetings. Special meetings of the members may be called at any time by the president (or, in case of the president's absence, death, or disability, the vice-president authorized to exercise the authority of the president), by the Board by action at a meeting, or a majority of the Trustees acting without a meeting, or upon written request of the members who are entitled to vote twenty-five percent (25%) of all of the votes of the Class A membership.

Section 3. Notice. Notice of the Annual Meeting shall be given by the Board to each member entitled to vote thereat either personally or by mail addressed to such member at his address appearing upon the Membership Book of the Association, at least fifteen (15) days (but not more than sixty (60) days) in advance of the date of the Annual Meeting. Such notice shall specify the place, date and hour of the Annual Meeting. Notice of special meetings shall be given to each member entitled to vote thereat either personally or by mail addressed to such member at his address appearing upon this Membership Book of the Association, at least fifteen (15) days (but not more than sixty (60) days) in advance of the date of such special meeting; and such written notice shall also state the place, day and hour of such meeting and the general nature of the business to be transacted. No business shall be transacted at a special meeting other than as stated in the purposes set forth in the notice. Notwithstanding the foregoing, nothing shall prevent the members of the Association from establishing any other procedure for the notification of members of the Annual Meeting or any special meeting.

Section 4. Place. Meetings of members may be held at the principal office of the Association, or at any other place within the County of Warren, State of Ohio.

Section 5. Quorum. The presence at a meeting of members entitled to cast, and/or of proxies entitled to cast, ten percent (10%) of the votes of each class of membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration, or these Regulations. If, however, such quorum shall not be present or represented at any meeting, the members entitled to vote thereat shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

Notwithstanding the above, with regard to any meeting at which action is to be considered which requires for adoption the consent or approval of more than a majority of any class of members present, a quorum shall constitute the presence of members entitled to cast, or of proxies, entitled to cast sixty percent (60%) of the votes of each class of membership; provided, however, that if such required quorum is not present at any such meeting, the members entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum of at least thirty percent (30%) of the votes of each class of membership shall be present in person and/or by proxy.

Section 6. Proxies. At all meetings of members, each member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary of the Board. No

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appointment of a proxy shall be valid after the earlier of the expiration of eleven (11) months after it is made or conveyance by the member of his Parcel. Proxies shall be revocable without affecting any vote previously taken by the grantor of the proxy giving notice to the Association in writing or in open meeting. Each proxy shall have the power of substitution.

Section 7. Adjourned meetings and notice thereof.

Any members' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of a majority of the members who are present in person; but in the absence of a quorum, no other business may be transacted at any such meeting.

When any members' meeting, annual or special, is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid, it shall not be necessary to give notice of any adjournment or of the business to be transacted at an adjourned meeting, other than by an announcement at the meeting at which such adjournment is taken.

Section 8. Action without meeting. Any action which may be taken at a meeting of the members may be taken without a meeting if authorized by a writing signed by all of the members who would be entitled to vote at a meeting for such purpose, and filed with the Secretary of the Board.

Section 9. Rules. The Board may make such rules, consistent with the terms of the Declaration, the Articles of Incorporation and these Regulations, as it deems advisable with respect to any meeting of members, proof of membership in the Association, evidence of right to vote, the appointment and duties of inspectors of votes, registration of members for voting purposes, voting by proxy and other matters concerning the conduct of meetings and voting. If the Board shall so determine, voting on elections and other matters may be conducted by mail or proxy.

ARTICLE V

Voting of Members

Section 1. Class A Members. Each Class A Member shall be entitled to one vote on each matter properly submitted to the members for each Dwelling Unit located on his Parcel and owned by such Class A Member; provided that any Class A Member (i) with respect to whom a certification of Default has been issued by the Review Board under Section 6.14 of the Master Declaration, or (ii) who has been issued a notification of Default pursuant to Section 11.01 of the Master Declaration, or (iii) who has had his right or privilege of use and enjoyment of the Recreation Facilities suspended pursuant to Section 7.1 of the Declaration, shall not be entitled to vote during any period in which any such Default or suspension continues; and further provided that if a Parcel shall be owned by more than

one Owner, such Owners shall be deemed to constitute a single Class A Member as to such Parcel for purposes of this Article.

