

ELLERSLIE AT DELONG HOMEOWNERS
ASSOCIATION, INC.
BYLAWS

1. PLAN OF OWNERSHIP. The Ellerslie at Delong Homeowners Association, Inc. (hereinafter "Association"), located in Lexington, Fayette County, Kentucky, has been incorporated and shall be governed by the Declaration of Covenants, Conditions and Restrictions For Units 1A and 1B, Denton Farms (Ellerslie at Delong), of record in the Fayette County Clerk's Office and similar restrictions for other units of the subdivision (hereinafter the "Restrictions"), the Articles of Incorporation for the Association ("Articles"), by these Bylaws and any amendments to said Restrictions, Articles, and Bylaws.

2. APPLICABILITY. The provisions of these Bylaws are applicable to the property described in the Restrictions, including the land, buildings, common areas, and all improvements and structures thereon, as well as all easements, rights of way and appurtenances thereunto belonging in the use, occupancy, sale, lease or other transfer thereof. All owners of any freehold or leasehold interest, all occupants or users of the premises, and the guests, agents and servants of them, are subject to the provisions of the Restrictions, the Articles, the Bylaws, amendments to any of them, and the applicable laws of the Commonwealth of Kentucky.

3. PERSONAL APPLICATION. All present and future lot owners, tenants, guests, licensees, servants, agents, employees, and any person or persons that shall be permitted to use the facilities, shall be subject to the Restrictions, the Articles, the Bylaws, any amendments to said documents, and the rules and regulations issued by the Association to govern the conduct of its members. Acquisition, rental or occupancy of any of the lots shall constitute an acknowledgment that the owner, tenant, or occupant has accepted and ratified these Bylaws, the Articles, the provisions of the Restrictions, the rules and regulations of the Association, and any amendments to any of them, and will comply with them.

4. ASSOCIATION OF OWNERS. The Association shall be comprised of every Person, as defined in the Restrictions.

5. MEMBERS' MEETINGS.

(a) The annual members' meeting shall be held at the office of the Association or such other place as may be designated by the Association President in the notice of the meeting, at 7:00 p.m., Eastern Standard Time, on the first Monday in December of each year after the expiration of the Class B Control Period (as defined in

the Restrictions) for the purpose of electing directors and transacting any and all other business that may be authorized to be transacted by the members. If that day is a legal holiday, the meeting shall be held at the same hour on the next day.

(b) Special members' meetings shall be held whenever called by the President or by a majority of the Board of Directors, and must be called by such officers upon receipt of a written request from members entitled to cast one-third ($\frac{1}{3}$) of the votes of the entire membership.

(c) Notice of all members' meetings, stating the place, day, and hour and the objects for which the meeting is called, shall be given by the President or Secretary, unless waived in writing. Such notice shall be in writing to each member at his address as it appears on the books of the Association and shall be mailed not less than thirty (30) days nor more than sixty (60) days prior to the date of the meeting. Proof of such mailing shall be given by the affidavit of the person giving the notice. Notice of meeting may be waived before or after the meeting.

(d) At the first meeting called pursuant to paragraph (c) the presence of members entitled to cast a majority of all the votes shall constitute a quorum. If the required quorum is not present, another meeting may be called upon written notice of not less than three (3) nor more than five (5) days. Said meeting shall not be required to satisfy the quorum in order to do business. No such subsequent meeting may be held more than 60 days following the preceding meeting.

(e) In any meeting of members, each Lot owner shall have one vote for each Lot owned provided however, each Class B Member shall be entitled to three (3) votes for each lot in which it holds the interest required for membership during the Class B Control Period, as set forth in the Articles and the Restrictions. If the Lot is owned by one person, his right to vote shall be established by the record title to his Lot. If his Lot is owned by more than one person, the person entitled to cast the vote for the Lot shall be designated by a certificate signed by all of the record owners of the Lot and filed with the Secretary of the Association. If the Lot is owned by a corporation, the person entitled to cast the vote for the Lot shall be designated by a certificate of appointment signed by the President or Vice-President and attested by the Secretary or Assistant Secretary of the corporation filed with the Secretary of the Association. Similarly, if the Lot is owned by a limited liability company, a partnership, trust, or other entity, the person entitled to cast the vote for the Lot shall be designated by a certificate of appointment signed by the appropriate persons on behalf of said limited liability company, partnership, trust or other entity. Such certificate shall be valid until revoked or until superseded by a subsequent certificate or until a change in the ownership of the Lot concerned. A certificate designating the person entitled to cast the vote of a Lot may be revoked by any Owner of that Lot. No revocation of a certificate or certificate of employment shall be valid unless

it is in writing and filed with the Secretary of the Association. No owner whether one or more persons shall have more than one membership per Lot, and each Lot shall be entitled to only one vote.

