

PARAMONT SERVICES ASSOCIATION, INC.
BY-LAWS

I. IDENTITY

These are the By-Laws of Paramont Services Association, Inc. (hereinafter referred to as "Corporation" in these By-Laws) a corporation not for profit under the laws of the State of Kentucky. The Corporation has been organized for the purpose of owning, operating, maintaining, and replacing the Paramont Estates Sewer Treatment Plant, Kentucky permit No. KY0090107.

A. Office

The office of the Corporation shall be at 1051 Clark Street, Abingdon, Virginia 24210.

B. Fiscal Year

The fiscal year of the Corporation shall be the calendar year.

II. MEMBERS' MEETINGS

A. Annual Meeting

The annual members' meeting may be held in conjunction with or immediately following the annual meeting of the Paramont Homeowner's Association, Inc. ("PHOA"), currently set on the second Saturday in November, in each year at 10:00 o'clock a.m. local time at such place in Oldham County, Kentucky, as the majority of the Board of directors (hereinafter referred to as the "Board") or the President shall determine. If such date is a local holiday, the meeting shall be held at the same hour on the next day which is not such a legal holiday. At each annual meeting, the members shall elect members of the Board and transact any other business authorized to be transacted. Board members first elected by the membership of the Corporation shall serve until removed.

B. Special Members' Meetings

Special members' meetings, to be held at the place provided for annual meetings, may be called by the President or by a majority of the Board. A special meeting must be called by those officers upon receipt of a written request from a majority of the members of the Corporation. The business conducted at a special meeting shall be limited to that stated in the notice of the meeting.

C. Notice

Written notice of a meeting of members stating the time and place and the purpose for which the meeting is called shall be given by the officer calling the meeting. A copy shall be mailed by regular mail, with proof of mailing receipt, to each member entitled to attend the meeting except members who waive the notice in writing. The mailing shall be to the address of the member as it appears on the roster of members. The posting and mailing shall be 14 days prior to the date of the meeting. Proof of posting and mailing of the notice shall be given by the affidavit of the person serving the notice, who shall also retain all

proof of mailing receipts as evidence of written notice. Notice of a meeting may be waived before or after the meeting. Members of the Corporation may take action by written agreement, signed by a majority of the members of the Corporation without meeting. Further, Notice of the Corporation's meeting may be combined with the Notice of the Paramont Homeowner's Association for efficiency purposes. Proxies utilized for PHOA action may be utilized for the Corporation's business as well.

D. Quorum

The owners of a majority of the memberships set forth below shall constitute a quorum, with each membership being equal to one vote. Decisions shall be made by owners of a majority of the votes represented at a meeting at which a quorum is present. The acts approved by a majority of the votes cast at a meeting at which a quorum is present shall constitute the acts of the members, except when approval by a greater number of members is required by the Articles of Incorporation or these By-Laws.

E. Voting

The Corporation shall have three (3) classes of membership:

Class A: Each of the record owners of a lot in Paramont Estates Subdivision governed by the PHOA (and any additions thereto) and to which has been or may be granted one Equivalent Residential Connection as an appurtenance to their lot (herein "Class A Member"), by Paramont, Ltd., the Developer of said subdivision; The number of Class A memberships as of this incorporation is approximately 161 (151 lots plus 10 for the Clubhouse lot), or 161 votes. The number of Class A shares may be increased by the Developer offering for inclusion into Paramont Estates, subject to approval and acceptance by PHOA, additional lots to Paramont Estates consistent with the Declaration of Covenants, Conditions, and Restrictions for Paramont Estates, reference to which is hereby made. Subject to the provisions set forth herein providing for the Developer increasing the number of Class B shares, for every additional Class A membership created one Class B membership shall be deleted.

Class B: The Class B member shall be the Developer, Paramont, Ltd., and it shall be entitled to ten (10) votes for each membership, being an Equivalent Residential Connection of capacity created from time to time, with an initial voting of 139 memberships, or 1390 votes.

