

**BY-LAWS
OF
THE PADDOCKS
OF
THROUGHBRED ACRES HOMOWNERS ASSOCIATION, INC.**

Article I

Name, Principal Office and Definitions

Section 1. Name. The name of the Association shall be The Paddocks of Thoroughbred Acres Homeowners Association, Inc. (hereinafter sometimes referred to as the "Association").

Section 2. Principal Office. The initial principal office of the Association shall be 2937 Paris Pike, Lexington, Kentucky 40512, until changed by the Board of Directors of the Association. The Association may have such other offices, either within or outside the State of Kentucky, as the Board of Directors may determine or as the affairs of the Association may require.

Section 3. Definitions. The words used in these By-laws shall have the same meaning as set forth in that certain "Declaration of Covenants, Conditions, Restrictions, Reservations and Easements for Unit 8-A and Unit 8-B (including common areas therein) of Thoroughbred Acres" (said declaration, as supplemented, amended, renewed, or extended from time to time, is hereinafter sometimes referred to as the "Declaration"), unless the contents shall prohibit.

Article II

Association; Membership, Meetings, Quorum, Voting, Proxies

Section 1. Membership. The Association shall have two (2) classes of membership, Class A and Class B, as more fully set forth in the Declaration, the terms of which pertaining to membership are specifically incorporated herein by reference.

Section 2. Place of Meetings. Meetings of the Association shall be held at the Principal Office of the Association at such other suitable place convenient to the Members as may be designated by the Board of Directors either within the Property or as convenient thereto as possible and practical.

Section 3. Annual Meeting. The first meeting of the Association, whether a regular or special meeting, shall be held within two (2) years from the date of the incorporation of the Association. Subsequent regular meetings shall be set by the Board so as to occur at least ninety (90) days but not more than one hundred twenty (120) days before the close of the Association's fiscal year on a date and time set by the Board of Directors.

Section 4. Special Meetings. The President may call special meetings. In addition, it shall be the duty of the President to call a special meeting of the Association if so directed by resolution of a majority of the quorum of the Board of Directors or upon a petition signed by

members representing at least ten (10%) percent of the total votes of the Association. The notice of any special meeting shall state the date, time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice.

Section 5. Notice of Meetings. Written or printed notice stating the place, day and hour of any meeting of the Members shall be delivered, either personally or by mail, to each Member entitled to vote at such meeting, not less than ten (10) days nor more than fifty (50) days before the date of such meeting, by or at the direction of the President or the Secretary or the officers or persons calling the meeting.

In the case of a special meeting or when required by statute or these By-laws, the purpose or purposes of which the meeting is called shall be stated in the notice. No business shall be transacted at a special meeting except as stated in the notice.

If mailed, the notice of a meeting shall be deemed to be delivered when deposited in the United States mail addressed to the Member at his or her (or its) address as it appears on the records of the Association, with postage thereon prepaid.

Section 6. Waiver of Notice Waiver of notice of a meeting of the Members shall be deemed the equivalent of proper notice. Any member may, in writing, waive notice of any meeting of the Members, either before or after such meeting. Attendance at a meeting by a Member or his proxy shall be deemed a waiver by such Member of notice of the time, date and place thereof, unless such Member specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting shall also be deemed waiver of notice of all business transacted thereat unless objection to the calling or conveying of the meeting, of which proper notice was not given, is raised before the business is put to a vote.

Section 7. Adjournment of Meetings. If any meeting of the Association cannot be held because a quorum is not present, a majority of the Members who are present at such meeting, either in person or by proxy, may adjourn the meeting from the time the original meeting was called. At the reconvened meeting, if a quorum is present, any business which might have been transacted at the meeting originally called may be transacted. If a time and place for reconvening the meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for reconvening the meeting after adjournment, notice of the time and place for reconvening the meeting shall be given to the Members in the manner prescribed for regular meetings.

The members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, provided that Members or their proxies representing at least twenty-five (25%) percent of the total votes of the Association remain in attendance, and provided further that any action taken is approved by at least a majority of the Members required to constitute a quorum.

Section 8. Voting. The voting rights of the Members shall be as set forth in the Declaration and such voting rights provisions are specifically incorporated herein.

Section 9. Proxies. Member may vote in person or by proxy; provided, any proxy shall be in writing, signed by the member and dated, and shall specify the meeting for which it is valid. Proxies must be filed with the Secretary of the Association prior to the meeting for which they are to be used. The presence in person at a meeting by the giver of the proxy shall automatically revoke the proxy.