Section 2. Class B Member. The Class B Member shall have one vote.

Section 3. Action by members. Except as otherwise provided by law, the Declaration, the Articles of Incorporation or these Regulations, all action required to be taken by the members of the Association shall be taken upon the affirmative vote of a majority of such members present at a meeting of members at which a quorum is present.

ARTICLE VI

Election and Number of Trustees

As provided in the Declaration, the initial Board until the first Annual Meeting shall consist of three Trustees elected by the Class B Member who shall serve until their respective successors are elected and qualified. At the first Annual Meeting, the membership of the Board shall expand to five Trustees. Thereafter, the membership of the Board shall expand from five to seven Trustees as the number of Class A Members increases. Trustees need not be members of the Association.

Except as otherwise hereinafter provided and except for the initial Board of three, Trustees shall be elected for two-year terms of office and shall serve until their respective

successors are elected and qualified. Any vacancy which occurs in the initial or any subsequent Board, by reason of death, resignation, removal, or otherwise, may be filled at any meeting of the Board by the affirmative vote of a majority of the remaining Trustees representing the same class of members who elected the Trustee whose position has become vacant. Any Trustee elected to fill a vacancy shall serve as such until the expiration of the term of the Trustee whose position he was elected to fill.

At the first Annual Meeting the Class B Member shall elect two Trustees for two-year terms and two Trustees for one-year terms. Thereafter, at each Annual Meeting the Class B Member, so long as it continues as a Class B Member, shall elect two Trustees for two-year terms.

At the first Annual Meeting, the Class A Members shall elect one Trustee for a two-year term. At the expiration of the term of such Trustee and at the expiration of the term of each successor of such Trustee, the Class A Members shall at the Annual Meeting elect a successor Trustee for a two-year term.

At the first Annual Meeting after the earlier of the date on which there are 125 or more Class A Members or December 31, 1979, the Class A Members shall elect a second Trustee for a two-year term unless such election coincides with the election of the first Trustee elected by the Class A Members, in which

case the initial term of such Trustee shall be for one year. At the expiration of the term of such second Trustee and at the expiration of the term of each successor of such second Trustee, the Class A Members shall at the Annual Meeting elect a successor second Trustee for a two-year term.

At the first Annual Meeting after the earlier of the date on which there are 250 or more Class A Members or December 31, 1980, the Class A Members shall elect a third Trustee for a two-year term unless such election coincides with the election of the second Trustee, in which case the initial term of such Trustee shall be one year. At the expiration of the term of such third Trustee and at the expiration of the term of each successor of such third Trustee, the Class A Members shall at the Annual Meeting elect a successor third Trustee for a two-year term.

After the earlier of (a) the date on which there are 375 or more Class A Members, or (b) the termination of the Development Period, or (c) December 31, 1981, all Trustees shall be elected by the Class A Members.

Notwithstanding anything above to the contrary, the Class B Member may, at any Annual Meeting, relinquish to the Class A Members the Class B Member's right to elect one or more Trustees at such Annual Meeting pursuant to this Article.

ARTICLE VII

Meetings of Trustees

Section 1. Fiscal Meeting. Annually, the Board shall hold a Fiscal Meeting to adopt a budget for the Association for the following calendar year and to determine whether any of the Assessment for the following calendar year should be reduced or whether any of the Assessment should be terminated. In the year in which this Declaration shall become effective, the Fiscal Meeting shall be held on such date as the Board shall determine. Thereafter, the Fiscal Meeting shall be held between December 1 and December 15 of each year. Each Fiscal Meeting shall be open to all Owners.

Section 2. Notice of Fiscal Meeting. Notice of the Fiscal Meeting shall be given by the Board to each member entitled to vote thereat either personally or by mail addressed to such member at his address appearing upon the membership Book of the Association, at least fifteen (15) days (but not more than sixty (60) days) in advance of the date of the Fiscal meeting. Such notice shall specify the place, date and hour of the Fiscal Meeting. Notwithstanding the foregoing, nothing shall prevent the members of the Association from establishing any other procedure for the notification of members of the Fiscal Meeting.