(f) Owners may not vote by written proxy, but an Owner's vote may be cast by the Owner's spouse in the Owner's absence.

(g) Votes may be cast in person or in writing signed and notarized by the person entitled to vote. If a person votes in writing, it shall be valid only for the particular meeting designated and must be filed with the Secretary before the appointed time of the meeting.

(h) A member shall be entitled to vote at any annual meeting or at special meetings of members called pursuant to these Bylaws; however, such members shall not be entitled to vote unless he or she have fully paid all assessments made or levied by the Board of Directors against such member and each lot owned by such member, as provided in these Bylaws, together with all interest, costs, attorneys' fees, penalties, and other expense, if there be any, properly chargeable to such members and against each lot owned by such member, at least five (5) days prior to the date fixed for such annual or special meeting, provided statements for such assessments were duly mailed or delivered to such member pursuant to the Restrictions or these Bylaws, and any amendments to such documents.

6. DIRECTORS.

(a) The affairs of the Association shall be managed by a Board of not less than three (3) nor more than five (5) Directors, the exact number to be determined at the time of election. Directors' fees shall be determined by the members.

(b) At such time as the Directors are to be elected by the Association and not by appointment by the Declarant (at the expiration of the Class B Control Period, as defined in the Restrictions), the election of directors shall be conducted at the annual members' meetings. A nominating committee of three (3) members shall be appointed by the Board of Directors not less than thirty (30) days prior to the annual members' meeting. The committee shall nominate one person for each Director to be elected. Additional nominations for directorships or Directors may be made from the floor. Two Directors shall be elected to serve a one year term and one Director shall be elected to serve a two year term. Thereafter, Directors shall be elected after serving two year terms with two Directors being elected in one year and one Director elected in the following year. The election shall be by ballot (unless dispensed with 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) At such time as the Directors are to be elected by the Association, only a member of the Association who has fully paid all assessments made or levied by the Board of Directors against such member and each Lot owned by such member may serve on the Board of Directors. Upon sale of such owner's Lot who is a member of the Association, such position of directorship shall cease as to that director. Except as to vacancies provided by removal of Directors by members, vacancies in the Board of Directors occurring between annual meetings of members shall be filled by the remaining Directors.

(d) Any Director may be removed by concurrence of two-thirds ($\frac{2}{3}$) of the votes of the entire membership at a special meeting of the members called for that purpose. The vacancy in the Board of Directors so created shall be filled by the members of the Association at the same meeting.

7. DIRECTORS' MEETINGS.

(a) The organizational meeting of a newly elected Board of Directors shall be held within ten (10) days of its election at such place and time as shall be fixed by the Directors at the meeting at which time they are elected, and no further notice of the organizational meeting shall be necessary providing a quorum shall be present.

(b) Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the Directors. Notice of regular meetings shall be given to each Director, personally or by mail, telephone, or telegraph at least three (3) days prior to the day named for such meeting.

(c) Special meetings of the Directors may be called by the President and must be called by the Secretary at the written request of one-third ($\frac{1}{3}$) of the Directors. Notice of the meeting shall be given personally or by mail, telephone, or telegraph at least three (3) days prior to the day named for such meeting, which notice shall state the time, place, and purpose of the meeting.

(d) Any director may waive notice of a meeting before or after the meeting and such waiver shall be deemed equivalent to the giving of notice.

(e) A quorum at a Directors' meeting shall consist of a majority of the entire Board of Directors. 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. If at any meeting of the Board of Directors less than a quorum is present, the majority of those

present may adjourn the meeting from time to time until a quorum is present. At any adjourned meeting any business which might have been transacted at the meeting as originally called may be transacted without further notice. The joinder of a Director in the action of a meeting by signing and concurring in the minutes thereof shall constitute the presence of such Director for the purpose of determining a quorum.

(f) The presiding officer of Directors' meetings shall be the Chairman of the Board if such an officer has been elected, or, if not, the President shall preside. In the absence of the presiding officer, the Directors present shall designate one of their number to preside.