Class C: The Class C members shall be new members in the Corporation designated by Paramont, Ltd. consistent with the provisions herein and shall have one membership and one vote for each Equivalent Residential Connection assigned to them by the Developer. Subject to the provisions set forth

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herein providing for the Developer increasing the number of Class B shares, for every additional Class C membership created one Class B membership shall be deleted.

The membership rights (including voting rights) of any member may be suspended by action of the Board of Directors if such member shall have failed to pay, when due, any assessment or charge lawfully imposed upon him or any property owned by him, or if the member, his family, his tenants, or guests of any thereof, shall have violated any rule or regulation promulgated by the Board of Directors regarding the use of any property or conduct with respect thereto.

F. Proxies

Members may vote by written proxy. A proxy expires 90 days from the date thereof and may be used only for the purpose for which it is given. To be effective for a meeting, a proxy must be filed with the secretary-treasurer before a vote is taken on an official business act upon which the proxy is to be counted. All proxies are to be entered into the record of the minutes of the meeting.

G. Adjourned Meetings

Any meeting of members that cannot be organized because of lack of a quorum may be adjourned from time to time, until a quorum is present. At any such adjourned meeting, any business that might have been transacted at the meeting as originally called may be transacted without further notice.

H. Voters' List

The secretary-treasurer shall furnish and certify a list of the members entitled to vote at each meeting and the list shall indicate the number of votes of each member. Only those persons whose names appear on such certified list shall be entitled to vote at such meeting.

I. Order of Business

The order of business at members' meetings shall be:

1. Call to order by President;
2. Calling of the roll and certifying of proxies;
3. Proof of notice of meeting or waiver of notice;
4. Reading and disposal of minutes;
5. Reports of officers;
6. Reports of committees;
7. Election of inspectors of elections;
8. Determination of number of Board members;
9. Election of Board members;
10. Old Business
11. New Business
12. Adjournment

J. Proviso

No proceedings of any meeting of members of the Corporation shall have any effect unless approved by the Board, until a majority of the Board is elected by members other than the developer of Paramont Estates.

K. Minutes

The minutes of all meetings of members and the Board shall be kept in a book available for inspection by the members, or their authorized representatives, and Board members at any reasonable time. The Corporation shall retain these minutes for a period of not less than seven (7) years.

III. Board of Directors

A. Membership

The affairs of the Corporation shall be managed by a Board of directors composed of not less than three (3) members.

B. Election of Board Members

Election of Board members shall be held at the annual members' meeting. Any member, representative thereof, desiring to be a candidate for Board membership may be nominated from the floor. The developer, however, shall have sole authority to appoint or remove members of the first Board, and successors thereto, until a majority of the Board is elected by Class A and Class C members.

C. Vacancies

Vacancies on the Board shall be filled by the Board and serve until the next election of new Board members occurs.

D. Removal

Any member of the Board may be recalled and removed from office with or without cause by the affirmative vote or agreement in writing of a majority of the votes. A special meeting of the Board may be called by at least twenty percent of the eligible votes to be cast giving notice of the meeting as required for a meeting of members, and the notice shall state the purpose of the meeting.

E. Term

The term of a Board member extends until the next annual meeting or subsequently until his successor is duly elected and qualified or until he is removed.

F. Organization Meeting

The organizational meeting of a newly-elected Board shall be held within ten days of its election at such place and time as shall be fixed by the Board at the meeting at which it was elected. No further notice of the organization meeting is necessary.

G. Regular Board Meetings

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All Board meetings shall be open to all lot owners. Regular meetings of the Board may be held at such time and place as shall be determined by a majority of the Board.

H. Special Board Meetings

Special meetings of the Board may be called by the president at any time. At the written request of two members of the Board, the secretary-treasurer must call such special meeting. Notice of special meetings shall state the time, place and purpose of the meeting.

I. Notice of Meetings

Notice of every meeting shall be given to each member of the Board personally or by mail, telephone or telegraph and shall be transmitted at least three (3) days prior to the meeting.