Section 3. Waiver, Reduction, Increase or Termination of Assessment.

(a) At any Fiscal Meeting, the Board may for the following calendar year reduce, waive or increase the Assessment computed pursuant to Section 3.2 of the Declaration; provided, however, that any increase in such figure computed pursuant to Section 3.2 of the Declaration shall be subject to the approval by (a) 66-2/3% of the votes cast by the Class A Members who are voting in person or by proxy at a meeting duly called for such purpose at which a quorum is present, and (b) the Class B Member voting in person or by proxy at such meeting. Every action taken by the Board pursuant to this Article in reducing, waiving or increasing the Assessment shall be governed by, and taken with reference to, the fiscal requirements of the Association for the following calendar year as reflected in the budget for that year adopted by the Board, which budget shall include provision for reasonable reserves for contingencies, replacements and working capital.

(b) At any Fiscal Meeting, the Board may terminate the Assessment; provided, however, that any action by the Board relating to the termination of the Assessment shall be taken only after the Board has determined that the Assessment is not needed for any of the purposes for which the Assessment has been established as set forth in Section 2.2 of the Declaration.

Section 4. Other Regular Meetings and Special Meetings.

Within one week after the Annual Meeting, the Board shall hold an annual meeting at which it shall elect officers of the Association. The Board may, by by-law or resolution, provide for other regular meetings of the Board in addition to the Fiscal Meeting and such annual meeting. Special meetings of the Board may be held at any time upon call of the president, the vice-president, or any two members of the Board.

Section 5. Notice of meetings. Written notice of the time and place of each fiscal or other regular or special meeting of the Board shall be given to each Trustee at his last known address at least three days prior to the date of such meeting, or such notice may be personally delivered or telegraphed to each Trustee not less than 48 hours before such meeting. Such notice need not specify the purpose of the meeting and may be waived in writing, either before or after the holding of any such meeting, by any Trustee. The attendance of any such 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 proper notice of such meeting. Notice of adjournment of a meeting need not be given if the time and place to which it is adjourned is fixed and announced at such meeting.

Section 6. Places of meetings. Any meeting of the Board may be held at such place as is specified in the notice of said meeting.

Section 7. Voting and quorum. The action of a majority of the Trustees present at a meeting at which a quorum is present shall be the act of the Board. A majority of the total authorized number of Trustees shall constitute a quorum for the transaction of business at any meeting, provided that whenever less than a quorum is present at any time and place appointed for a meeting of the Board, a majority of those present may adjourn the meeting from time to time without notice, other than by announcement at the meeting, until a quorum is present.

Section 8. Actions by Trustees without a meeting. Any action which may be authorized or taken at a meeting of the Trustees may be authorized or taken without a meeting in a writing or writings approved and signed by all of the Trustees. Any such writing shall be filed with or entered upon the records of the Association.

ARTICLE VIII

Powers of the Board of Trustees

Section 1. Powers and Duties. The Board shall have the power to exercise for the Association all powers, privileges and authority, and shall cause to be performed by the Association all duties and obligations, vested in or reserved or delegated

to the Association and not reserved to the members by the Declaration, Articles of Incorporation or Regulations. Without limitation, it shall be the duty of the Board to:

(a) supervise all officers, agents and employees of the Association, and to see that their duties are properly performed;

(b) as more fully provided in the Declaration, to take all action with regard to the determination and collection of the Assessment;

(c) procure and maintain adequate liability and hazard insurance on property owned by the Association;

(d) cause all officers or employees having fiscal responsibilities to be bonded, to the extent it may deem appropriate;

(e) cause the Recreation Facilities to be maintained;
and

(f) adopt and enforce rules regarding use of the Recreation Facilities as provided in the Declaration.

