

BY-LAWS OF THE LOFTS AT LOCUST HILL TOWNHOMES ASSOCIATION, INC.**ARTICLE 1****[GENERAL PROVISIONS]**

1.1 Identification. The text contained herein constitutes the By-Laws of The Lofts at Locust Hill Townhomes Association, Inc., (hereinafter called the "Association").

1.2 Definitions. Except as otherwise defined herein, or unless the context clearly demands otherwise, the following terms shall have the respective meanings given such terms in the Declaration of Covenants, Conditions, Restrictions, Reservations and Easements of The Lofts at Locust Hill Townhomes, dated the 7th day of January, 1988 (hereinafter called "Declaration"), and of record in the Fayette County Court Clerk's Office: Annexation, Annexation Property, Area of Common Responsibility, Articles, Association, Board, Common Area, Common Expenses, Common Profits, Community, Community Instruments, Developer, Identifying Number, Individual Owner, Lot, Maintenance, Mortgage, Mortgagee, Owner, Plats, Residences, Phase 1 Property, and Submitted Property.

1.3 Purposes Of Association. The Association has been organized, and these By-Laws have been adopted by the Board of Directors of the Association, for the purpose of administering the Community known as The Lofts at Locust Hill Subdivision.

1.4 Office. The office of the Association shall be located at 592 Eureka Springs Drive, Suite 101, Lexington, Kentucky 40502, or at such other office as the Board of Directors of the Association may determine from time to time.

1.5 Fiscal Year. The fiscal year of the Association shall be the calendar year.

1.6 Members' Qualifications. The members of the Association shall consist of all the record owners of Lots in the Community and as provided in Article 3 of the Declaration.

ARTICLE 2**[MEMBERS' MEETINGS]**

2.1 Annual Meetings. The annual meeting of the membership of the Association shall be held at the office of the Association or such other place designated by its Board of Directors, at 8:00 P.M. on the first (1st) Wednesday in November of each year, beginning in 1988, for the purpose of electing directors and transacting any and all other business authorized to be transacted by the Association. The budget proposed at the Annual Meeting of the members as the budget for the Association's forthcoming fiscal year shall be deemed automatically approved unless it is rejected at the Annual Meeting by fifty-one percent (51%) of the votes held by the members. If the membership disapproves the proposed budget for any reason, then the budget for the preceding year shall remain in effect with the Board having the right to increase assessments for expenditures which it deems necessary.

2.2 Special Meetings. Special meetings of the membership of the Association shall be held whenever called by a majority of its Board of Directors. In addition, a special meeting of the Association must be called by the Board of Directors upon receipt of a written request of members entitled to cast one-third or more of the votes of the entire membership of the Association. No business shall be transacted at a special meeting of the Association except that set forth in the notice of the special meeting given pursuant to Section 2.3 hereof.

2.3 Notice Of All Meetings. Notice of all meetings of the Association stating the time and place and purpose for which the meeting is called shall be given by its President, Vice President or Secretary. Such notice shall be given in writing to each member of the Association and shall be personally delivered or mailed to each member's Lot not less than thirty (30) days nor more than sixty (60) days prior to the date of the meeting. Any member may waive notice of any and all meetings in writing before or after such meetings, and such waiver shall be deemed equivalent to the giving of notice. The manager or managing agent employed by the Board of Directors of the Association pursuant to Section 4.8 hereof shall receive notice of all meetings of the Association in the same manner as members and shall be entitled to attend such meetings or to designate a representative to attend such meetings on his or its behalf.

2.4 Quorum. A quorum at meetings of the Association shall consist of the presence, in person or by proxy, of members entitled to cast a majority of the votes of the entire membership of the Association. The acts approved by a majority of the votes present at a meeting at which a quorum is present shall constitute the acts of the Association, except when approval by a greater number of Owners is required by the Declaration or by these By-Laws.

2.5 Proxies. Votes may be cast in person or by proxy. A proxy may be made by any person entitled to vote at Association meetings, in accordance with Article 3 of the Declaration.

2.6 Adjourned Meetings. If any meeting of the Association cannot be organized because a quorum has not attended, the members of the Association who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum is present.