Section 10. Majority. As used in these By-laws, the term "majority" shall mean those votes, owners or other group as the context may indicate totaling more than fifty (50%) percent of the total number.

Section 11. Quorum. Except as otherwise provided in these By-laws or in the Declaration, the presence in person or by proxy of the Members representing a majority of the total vote of the Association shall constitute a quorum at all meetings of the Association. Any provisions in the Declaration concerning quorums is specifically incorporated herein.

Section 12. Conduct of Meetings. The President shall preside over all meetings of the Association, and the Secretary shall keep the minutes of the meeting and record in a minute book all resolutions adopted at the meeting, as well as a record of all transactions occurring at the meeting.

Section 13. Action Without a Meeting. Any action required by law to be taken at a meeting of the Members, or any action which may be taken at a meeting of the Members, may be taken without a meeting if written consent setting forth the action so taken is signed by all of the Members entitled to vote with respect to the subject matter thereof, and any such consent shall have the same force and effect as a unanimous vote of the Members.

Article III

Board of Directors: Number, Powers, Meetings

A. Composition and Selection.

Section 1. Governing Body; Composition. The affairs of the Association shall be governed by a Board of Directors, each of whom shall have one (1) vote. Except with respect to directors appointed by the Developer, the directors shall be Members or spouses of such Members. In the case of an Owner which is a corporation or partnership the person designated in writing to the Secretary of the Association as the representative of such corporation or partnership shall be eligible to serve as director.

Section 2. Directors During Class B Control: The Directors shall be selected by the Class B Member acting in its sole discretion, subject only to Article III, Section 6, hereof, and shall serve at the pleasure of the Class B Member until the first to occur of the following:

(a) When seventy-five (75%) of the Lots permitted by applicable zoning for the Property as described and defined in the Declaration have certificates of occupancy issued

thereon and have been conveyed to Persons other than the Developer or builders holding title solely for the purposes of development and sale;

- (b) January 1, 2015; or
- (c) When, in its discretion, the Class B Member so determines.

Within thirty (30) days thereafter, the Class B Member shall cause the Board to call a meeting as provided in Article II, Section 4, of these By-Laws for special meetings, to advise the membership of termination of the Class B Control Period.

Section 3. Developer Participation. This Section 3 may not be amended without the express written consent of the Developer.

After termination of the Class B Control Period, the Developer shall have the right to participate in the decision-making process and the right to disapprove all actions of the Board, as is more fully provided in this Section. These rights shall be exercisable only by the Developer, its successors and assigns who specifically take this power in a recorded instrument, and shall terminate one (1) year after the date of termination of the Class B Control Period. Developer's rights of participation shall be as follows:

- (a) The Developer shall have been given written notice of all meetings and proposed actions approved at the meetings of the Board or any committee thereof by certified mail, return receipt requested, or by person delivery at the address it has registered with the Secretary of the Association, as it may change from time to time which notice complies as to the Board of Directors meetings with Article III, Sections 8, 9, and 10 of these By-Laws and which notice shall, except in the case of the regular meetings held pursuant to the By-Laws, set forth in reasonable particularity the agenda to be followed at said meeting; and
- (b) The Developer shall be given the opportunity at any such meeting to join in or to have its representatives or agents join in discussion from the floor of any prospective action, policy, or program to be implemented by the Board, any committee thereof, or the Association, the Developer, its representatives or agents shall make its concerns, thoughts and suggestions known to the members of the subject committee and/or the Board. The Developer shall have the right to disapprove any policy or program authorized by the Board of Directors or any committee thereof, and any action to be taken by the Board, any committee thereof, and Association, or any individual member of the Association, if Board, committee or Association approval is necessary for such action. This right may be exercised by the Developer, its representatives, or agents at any time within ten (10) days following the meeting held pursuant to the terms and provision hereof. Notwithstanding any provision herein to the contrary, the Developer shall not have the right to require any action or counteraction on behalf of any committee, the Board or Association, and shall not exercise its rights hereunder to reduce the level

of services which the Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations.

Section 4. Number of Directors. The number of directors in the Association shall be not less than five (5) nor more thirteen (13) as provided in Section 6 below. The initial Board shall consist of three (3) members as identified in the Articles of Incorporation.

Section 5. Nomination of Directors. Except with respect to directors selected by the Class B Member, nominations for election to the Board of Directors shall be made by a Nominating Committee. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and three (3) or more Members of the Association. The Nominating Committee shall be appointed by the Board of Directors not less than thirty (30) days prior to each annual meeting of the Members to serve a term of one (1) year or until their successors are appointed, and such appointment shall be announced at each such annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but in no event less than the number of positions to be filled. Nominations shall also be permitted from the floor. All candidates shall have a reasonable opportunity to communicate their qualifications to the Members and to solicit votes.