8. POWERS AND DUTIES OF THE BOARD OF DIRECTORS. All of the powers and duties of the Association existing under the Articles, the Restrictions, these Bylaws, and any amendments to said documents, shall be exercised exclusively by the Board of Directors, its agents, contractors, or employees, subject only to the approval by lot owners when such is specifically required. Compensation of employees of the Association shall be fixed by the Directors. A Director may be an employee of the Association, and a contract for management of the development may be entered into with a Director or other person or entity.

9. OFFICERS.

(a) The executive officers of the Association shall be the President, who shall also be a Director, a Treasurer and a Secretary, all of whom shall be elected annually by the Board of Directors and who may be removed by vote of the Directors at any meeting. Any person may hold two or more offices except that the President shall not also be the Secretary. The Board of Directors may from time to time elect other officers to exercise such powers and duties as the Board shall find to be required to manage the affairs of the Association. Compensation of officers shall be fixed by the Board of Directors.

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

(c) The Secretary shall keep the minutes of all proceedings of the Directors and the members. He shall attend to the giving and serving of all notices to the members and Directors and other notices required by law. He shall keep the records of the Association, except those of the Treasurer, and shall perform all other duties incident to the office of secretary of a corporation and as may be required by the Directors or the

President. The Assistant Secretary shall perform the duties of the Secretary when the Secretary is absent.

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

10. ACCOUNTING. The funds and expenditures of the Association shall be credited and charged to accounts under the following classifications as shall be appropriate, all of which expenditures shall be common expenses:

(a) "Current expenses," which shall include all funds and expenditures to be made within the year for which the funds are budgeted, including a reasonable allowance for contingencies and working funds, except expenditures chargeable to reserves, to additional improvements, or to operations. The balance in this fund at the end of each year shall be applied to reduce the assessments for current expenses for the succeeding year.

(b) "Reserve for deferred maintenance," which shall include funds for maintenance items which occur less frequently than annually.

(c) "Reserve for replacement," which shall include funds for repair or replacement required because of damage, depreciation, or obsolescence.

(d) "Additional improvements," which shall include the funds to be used for capital expenditures for additional improvements or additional personal property which will be part of the common elements.

11. BUDGET. The Board of Directors shall adopt a budget for each calendar year which shall include the estimated funds required to defray Common Expenses (as defined in the Restrictions) and to provide funds for the accounts listed in section 10 of these Bylaws. The budget shall take into account the following items:

- (a) Current expenses.
- (b) Reserve for deferred maintenance.
- (c) Reserve for replacement.
- (d) Additional improvements.

(e) Operations.

12. ANNUAL ASSESSMENTS DUE DATE; DATE OF COMMENCEMENT.

The annual assessment will be due January 1 of each year. The assessments provided for herein shall commence as to each Lot on the date of acquisition of record title to a Lot by the first purchaser thereof other than the Declarant or an owner who purchases solely for the purpose of constructing a dwelling thereon for resale. The assessment shall be prorated for the balance of the calendar year in which acquisition of record title to a Lot occurs as provided herein.

13. LIEN FOR ASSESSMENTS. All sums assessed to any Lot pursuant to the Restrictions and these Bylaws, together with late charges, interest, costs and reasonable attorney's fees actually incurred as provided herein, shall be secured by a lien on such Lot in favor of the Association. Such lien shall be superior to all other liens and encumbrances on such Lot except for:

(a) all taxes, assessments and other levies which by law would be superior thereto, and

(b) the lien or charge of any first Mortgage of record (meaning any recorded Mortgage with first priority over other Mortgages) made in good faith and for value, to which first Mortgages the lien created herein shall be subordinate and inferior in all respects.

Such lien, when delinquent, may be enforced by suit, judgment and foreclosure.

All other persons acquiring liens or encumbrances on any Lot which become liens after the Declaration is filed for record shall be deemed to consent that such liens or encumbrances shall be inferior to future liens for assessments, as provided herein, whether or not such consent be specifically set forth in the instruments creating such liens or encumbrances.