The Board shall cause to be kept a complete record of all its acts and corporate affairs and shall present a statement thereof to the members at the Annual Meeting, or at any special meeting, when such statement is requested in writing by one-fourth (1/4) of the Class A Members who are entitled to vote.

Section 2. Delegation of Duties. Nothing herein contained shall be construed so as to preclude the Association, through the Board and its officers, from delegating to persons, firms or corporations of its choice, including any manager or managing agent, such duties of the Association as the Trustees shall from time to time specify, and to provide for reasonable compensation for the performance of such duties.

ARTICLE IX

Officers and Their Duties

Section 1. Enumeration of Officers. The officers of the Association shall be a president and vice-president, who shall at all times be members of the Board, a Secretary of the Board, and a treasurer, and such other officers as the Board may from time to time appoint.

Section 2. Election and Terms of Officers. The election of officers shall take place at the first meeting of the Board following each Annual Meeting. Each officer shall hold office for one (1) year or until he shall sooner resign, be removed, or otherwise be disqualified to serve, and until his successor shall be elected and qualified.

Section 3. Special Appointments. The Board may elect such other officers as the affairs of the Association may

require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 4. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, the president or the Secretary of the Board. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 5. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 6. Multiple Offices. The offices of the Secretary of the Board and treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 3 of this Article.

Section 7. Duties. The duties of the officers are as follows:

(a) President. The president shall be the chief executive officer of the Association and shall, subject

to the control of the Trustees, have general supervision, direction, and control of the business and officers of the Association. He shall preside at all meetings of the members and at all meetings of the Trustees. He shall have the general powers and duties of management usually vested in the office of the president of a nonprofit corporation, he may execute all authorized deeds, contracts and other obligations of the Association, and he shall have such other powers and duties as may be prescribed by the Board, the Declaration or these Regulations.

(b) Vice-President. In the absence or disability of the president, the vice-presidents in order of their rank as fixed by the Board -- or, if not ranked, the vice-president designated by the Board -- shall perform all the duties of the president, and when so acting, shall have all of the powers of, and be subject to all the restrictions upon, the president. The vice-president shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Trustees, the Declaration or these Regulations.

(c) Secretary of the Board. The Secretary of the Board shall keep, or cause to be kept, a book of minutes at the principal office of the Association, or such other place as the Board may order, of all meetings of the Board and members, with the time and place of holding, whether

special or regular, and if special, how authorized, the notice thereof given, the names of those present at Board meetings, the number of members present at members' meetings, and the proceedings thereof. He shall also keep and maintain a membership book.

The Secretary of the Board shall give, or cause to be given, notice to members and Trustees required by these Regulations or by law to be given and shall have such other powers and perform such other duties as may be prescribed by the Board, the Declaration or these Regulations.

(d) Treasurer. The treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Association, including accounts of its assets, liabilities, receipts, disbursements, gains and losses.

The treasurer shall deposit all moneys and other valuables in the name and to the credit of the Association with such depositaries as may be designated by the Board. He shall disburse the funds of the Association as may be ordered by the Board; shall render to the president and the Board, whenever they request it, and account of all of his transactions as treasurer, and of the financial condition of the Association; shall sign all checks and promissory notes of the Association; shall cause an annual audit of the Association to be made in accordance with

Article XVI, Section 4, of these Regulations, shall cause a statement of income and expenditures for the past fiscal year to be presented to the members at the Annual Meeting of members and to thereafter be made available to members upon written request; and shall have such other powers and perform such other duties as may be prescribed by the Board, the Declaration or these Regulations.

ARTICLE X

Committees

The Board shall appoint such committees as it shall deem appropriate in carrying out its purpose, and performing its powers, duties and obligations.

ARTICLE XI

Books and Records

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any member. The Declaration, the Articles of Incorporation and the Regulations of the Association shall be available for inspection by any member at the principal office of the Association, where copies may be purchased at reasonable cost.

ARTICLE XII

Assessments and Lien

As more fully provided in the Declaration, each member is obligated to pay to the Association an Assessment (and special assessments as provided) which is secured by a continuing lien upon the Parcel against which the Assessment is made. If the Assessment (and special assessments) is not paid as provided in the Declaration, then, among other things, the Association may bring an action to foreclose the lien in accordance with the Declaration.