2.7 Order Of Business. The order of business at the annual Association meeting, and to the extent applicable and as far as practical at other Association meetings, shall be:

- (a) Election of chairman of the meeting;
- (b) Calling of the roll and certifying of proxies;
- (c) Proof of notice of meeting or waiver of notice;
- (d) Reading and disposal of any unapproved minutes;
- (e) Reports of officers;
- (f) Reports of committees;
- (g) Election of inspectors of election;
- (h) Election of directors;
- (i) Unfinished business;
- (j) New business;
- (k) Adjournment.

ARTICLE 3

[BOARD OF DIRECTORS]

3.1 Management Of Affairs. The affairs of the Association shall be managed by a Board of three (3), five (5) or seven (7) directors, the exact number to be determined by vote of a majority of the membership of the Association at each annual meeting of the Association; provided, however, that any increase or decrease in the number of directors voted at any annual meeting shall not become effective until the next annual meeting of the Association after such increase or decrease is voted.

3.2 Election Of Directors. The election of directors of the Association shall be conducted in the following manner:

- (a) Election of Directors shall be held at the annual Association meeting.
- (b) The election shall be by written ballot (unless dispensed by unanimous consent) and by a plurality of the votes cast, each person voting being entitled to cast his votes for each of as many nominees as there are vacancies to be filled. There shall be no cumulative voting.
- (c) Except as to vacancies provided by removal of directors by members of the Association,

vacancies in the Board of Directors occurring between annual meetings of the Association shall be filled by vote of a majority of the remaining directors, whether or not such a majority constitutes a legal quorum of such Board. If such directors are unable to agree, such vacancy shall be filled by vote of the Association at a special meeting.

3.3 Removal Of Directors. Any director of the Association may be removed, with or without cause, by concurrence of two-thirds of the votes of the entire membership at a special meeting of the Association called for that purpose. The vacancy in the Board of Directors so created shall be filled at the same meeting by vote of a majority of the entire membership of the Association.

3.4 Term Of Directors. The term of each director's service shall extend until the next annual meeting of the Association and subsequently until his successor is duly elected and qualifies, or until he is removed in the manner provided in Section 3.3 hereof; provided, the term of any director who is shown on the books of account of the Association to be more than thirty (30) days delinquent in payment of any assessments pursuant to Article 8 of the Declaration shall be automatically terminated, and the remaining directors shall fill the vacancy as provided in Section 3.2(c) hereof.

3.5 Regular Meetings Of Directors. The regular meetings of the Board of Directors of the association may be held at such time and place as shall be determined, from time to time, by vote of a majority of the directors at regular meetings of the Board, but at least two (2) such meetings shall be held in each fiscal year. Notice of regular meetings shall be given to each director by the President or Secretary, personally or by mail, telephone or telegraph, at least three (3) days prior to the day named for such meeting.

3.6 Special Meetings Of Directors. Special meetings of the Board of Directors may be called by the President of the Association at any time, and must be called by the Secretary at the written request of one-third of the directors. Not less than three (3) days' notice of the meeting shall be given to each director by the President or Secretary (as applicable), personally or by mail, telephone or telegraph, which notice shall state the time, place and general purpose of the meeting.

3.7 Waiver Of Notice Of Directors' Meetings. Any director of the Association may waive notice of a meeting of the Board of Directors in writing before or after such meeting, and such waiver shall be deemed equivalent to the giving of notice.

3.8 Quorum Of Directors. A quorum at a directors' meeting shall consist of a majority of the directors then in office. The acts approved by a majority of those present at a meeting at which a quorum is present shall constitute the acts of the Board of Directors, except when approval by a greater number of directors is required by the Declaration or by these By-Laws.

3.9 Adjourned Meetings Of Directors. If, at any time during any meeting of the Board of Directors, there be less than a quorum present, the majority of those present may adjourn the meeting from time to time until a quorum is present. At any meeting that has been adjourned and reconvened, any business that might have been transacted at the meeting as originally called may be transacted without further notice.

3.10 Joinder In Meeting By Approval Of Minutes. The joinder of a director of the Association in the action of a meeting of the Board of Directors by signing and concurring in the minutes of that meeting shall constitute the presence of such director for the purpose of determining a quorum.

3.11 Presiding Officer At Directors' Meetings. The presiding officer of a directors' meeting shall be the President of the Association. Council. In the absence of the presiding officer, a majority of the directors present shall designate one of their number to preside.