Section 6. Election and Term of Office.

Notwithstanding any other provisions contained herein:

(a) Within thirty (30) days after the time Class A Members, other than a builder holding title solely for purposes of development and sale, own seventy-five (75%) of the Lots permitted by applicable zoning for the Property as described and defined in the Declaration or whenever the Class B Member earlier determines, the Association shall call a special meeting to be held at which Class A Members shall elect all but one (1) of the directors. The remaining one (1) director shall be an appointee of the Class B Member, and shall serve at the pleasure of the Class B Member. The directors elected by the Member shall not be subject to removal by the Class B Member acting alone and shall be elected for a term of two (2) years.

(b) Within thirty (30) days after the termination of the Class B Control Period, the Association shall call a special meeting to be held at which Class A Member shall elect all directors. The directors elected by the Members shall not be subject to removal by the Developer acting alone and shall serve until the next annual meeting or until their successors are elected.

(c) At the first annual meeting of the membership after the termination of the Class B Control Period and at each annual meeting of the membership thereafter, all directors shall be elected by the vote of the Members. All Members of the Association eligible to vote shall be entitled to cast one equal vote per Lot owned for each directorship to be filled. There shall be no cumulative voting. The candidates receiving the most votes shall be elected. The initial terms of the first Board of Directors elected entirely by the Members shall be elected for a one (1) year

term. At the expiration of the initial term of office of each member of such Board of Directors, successors shall be elected to serve for a term of one (1) year. The directors elected by the Members shall hold office until their respective successors have been selected. Directors may be elected to serve any number of consecutive terms.

Section 7. Removal of Directors and Vacancies. Any director elected by the Members may be removed, with or without cause, by the vote of Members representing a majority of the votes entitled to be cast for the election of such director. Any director whose removal is sought shall be given notice prior to any meeting called for that purpose. Upon removal of a director, a successor shall then and there be elected by the Members entitled to vote for such removal to fill the vacancy for the remainder of the term of such director.

B. Meetings.

Section 8. Organization of Meetings. The first meeting of the Board of Directors following each annual meeting of the membership shall be held within ten (10) days thereafter at such time and place as shall be fixed by the Board.

Section 9. Regular Meetings. 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, but at least four (4) such meetings shall be held during each fiscal year with at least one (1) per quarter. Notice of the time and place of the meeting shall be communicated to directors not less than four (4) days prior to the meeting; provided, however, notice of a meeting need not be given to any director who has signed a waiver of notice or written consent to hold the meeting.

Section 10. Special Meetings. Special meetings of the Board of Directors shall be called by written notice signed by the President of the Association or by a majority of directors. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice shall be given to each director by one of the following methods: (a) by personal delivery; (b) written notice by first class mail, postage prepaid; (c) telephone communication, either directly to the director or to a person at the director's office or home who would reasonably be expected to communicate such notice promptly to the director; or (d) by telegram charges prepaid. All such notices shall be given at the director's telephone number or sent to the director's address as shown on the records of the Association. Notices sent by first class mail shall be deposited into a United States mailbox at least four (4) days before the time set for the meeting. Notices given by personal delivery, telephone, or telegraph shall be delivered, telephoned or given to the telegraph company at least seventy-two (72) hours before the time set for the meeting.

Section 11. Waiver of Notice. The transactions of any meetings of the Board of Directors, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if (a) a quorum is present, and (b) either before or after the meeting the purpose of the meeting is approved. Notice of a meeting shall also be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

Section 12. Quorum of Board of Directors. At all meetings of the Board of Directors, a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the Board of Directors. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting. If any meeting of the Board cannot be held because a quorum is not present, a majority of the directors who are present at such meeting may adjourn the meeting to a time not less than five (5) nor more than thirty (30) days from the date the original meeting was called. At the reconvened meeting, if a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

Section 13. Compensation of Directors. No director shall receive any compensation from the Association for acting as such unless approved by Members representing a majority of the total vote of the Association at a regular or special meeting of the Association; provided any director may be reimbursed for expenses incurred on behalf of the Association upon approval of a majority of the other directors.

Section 14. Conduct of Meetings. The President shall preside over all meetings of the Board of Directors, and the Secretary shall keep a minute book of meetings of the Board of Directors recording therein all resolutions adopted by the Board of Directors and all transactions and proceedings occurring at such meetings.