ARTICLE XIII

Amendments

These Regulations may be amended, at a regular or special meeting of the members, by (a) 66-2/3% of the votes cast by the Class A Members who are present in person or by proxy duly called for such purpose at which a quorum is present, and (b) the Class B Member voting in person or by proxy at such meeting; provided, however, that these Regulations may not be amended if such amendment will result in these Regulations being inconsistent or in conflict with the Declaration; further provided that Article XV may be amended by the Board without the consent of members as specified in Article XVI; and further provided that while there is a Class B Member, the Federal Housing Administration or the Veterans Administration shall have the right to veto amendments by delivering to the

Association written notice of such veto within thirty (30) days after the date of written notice to FHA and VA of such amendment.

ARTICLE XIV

Limitation of Liability and Indemnification of Trustees, Officers, and Employees

(A) No person shall be liable to the Association for any loss or damage suffered by it on account of any action taken or omitted to be taken by him as a Trustee, officer or employee of the Association, if such person (a) in good faith exercised or used the same degree of care and skill as a prudent man would have exercised or used under the circumstances in the conduct of his own affairs, or (b) in good faith took, or omitted to take, such action in reliance upon advice of counsel for the Association or upon the books and records of the Association, upon reports made to the Association by an officer or employee or by any other person selected for the purpose with reasonable care by the Association, or upon financial statements or written reports prepared by an officer or employee of the Association in charge of its accounts or certified by a public accountant or firm of public accountants, or (c) in good faith considered the assets to be of their book value or followed what he believed to be sound accounting and business practices.

(B) In case any person was or is a party, or is threatened to be made a party, to any threatened, pending, or

completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, other than an action by or in the right of the Association, by reason of the fact that he is or was a Trustee, officer or employee, of the Association, or is or was serving at the request of the Association as a Trustee, director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, the Association shall indemnify such person, against expenses, including attorneys' fees, judgments, decrees, fines, penalties, and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit, or proceeding, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Association, and with respect to any matter the subject of a criminal action, suit, or proceeding, he had no reasonable cause to believe that his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, or conviction, or upon a plea of nolo contendere or its equivalent, shall not, itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Association, and with respect to any matter the subject of a criminal action, suit or proceeding, that he had reasonable cause to believe that his conduct was unlawful.

(C) In case any person was or is a party, or is threatened to be made a party, to any threatened, pending, or

completed action or suit by or in the right of the Association, to procure a judgment in its favor by reason of the fact that he is or was a Trustee, officer, or employee of the Association, or is or was serving at the request of the Association as a Trustee, director, officer, employee or agent of another corporation, partnership, joint venture, trust, or other enterprise the Association shall indemnify such person, against expenses, including attorneys' fees, actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Association, except that no indemnification shall be made in respect of any claim, issue, or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Association, unless and only to the extent that the Court of Common Pleas, or the Court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability, but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses as the Court of Common Pleas or such other Court shall deem proper.

(D) To the extent that a Trustee, officer or employee has been successful on the merits or otherwise in defense of any action, suit, or proceeding referred to in paragraphs (B) and (C) of this Article XIV or in defense of any claim, issue,

or matter therein, the Association shall indemnify him against expenses, including attorneys' fees, actually and reasonably incurred by him in connection therewith.

(E) Any indemnification under paragraphs (B) and (C) of this Article XIV, unless ordered by a court, shall be made by the Association only as authorized in the specific case upon a determination that indemnification of the Trustee, officer or employee is proper in the circumstances because he has met the applicable standard of conduct set forth in paragraphs (B) and (C) of this Article XIV. Such determination shall be made (1) by a majority vote of a quorum consisting of Trustees who were not and are not parties to or threatened with any such action, suit, or proceeding, or (2) if such quorum is not obtainable or if a majority vote of a quorum of disinterested Trustees so directs, in a written opinion by independent legal counsel other than an attorney, or a firm having associated with it an attorney, who has been retained by or who has performed services for the Association, or any person to be indemnified within the past five years, or (3) by the Court of Common Pleas or the Court in which such action, suit, or proceeding was brought. Any determination made by the disinterested Trustees under subparagraph (1) of this paragraph (E) or by independent legal counsel under subparagraph (2) of this paragraph (E) shall be promptly communicated to the person who threatened or brought the action or suit by or in the right of the Association referred to in paragraph (C) of this Article