3.12 Order Of Business At Directors' Meetings. To the extent applicable, the order of business at meetings of the Board of Directors of the Council shall be:

- (a) Calling of roll;
- (b) Proof of due notice of meeting;
- (c) Reading and disposal of any unapproved minutes;
- (d) Reports of officers and committees;
- (e) Election of officers;
- (f) Unfinished business;
- (g) New business;
- (h) Adjournment.

3.13 Liability Of Board Of Directors. The members of the Board of Directors of the Association shall not be liable to the Lot owners for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. The Lot owners shall indemnify and hold harmless each member of the Board of Directors against all contractual liability to others arising out of contracts made by the Board of Directors on behalf of the Association.

3.14 Action Without Meeting. Any action by the Board of Directors of the Association required or permitted to be taken at any meeting may be taken without a meeting if all of the members of the Board of Directors shall consent in writing to such action. Such written consent shall be filed with the minutes of the proceedings of the Board of Directors.

3.15 Fidelity Bonds. The Board of Directors may require that all officers and employees of the Association handling or responsible for corporate or trust funds furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Association.

ARTICLE 4

[POWERS AND DUTIES OF THE BOARD OF DIRECTORS]

4.1 Powers And Duties Of The Board Of Directors. All of the powers and duties of the Association existing under the Declaration and these By-Laws shall be exercised exclusively by the Board of Directors, its agents, contractors or employees, subject only to approval by Lot owners when such is specifically required.

4.2 Assessments. The Board of Directors shall make and collect assessments against each Lot as provided in the Declaration.

4.3 Disbursements. The Board of Directors shall use the proceeds of assessments on Lots in the exercise of its powers and duties in the manner provided by the Declaration.

4.4 Management Contract. The Board of Directors may (but shall not be obligated to) employ for the Association a managing agent and/or manager at a compensation established by the Board and may delegate to such managing agent and/or manager any powers and duties of the Board and the Association except such as are specifically required by the Declaration or these By-Laws to have approval of the membership of the Association.

4.5 Enforcement. The Board of Directors shall enforce by legal means the provisions of the Declaration, the By-Laws and the rules and regulations for the use of the Community.

ARTICLE 5

[OFFICERS]

5.1 Executive Officers. The executive officers of the Association shall be a President, who shall

be a director, one or more Vice presidents, who need not be directors, a Treasurer and a Secretary, who need not be directors, all of whom shall be elected annually by the Board of Directors and who may be preemptorily removed by vote of the directors at any meeting. Any person may hold two or more offices except that the President shall not hold any other office. The Board of Directors from time to time shall elect such other officers and designate their powers and duties as the Board shall find to be required to manage the affairs of the Association. The Board of Directors shall have the power to elect an Assistant Secretary who shall perform the duties of the Secretary when the Secretary is absent.

5.2 President. The President shall be the chief executive officer of the Association. He shall have all of the powers and duties usually vested in the office of President of a non-stock, non-profit corporation, including, but not limited to, the power to appoint committees from among the members from time to time, as he in his discretion may determine appropriate, to assist in the conduct of the affairs of the Association.

5.3 Vice President. The vice president, or the Senior Vice President if there be more than one Vice president, in the absence or disability of the president, shall take the place of the President and perform his duties. The Vice president shall exercise such other powers and perform such other duties as shall be prescribed by the Board of Directors. If the Board of Directors shall elect more than one Vice president, the Board shall designate one of such Vice Presidents to be the Senior Vice President.

5.4 Secretary. The Secretary shall keep the minutes of all proceedings of the Board of Directors and the Association. He shall attend to the giving and serving of all notices to the members of the Association and the Board of Directors and other notices required by law. He shall keep the records of the Association, except those of the Treasurer, and shall perform all other duties incident to the office of Secretary of an Association and as may be required by the Board of Directors or the President. The Assistant Secretary shall perform the duties of the Secretary when the Secretary is absent.

5.5 Treasurer. The Treasurer shall have custody of all property of the Association, including funds, securities and evidences of indebtedness. He shall keep the books of the Association in accordance with good accounting practices, and he shall perform all other duties incident to the office of Treasurer.

5.6 Compensation. The compensation, if any, of all officers and employees of the Association shall be fixed by the Board of Directors; provided that the Board of Directors may delegate authority to fix the compensation of employees to the executive officers of the Association.