Section 15. Open Meetings. Subject to the provisions of Section 16 of this Article, all meetings of the Board shall be open to all Members, but Members other than directors may not participate in any discussion or deliberation unless permission to speak is requested on his or her behalf by a director. In such case, the President may limit the time any Member may speak.

Section 16. Action Without a Formal Meeting. Any Action to be taken at a meeting of the directors or any action that may be taken at a meeting of the directors may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors, and such consent shall have the same force and effect as a unanimous vote.

C. Powers and Duties

Section 17. Powers. The Board of Directors shall be responsible for the affairs of the Association, and shall have all of the powers and duties necessary for the administration of the Association's affairs, and as provided by law, may do all acts and things as are not by the Declaration, Articles or these By-Laws directed to be done and exercised exclusively by the Members.

The Board of Directors shall delegate to one of its members the authority to act on behalf of the Board of Directors on all matters relating to the duties of the managing agent or manager, if any, which might arise between meetings of the Board of Directors.

In addition to the duties imposed by these By-Laws or by any resolution of the Association that may hereafter be adopted, the Board of Directors shall have the power to and shall be responsible for the following, by way of explanation, but not limitation:

- (a) Preparation and adoption of annual budgets in which there shall be established the contribution of each Owner to the Common Expenses;
- (b) Making assessments to defray the Common Expenses, establishing the means and methods of collection of such assessments, and establishing the period of the installment payments of the Annual Assessment; provided, unless otherwise determined by the Board of Directors, the Annual Assessment for each Lot's proportionate share of the Common Expenses shall be payable in equal monthly installments, each such installment to be due and payable in advance on the first day of each month for said month;
- (c) Providing for the operation, care, upkeep and maintenance of all of the Area of Common Responsibility;
- (d) Designating, hiring and dismissing the personnel necessary for the maintenance, operation, repair, and replacement of the Association, its property, and the Area of Common Responsibility and where appropriate, providing for compensation of such personnel and for the purchase of equipment, supplies and materials to be used by such personnel in the performance of their duties;
- (e) Collecting the assessment, depositing the proceeds thereof in a bank depository which it shall approve, and using the proceeds to administer the Association; provided, any reserve fund may be deposited, in the directors' best business judgment, in depositories other than banks;
- (f) Making and amending rules and regulations;
- (g) Opening of bank accounts on behalf of the Association and designating the signatories required;
- (h) Making or contracting for the making of repairs, additions, and improvements to or alterations of the Common Area in accordance with the other provisions of the Declaration and these By-Laws after damage or destruction by fire or other casualty;
- (i) Enforcing by legal means the provisions of the Declaration, these By-Laws, and the rules and regulations adopted by it and being any proceedings which may be instituted on behalf of or against the Owners concerning the Association;
- (j) Obtaining and carrying insurance against casualties and liabilities, as provided in the Declaration, and paying the premium cost thereof;

- (k) Paying the costs of all services rendered to the Association or its Members and not chargeable directly to specific owners;
- (l) Keeping books with detailed amounts of the receipts and expenditures affecting the Association and its administration, specifying maintenance and repair expenses and any other expense incurred;
- (m) Making available to any prospective purchaser of a Lot, any Owner of a Lot, any first Mortgagee, and the holder, insurers, and guarantors of a first mortgage on any Lot, current copies of the Declaration, the Articles of Incorporation, the By-Laws, rules governing the Lot and all other books, records, and financial statements of the Association, and;
- (n) Permitting utility suppliers to use portions of the Common Area reasonably necessary to the ongoing development or operation of the Property.

Section 18. Management Agent.

- (a) The Board of Directors may employ for the association a professional management agent or agents at a compensation established by the Board of Directors to perform such duties and services as the Board of Directors shall authorize. The Board of Directors may delegate to the managing agent or manager, subject to the Board's supervision, all of the powers granted to the Board of Directors by these By-Laws other than the powers set forth in subparagraphs (a), (b), (f), (g) and (i) of Section 17 of this Article. The Developer, or an affiliate of the Developer, may be employed as managing agent or manager.
- (b) No management contract may have a term in excess of one (1) year and must permit termination by either party without cause and without termination fee on ninety (90) days' or less written notice.