14. EFFECT OF NONPAYMENT OF ASSESSMENTS; REMEDIES OF THE ASSOCIATION.

All assessments, together with a late fee in the amount of fifteen percent (15%) of any assessment not paid within fifteen (15) days of its due date, together with interest at a rate not to exceed ten percent (10%) per annum or the highest rate allowed by Kentucky law as computed from the date the delinquency first occurs, costs and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the Lot against which each assessment is made. Each such assessment, together with interest, costs and reasonable attorney's fees, shall also be the personal obligation of the Person who was the Owner of such Lot at the time the assessment arose, and its grantee shall be jointly and severally liable for such portion thereof as may be due and

payable at the time of conveyance, except to the extent the lien securing same may have been extinguished by judicial proceedings. In the event that the assessment remains unpaid after thirty (30) days, the Association through the Board may institute suit to collect such amounts or to foreclose its lien. Each Owner by his acceptance of a Deed to a Lot, vests in the Association or its agents the right and power to bring actions against him personally for the collection of such charges as a debt or to foreclose the aforesaid lien in the same manner as other liens for the improvement of real property. The lien provided for in this Article shall be in favor of the Association and shall be for the benefit of all Owners. The Association acting on behalf of the Owners shall have the power to bid on the Lot at any foreclosure sale and to acquire, hold, lease, mortgage and convey same. No Owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of the common areas and landscape areas or by abandonment of his Lot.

15. DEPOSITORY.

(a) The depository of the Association shall be such bank or banks as shall be designated from time to time by the Directors and in which the monies of the Association shall be deposited. Withdrawal of monies from such accounts shall be only by checks signed by such persons as are authorized by the Directors.

(b) An audit of the accounts of the Association shall be made annually by an accountant, 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.

16. PARLIAMENTARY RULES. Robert's Rules of Order (latest edition) shall govern the conduct of Association meetings when not in conflict with the Restrictions and these Bylaws.

17. INDEMNIFICATION OF OFFICERS AND DIRECTORS. The Association shall indemnify every Director or officer, his or her heirs, executors, and administrators, against all losses, costs, and expenses, including counsel fees, reasonably incurred by him or her in connection with any action, suit or proceeding to which he or she may have been a party by reason of his or her being or having been a Director or officer of the Association, as set forth in the Articles. Provided, however, that said liability limitation shall not apply:

1. For any transaction for which the director's personal financial interests are in conflict with the financial interests of the Corporation;

2. For acts or omissions not in good faith or which involve intentional misconduct or are known to the director to be in violation of a law; or

3. For any transaction from which the director derived an improper personal benefit.

All liability, loss, damage, costs, and expenses incurred or suffered by the Association by reason of or arising out of or in connection with this indemnification provision shall be treated and handled by the Association as common expense; provided, however, that nothing in this section shall be deemed to obligate the Association to indemnify any member or owner of a lot who is or has been a Director or officer of the Association with respect to any duties or obligations assumed or liabilities incurred by him or her under and by virtue of the Restrictions or as a member or owner of a lot covered by the Restrictions and these Bylaws, any amendments to such documents, and other rules and regulations imposed by the Association.

18. PROMULGATION AND ENFORCEMENT OF RULES AND REGULATIONS.

(a) The property shall be used only for those uses and purposes set out in the Restrictions. The Board of Directors shall have the authority to make and to enforce reasonable rules and regulations governing the conduct, use, and enjoyment of the lots and the common areas, provided that copies of all such rules and regulations be furnished to all owners.

(b) The Board shall not impose a fine, suspend voting, or infringe upon any other rights of a member or other occupant for violation of rules, regulations, or restrictions unless and until the following procedure is followed:

(1) DEMAND. Written demand to cease and desist from any alleged violation shall be served upon the alleged violator specifying: (i) the alleged violation; (ii) the action required to abate the violation; (iii) a time period, not less than ten (10) days during which the violation may be abated without further sanction; and (iv) a statement that any further violation of the same rule may result in the imposition of sanctions after notice and hearing if the violation is not discontinued.

(2) NOTICE. Within one (1) month of such demand, if the violation continues past the period allowed in the demand for abatement without penalty, or if the same rule, regulation, or restriction is subsequently violated, the Board of Directors shall serve the violator with written notice of a hearing to be held by the Board of Directors in executive session. The notice shall contain: (i) the nature of the alleged violation; (ii) the time and place of the hearing, which shall be not less than ten (10) days from the giving of the notice; (iii) an invitation to attend the hearing and produce any

giving of the notice; (iii) an invitation to attend the hearing and produce any statement, evidence, and witness on his or her behalf; and (iv) the proposed sanction to be imposed.