ARTICLE 6

[FISCAL MANAGEMENT]

6.1 Fiscal Management. The provisions for fiscal management of the Association set forth in the Declaration shall be supplemented by the following provisions:

6.2 Accounts. The receipts and expenditures of the Association shall be credited and charged to accounts under such of the following classifications as shall be appropriate, all of which expenditures shall be deemed to be common expenses:

(a) "Current Expenses", which shall include all receipts and expenditures within the year for which the budget is made, including a reasonable allowance for contingencies and working funds, except expenditures chargeable to reserves or to additional improvements. The balance in this fund at the end of each year, if any, shall be applied to reduce the assessments on the Lots for current expenses for the next succeeding year.

(b) "Reserve For Deferred Maintenance", which shall include funds for maintenance items with respect to the Community that occur less frequently than annually.

(c) "Reserve For Capital Expenditures", which shall include the funds to be used for capital expenditures for additional improvements or additional personal property that will be part of the common area of the Community.

6.3 Budget. The Board of Directors shall adopt a budget for each fiscal year that shall include the estimated funds required to defray the common expense and to provide and maintain funds for the foregoing accounts and reserves according to good accounting practices.

Copies of the budget and proposed assessments on the Lots shall be transmitted by the Board of Directors to each member of the Association at least thirty (30) days preceding the annual meeting as set forth in Section 2.1 hereof.

6.4 Assessments And Special Assessments. Assessments against the Lot owners for their proportionate shares of the items of the budget for each fiscal year shall be declared by the Board of Directors at least thirty (30) days preceding the beginning of the fiscal year. Such assessment shall be due in twelve (12) equal payments on the first (1st) day of each month of the fiscal year. If an annual assessment is not declared as required, an assessment shall be presumed to have been declared in the amount of the last prior assessment and monthly installments on such presumed assessment shall be due upon each installment payment date until changed by an amended assessment. Should the annual assessment prove to be insufficient to meet either current expenses or the cost of deferred maintenance or capital expenditures, the budget and assessments may be amended at any time by the Board of Directors if the accounts of the amended budget do not exceed fifteen (15%) per cent of the budgeted items. If any account would exceed such limitation upon amendment of the budget to meet such increased current expenses or deferred maintenance or capital expenditures, the budget shall not be amended except upon approval of the membership of the Association. The unpaid assessment for the remaining portion of the fiscal year during which the special assessment is made shall be due upon the dates on which the regular assessment is due, and the special assessment shall be paid in equal payments on the payment dates of the annual assessment during the remainder of that calendar year. The first payment of a monthly installment by a Lot owner shall be due on the date of delivery of his deed, and shall be equal to that proportion of the installment payment for the month in which delivery of his deed occurs as the period between the date of delivery of his deed and the last day of that month bears to the number of days in that month. The next payment of a monthly installment shall be due on the first monthly installment payment date falling after the date of delivery of his deed.

6.5 Working Capital Assessments. The Board of Directors shall have the power to require a purchase of a Lot, at or prior to delivery to the purchaser of the deed to his Lot, to make to the Board of Directors a payment in an amount of up to Seven Hundred Fifty (\$750.00) Dollars to be placed in a working capital fund for the Community. Such payments shall be credited to an account under the classification of "Current Expenses", and any such amounts not expended within six (6) months after collection thereof shall be applied as provided in Section 6.2(a) hereof at the next conclusion of a fiscal year after the end of such six-month period.

6.6 Acceleration Of Assessment Installments Upon Default. If a Lot owner shall be in default in the payment of an installment upon an assessment, the Board of Directors may accelerate the remaining installments of the assessment due in the then-current fiscal year upon notice to the Lot owner, and then the unpaid balance of the assessment shall become due upon the date stated in the notice, but not less than ten (10) days after delivery of the notice to the Lot owner, or not less than twenty (20) days after the mailing of such notice to him by registered or certified mail, whichever shall first occur.

6.6 Depository. The depository of the Association shall be such bank or banks as shall be

designated from time to time by the Board of Directors and in which the monies of the Association shall be deposited. Withdrawal of monies from such accounts shall be only by checks or other withdrawal orders signed by such persons as are authorized by the Board of Directors.

6.7 Audit. An audit of the accounts of the Association shall be made annually by a certified public accountant, and a copy of the audit report shall be furnished to each member not later than May 1 of the year following the year for which the audit is made.