XIV, and if, within ten (10) days after the receipt of such notification, such person shall petition the Court of Common Pleas or the Court in which such action or suit was brought to review the reasonableness of such determination, no action in implementing such determination shall be taken until after the final judgment of such Court has been had and such determination has been modified to the extent necessary to accord with such judgment; however, if, after such ten-day period, such person shall not have petitioned the Court of Common Pleas or the Court in which such action or suit was brought to review the reasonableness of such determination, the Association shall proceed to implement such determination.

(F) Expenses, including attorneys' fees, incurred in defending any action, suit or proceeding referred to in paragraphs (B) and (C) of this Article XIV, may be paid by the Association in advance of the final disposition of such action, suit or proceeding as authorized by the Trustees in the specific case upon the receipt of an undertaking by or on behalf of the Trustee, officer or employee to repay such amount, unless it shall ultimately be determined that he is entitled to be indemnified by the Association as authorized in this Article XIV.

(G) The indemnification provided by this Article XIV shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled as a matter of

law, under any insurance policy purchased by the Association, under the Articles or the Regulations of the Association, or any agreement, vote of disinterested Trustees, or otherwise, both as to action in his official capacity or as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a Trustee, officer or employee and shall inure to the benefit of the heirs, executors, and administrators of such a person.

(H) The Association may purchase and maintain insurance on behalf of any person who is or was a Trustee, officer, employee, or agent of the Association or is or was serving at the request of the Association as a Trustee, director, officer, employee, or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Association would have indemnified him against such liability under this Article XIV.

ARTICLE XV

Reserves

All amounts placed in the reserve for contingencies and replacements and all amounts allocable to the cost of any capital addition or capital improvement to the Recreation Facilities shall be contributions to the capital of the

Association, and the portion of each Assessment payment made by each Owner which is allocable to the reserve for contingencies and replacements or to the cost of any capital addition or capital improvement shall be separately designated for that purpose on the records of the Association and on any assessment notices sent to any Owners. All such reserve or capital amounts shall be kept in a separate trust account and shall be used only for the purposes specified in the Declaration and designated on the records of the Association. Any amount of the Assessment accumulated in excess of the amount required for actual expenses, reserves and capital additions and improvements shall either, in the sole discretion of the Board, be returned to the Owners or credited toward the next due installment of Assessment.

ARTICLE XVI

Miscellaneous

Section 1. Fiscal Year. The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

Section 2. Compliance with Internal Revenue Code. The Board may, in its sole discretion, take any action which it deems necessary as to the collection, holding, disbursement or categorization of funds constituting reserves for contingencies, replacements, or capital or other improvements

in order to comply with the provisions of the Internal Revenue Code, Regulations and/or any ruling by the Internal Revenue Service as to the noninclusion of such funds in the taxable income of the Association. Such action may include, without limitation, amendment of Article XV by the Board without the necessity of consent of members.

Section 3. Nonprofit Status. No Trustee, officer, or employee of, or member of a committee of, or person connected with the Association shall receive at any time any of the net earnings or pecuniary profit from the operations of the Association, provided that this shall not prevent the payment to any such person of such reasonable compensation for services rendered to or for the Association in effecting any of its purposes as shall be fixed by the Board.

Section 4. Annual Audit. The books of the Association shall be audited once a year by a certified public accountant at the Association's expense, and such audit shall be completed prior to each Annual Meeting.

Section 5. Conflict. In the case of any conflict between the Articles of Incorporation and these Regulations, the Articles shall control; and in the case of any conflict between the Declaration and these Regulations, the Declaration shall control.