(3) HEARING. The hearing shall be held in executive session pursuant to this Notice affording the owners/alleged violator a reasonable opportunity to be heard. Prior to the effectiveness of any sanction imposed, proof of notice and the invitation to be heard shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice together with a statement of the date and manner of delivery is entered into the minutes by the officer or Director who delivered such notice. The notice requirement shall be deemed satisfied if a violator appears at the meeting. The minutes shall contain a written statement of the results of the hearing and the sanction, if any, imposed.

(4) COMPLAINTS. The complaint or request made by a member against another owner shall be made in writing and shall be accompanied with a seventy-five dollar (\$75.00) processing fee.

19. INFORMATION AND LENDER'S NOTICES.

(a) The Association shall make available for inspection, upon request, during normal business hours or under other reasonable circumstances current copies, as amended, of the Restrictions and Bylaws, and books, records, financial statements of the Association, and other rules of this project to lot owners and lenders, and to holders, insurers, or guarantors of any first mortgage.

(b) Upon written request to the Association, identifying the name and address of the holder, insurer, or guarantor, and the lot number or address, any mortgage holder, insurer, or guarantor shall be given timely written notice of:

(1) Any condemnation or casualty loss that affects either a material portion of the project or the lot securing its mortgage;

(2) A lapse, cancellation, or material modification of any insurance policy or fidelity bond maintenance by the Association; and

(3) Any proposed action that requires the consent of a specified percentage of mortgage holders.

20. AMENDMENT TO THE BYLAWS. These Bylaws may be amended in the following manner:

(a) During the Class B Control Period (as defined in the Restrictions) the Board of Directors may propose and approve any amendment without the necessity of approval by, or prior notice to, the members of the Association. Until the first election of Directors, all Directors must approve any amendments.

(b) Other than as provided in subsection (a), 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.


(c) A resolution adopting the proposed amendment may be proposed by either the Board of Directors or by the members of the Association. Directors and members not present in person or by proxy at the meetings considering the amendment may express their approval in writing, providing such approval is delivered to the Secretary at or prior to the meeting. Such approvals must be by at least sixty-six percent (66%) of the entire membership of the Board of Directors and by not less than a majority of the votes of the entire membership of the Association.

(d) No amendment shall discriminate against any lot owner or owners unless the lot owners so affected shall consent in writing. No amendment shall change any lot nor the share in the common area, nor increase any owner's share of the common expenses, nor change the voting rights of members, unless the record owner of the lot concerned and all record owners of liens thereon shall join in the execution of the amendment.


(e) A copy of each amendment shall be certified by the President and secretary of the Association as having been duly adopted and shall be effective immediately upon adoption.

Approved this 2 day of Jan, 2006.

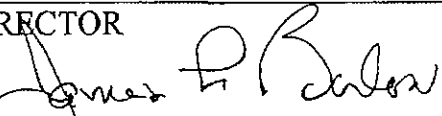
BOARD OF DIRECTORS:



DIRECTOR



DIRECTOR



DIRECTOR

L0416155

(a) During the Class B Control Period (as defined in the Restrictions) the Board of Directors may propose and approve any amendment without the necessity of approval by, or prior notice to, the members of the Association. Until the first election of Directors, all Directors must approve any amendments.

(b) Other than as provided in subsection (a), 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.

(c) A resolution adopting the proposed amendment may be proposed by either the Board of Directors or by the members of the Association. Directors and members not present in person or by proxy at the meetings considering the amendment may express their approval in writing, providing such approval is delivered to the Secretary at or prior to the meeting. Such approvals must be by at least sixty-six percent (66%) of the entire membership of the Board of Directors and by not less than a majority of the votes of the entire membership of the Association.

(d) No amendment shall discriminate against any lot owner or owners unless the lot owners so affected shall consent in writing. No amendment shall change any lot nor the share in the common area, nor increase any owner's share of the common expenses, nor change the voting rights of members, unless the record owner of the lot concerned and all record owners of liens thereon shall join in the execution of the amendment.

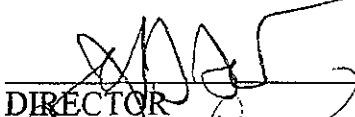
(e) A copy of each amendment shall be certified by the President and secretary of the Association as having been duly adopted and shall be effective immediately upon adoption.

Approved this 16 day of Jan, 2006.

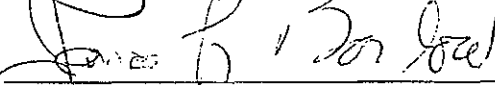
BOARD OF DIRECTORS:



DIRECTOR



DIRECTOR



DIRECTOR

L0416155