J. Waiver of Notice

Any Board member may waive notice of any Board meeting before or after the meeting. Such waiver shall be deemed equivalent to the giving of notice.

K. Action Without Meeting

Subject to applicable law, the Board may take action by written agreement.

L. Quorum

A quorum at a Board meeting shall consist of a majority of the members of the Board. Acts of a majority of those present at a meeting at which a quorum is present shall constitute acts of the entire Board except when approval by a greater number of Board members is required by the Articles of Incorporation, these By-Laws, or applicable law.

M. Adjourned Meetings

Any meeting of the Board when there is less than a quorum present may be adjourned from time to time until a quorum is present. At any such adjourned meeting, any business that might have been transacted at the meeting originally called may be transacted without further notice.

N. Order of Business

The Order of business at a Board meeting shall be:

1. Calling of roll;
2. Proof of due notice of meeting;
3. Reading and disposal of minutes;
4. Reports of officers and committees;
5. Election of officers;
6. Old business;
7. New business;
8. Adjournment.

O. Board Compensation

No Board member shall receive compensation for service in such capacity.

P. Powers and Duties of Board

The Board shall have all of the powers and duties of the Corporation existing under the laws of the State of Kentucky, Articles of Incorporation and these By-Laws. All such powers shall be exercised exclusively by the Board, its agents, contractors or employees.

O. Officers

The officers of the Board shall be a president, a vice-president and a secretary-treasurer, each of whom shall be elected annually by a majority of the Board present at a meeting at which a quorum is present. The Board may appoint other officers and grant them the duties it deems appropriate. Officers serve at the pleasure of the Board. A person may hold more than one office except that the president may not also be the secretary-treasurer. No person shall sign an instrument nor perform an act in the capacity of more than one office. The officers shall perform the duties of such officers customarily performed by officers of corporations. No officer shall receive any compensation for services in such capacity.

1. President

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

2. Vice-President

The Vice-President shall exercise the powers and perform the duties of the President in the absence of disability of the President. The Vice-President shall also assist the President and exercise such other powers and perform such other duties as shall be prescribed by the Board.

3. Secretary-Treasurer

The secretary-treasurer shall keep the minutes of all proceedings of the Board and the Corporation. The Secretary-Treasurer shall attend to the serving of all notices to the lot owners and Board members and other notices required by law. The Secretary-Treasurer shall perform all other duties incident to the office of secretary-treasurer of a Corporation as may be required by the Board. The Secretary-Treasurer shall also have custody of all property of the Corporation, including funds, securities and evidences of indebtedness. The Secretary-Treasurer shall keep books of account of the Corporation in accordance with good accounting practices, which, together with substantiating papers, shall be made available to the Board or Corporation for examination at reasonable times.

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IV. MANAGEMENT

The provisions for management of the Corporation set forth in the Declaration of Restrictions and Articles of Incorporation shall be supplemented by the following provisions:

A. Accounts

1. Receipts and Expenditures

The Corporation shall maintain accounts of the receipts and expenditures of the Corporation in accordance with generally accepted accounting principles. Every member shall have the right to inspect and copy said accounts at his expense during normal business hours at the Office of the Corporation upon reasonable notice.

2. Member Accounts

The Corporation, working in conjunction with PHOA, shall maintain an account for each member designating the name and current mailing address of said member, the amount of each assessment, the dates and amounts in which the assessments come due, the amount paid upon the account and the balance due.

B. Budget

The Board shall propose a budget for each calendar year that shall include the estimated funds required to defray current operating expenses, deferred maintenance, replacement of existing assets and betterments.

C. Adoption of the Budget

1. Notice

The Board shall mail a meeting notice and copies of the proposed annual budget of common expenses to the members not less than fourteen (14) days prior to the meeting at which the budget will be considered.

2. Adoption

The Board will adopt a budget on an annual basis at a meeting called for that purpose. In the alternative, the Board may propose a budget to the lot owners at a meeting of members or in writing, and if the budget or proposed budget is approved by the majority vote at the meeting or by a majority of the votes in writing, the budget shall be adopted.