ARTICLE 7

[REIMBURSEMENT AND INDEMNIFICATION]

7.1. Any person made a party to or who 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 (or a person of whom he is the legal or personal representative or heir, distributee, or legatee) is or was a director, officer, employee, or member of a committee of the Association, or of any corporation, joint venture, trust or other enterprise which he served as such at the request of the Association, shall be indemnified by the Association against the reasonable expenses, including attorneys' fee, actually and necessarily incurred by him in connection with the defense or in the settlement of such action, suit or, proceeding, or in connection with any appeal therein, except in relation to matters as to which such director, officer, employee or member of a committee is liable for negligence or misconduct in the performance of duty, unless and only to the extent that 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 which the court shall deem proper. Such right of indemnification shall not be deemed exclusive of any rights or indemnities to which such director, officer, employee, or member of a committee may otherwise be entitled. Any amount payable by way of indemnity shall be determined by, and paid in accordance with, such procedure as at the time shall be provided for, or permitted, by statute. Additionally, the Association shall procure on behalf of any and all directors, at the sole cost and expense of the Association, a directors' insurance policy which shall insure all directors (and the Association) against any lawsuit in which judgments are rendered against directors, and against any and all costs incurred in defending, contesting, or settling a suit against a director or directors.

ARTICLE 8

[PARLIAMENTARY RULES]

8.1 Roberts' Rules of Order (latest edition) shall govern the conduct of the Association meetings when not in conflict with the Declaration or these By-Laws.

ARTICLE 9

AMENDMENTS

9.1 These By-Laws may be altered, amended or repealed in the following manner:

(a) Notice Of Amendment To By-Laws. Notice of the subject matter of the proposed amendment shall be included in the notice of any meeting at which a proposed amendment is considered.

(b) Approval. A resolution adopting a proposed amendment may be proposed by either the Board of Directors or by the members of the Association. Except as elsewhere provided, approval

must be by either:

(i) at least 75% of the entire membership of the Board of Directors and by not less than 75% of the votes of the entire membership of the Association; or

(ii) at least 80% of the votes of the entire membership of the Association.

(c) Prohibitions. No amendment shall discriminate against any Lot owner or against any Lot or class or group of Lots unless the Lot owners so affected shall consent.

(d) Repeal. The repeal of these By-Laws in their entirety and their replacement by new By-Laws shall be accomplished in the same manner as provided by this Article "9" for the amendment of these By-Laws.

ARTICLE 10

DISSOLUTION

10.1 Vote By Membership. The Association may dissolve and wind up its affairs at any time upon the appropriate action by the Board of Directors and the members of the Association in the manner provided in Chapter 273 of the Kentucky Revised Statutes, as amended.

10.2 Distribution Of Assets. In the event the Association is dissolved for any reason, the assets of the Association shall be distributed in the manner provided in Chapter "273" of the Kentucky Revised Statutes, as amended, and any assets remaining after such distribution shall be distributed to the members of the Association in the same proportion as their contribution of assessments as provided in the Declaration at the time of dissolution of the Association.

ARTICLE 11

MISCELLANEOUS

11.1 Invalidity. The invalidity of any part of these By-Laws shall not impair or affect in any manner the validity, enforceability or effect of the remainder of these By-Laws, which shall be given effect to the fullest extent permitted by law.

11.2 Waiver. No restriction, condition, obligation or provision contained in 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 thereof which may occur.

11.3 Captions. The captions herein are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of these By-Laws or the intent of any provision hereof.

11.4 Gender. The use of the masculine gender in these By-Laws shall be deemed to include the feminine and neuter genders, and the use of the singular shall be deemed to include the plural, whenever the context so requires.

11.5 Notices. Except as otherwise required herein, all notices to the Association and/or its Board of Directors shall be delivered personally or sent by registered or certified mail in care of the manager or managing agent if one has been named or, if not, to the office of the Board of Directors or such other address as the Board of Directors may hereafter designate from time to time; all notices to any Lot owner shall be delivered personally or sent by registered or certified mail to the Lot or to such other

address as may have been designated by him in writing from time to time to the Board of Directors; and all notices to mortgagees of Lots shall be delivered personally or sent by registered or certified mail to their respective addresses as designated by them in writing from time to time to the Board of Directors. All notices sent by mail shall be deemed to have been given when mailed.

IN WITNESS WHEREOF, these By-laws were adopted by the initial Board of Directors on the 7th day of January, 1988.

(signed) Thomas N. Thompson, President
(signed) Jean Towles, Secretary