3. Budget Increases

If a budget adopted by the Board requires an assessment against the lot owners in any calendar year which exceeds the assessments for the preceding year by more than 15 percent increase or the percentage increase of the cost of living indices as reported by the Federal Reserve Office at St. Louis, Missouri, whichever is greater, the Board, upon written application to the Board of twenty percent of the Class A Members, shall call a special meeting of the members within thirty (30) days after receipt of such written application, and shall provide not less than ten days written notice to each member. At the special

meeting, all voting members shall consider and enact a budget. Adoption of the budget shall require a vote of not less than a majority vote of each membership class voting.

In determining whether increases in assessments exceed the allowed percentage over similar assessments for prior years, any authorized provisions for reasonable reserves for repair or replacement of the Corporation property, anticipated expenses by the Homeowners Corporation which are not anticipated to be incurred on a regular or annual basis, or assessments for betterments to the common property shall be excluded from the computation. However, as long as the developer is in control of the Board, the Board shall not impose an increase greater than provided for above without approval of a majority of each membership class voting.

D. Assessments

Assessments against the lot owners for their shares of the budget shall be made by the Board at any meeting of the Board, or, if subject to membership approval, at a meeting following that meeting of the membership at which the budget was approved. Assessments shall be paid by each lot owner in four (4) equal quarterly payments on January 1, April 1, July 1, and October 1, of each calendar year. Said payments shall be due and payable automatically without notice.

E. Amendments to the Budget

If the annual assessment becomes insufficient, in the judgment of the Board, to provide funds for the anticipated current expenses for the ensuing quarters and for all of the unpaid operating expenses previously incurred, the Board may propose an amended budget which may be adopted by a majority of each membership voting at a special meeting called for that purpose or by written consent of said majority. Notice of said meeting shall be given in accordance with these By-Laws and shall be accompanied by a copy of the proposed amended budget.

F. Past-Due Assessment

Any assessment more than sixty (60) days past due shall bear interest at the maximum legal rate or such lower rate set by the Board per annum from the date due until paid. The Corporation shall have a lien on the property of the delinquent member in accordance with applicable law.

G. Assessments for Emergencies

Assessments for common expenses or emergencies that cannot be paid from the annual assessments or common expenses shall be due only after thirty (30) days notice is given to all members and shall be paid in such manner as the Board may require in the notice of assessment.

H. Reports

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A report of the accounts of the Corporation shall be made annually and a copy of the report shall be furnished to each member not later than April 1 of the year following the year for which the report is made.

I. Bonds

Fidelity bonds shall be required by the Board for all persons handling or responsible for Corporation funds. The amount of those bonds and sureties shall be determined by the Board. Premiums on the bond shall be paid by the Corporation. Officers or Board members not handling or responsible for Corporation funds are not required to be bonded.

VI. AMENDMENTS

A. Proposition

An amendment may be proposed by any member of the Corporation at any meeting of the Board or of the entire membership of the Corporation. Board members of the Corporation not present at the meeting considering the amendment may express their approval or disapproval in writing, provided that such approval or disapproval is delivered to the secretary-treasurer at or prior to the meeting.

B. Adoption

The By-Laws may be amended by affirmative vote or by written consent of not less than two-thirds approval of the votes of the entire membership of the Corporation. No By-Laws shall be revised or amended by reference to its title or number only, nor shall they be in conflict with the Declaration and Articles of Incorporation.

C. Contents

Proposals to amend existing By-Laws shall contain the full text of the By-Laws to be amended; new words shall be inserted in the text underlined and words to be deleted shall be lined through with hyphens. However, if the proposed change is so extensive that the foregoing procedure would hinder, rather than assist, the understanding of the proposed amendment, it is not necessary to use underlining and hyphens as indicators of words added or deleted, but, instead, a notation must be inserted immediately preceding the proposed amendment in substantially the following language: "Substantial rewording of By-Law. See By-Law...for present text."

D. Notice

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