Section 19. Accounts and Reports. The following management standards of performance will be followed unless the Board by resolution specifically determines otherwise;

- (a) Accrual Accounting, as defined by generally accepted accounting principals, shall be employed;
- (b) Accounting and controls should conform to generally accepted accounting principals;
- (c) Cash accounts of the Association shall not be commingled with any other accounts;
- (d) Commencing at the end of the fiscal year next preceding the adoption and certification of these By-Laws an annual financial report for the Association shall be prepared and distributed to the Members which shall contain the following:

- (i) an income statement reflecting all income and expense activities for the preceding period on an accrual basis;
 - (ii) a statement reflecting all cash receipts and disbursements for the preceding period;
 - (iii) a variance report reflecting the status of all accounts in an "actual" versus "approved" budget format;
 - (iv) a balance sheet as of the last day of the preceding period; and
 - (v) a delinquency report listing all Owners who are delinquent in paying the homeowners assessments at the time of the report and describing the status of any action to collect such payments which are and remain delinquent. Any installment payment of assessments shall be deemed delinquent thirty (30) days after its due date, unless otherwise specified by the Board of Directors.
- (e) The fiscal year of the corporation shall be the calendar year (January 1 to December 31), unless otherwise changed by the Board of Directors;
 - (f) The annual report shall be distributed to the Members within 120 days after the close of the fiscal year; and
 - (g) The annual report shall be prepared on an audited or reviewed basis, as determined by the Board of Directors.

Section 20. Borrowing. The Board of Directors shall have the power to borrow money for the purposes of maintenance, repair or restoration of the areas of Common Responsibility without the approval of the Members of the Association. The Board shall have the power to borrow money for other purposes; provided, the Board shall obtain membership approval in the manner provided in Article V, Section 4, of the Declaration for special assessments in the event that the proposed borrowing is for the purpose of modifying, improving, or adding amenities and the total amount of such borrowing exceeds (5%) of the budgeted gross expenses of the Association for that fiscal year.

Section 21. Rights of the Association. With respect to the Area of Common Responsibility, and in accordance with the Articles of Incorporation and By-Laws of the Association, the Association shall have the right to contract with any person for the performance of various duties and functions. Without limiting the foregoing, this right shall entitle the Association to enter into common management, operational or other agreements with trusts, condominiums, cooperatives, or neighborhood and other owners or residents association, outside the Property. Such agreement shall require the consent of two-thirds (2/3) of all Directors of the Association.

The Association shall not be bound, either directly or indirectly, by any contract, lease, or other agreement (including any management contract) executed during the Class B Control Period unless such contract, lease or other agreement contained a right of termination exercisable by either party without penalty at any time, with or without cause, upon not more than ninety (90) days of notice to the other party.

Section 22. Enforcement. The Board shall have the powers to impose reasonable fines against Owners or occupants, which shall be an assessment on the Lot, shall constitute a lien upon the property of the violating Owner, and may be collected in the same manner provided for the collection of assessments in Article V of the Declaration. The Board also shall have the authority to suspend an Owner's right to vote, or to use the Common Area, for violation of any duty imposed under the Declaration, these By-Laws, or any rules and regulations duly adopted hereunder; provided, however, nothing herein shall authorize the Association of the Board of Directors to limit ingress and egress to or from a Lot. In the event that any occupant of the Lot violates the Declaration, By-Laws, or a rule or regulation and a fine is imposed, the fine shall first be assessed against the occupant; provided, however, if the fine is not paid by the occupant within the time period set by the Board, the Owner shall pay the fine upon notice from the Association. The failure of the Board to enforce any provision of the Declaration, By-Laws, or any rule or regulation shall not be deemed a waiver of the right of the Board to do so thereafter.

- (a) **Notice.** Prior to imposition of any sanction hereunder, the Board or its delegate shall serve the alleged violator with written notice describing (i) the nature of the alleged violation; (ii) the proposed sanction to be imposed; (iii) a period of not less than ten (10) days within which the alleged violator may present a written request to the Covenants Committee, if any, or the Board of Directors for a hearing; and (iv) a statement that the proposed sanction shall be imposed as contained in the notice unless a challenge is begun within ten (10) days of the notice. If a timely challenge is not made, the sanction in the notice shall be imposed.
- (b) **Hearing.** If a hearing is requested in a timely manner, the hearing shall be held in executive session affording the Owner reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of proper notice 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 dated and manner of delivery, is entered by the officer, Director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed. The Board of Directors or the Covenants Committee, if any, may, but shall not be obligated to, suspend any proposed sanction if the violation is cured within the ten (10) day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions and rules by any Person.
- (c) **Appeal.** Following a hearing before the Covenants Committee, if any, the violator shall have the right to appeal the decision to the Board of Directors. To perfect this right, a written notice of appeal must be received by the Manager, President, or Secretary of the Association within thirty (30) days after the hearing date.
- (d) **Additional Enforcement Rights.** Notwithstanding anything to the contrary herein contained, the Association, acting through the Board of Directors, may elect to enforce any provisions of the Declaration, these By-Laws, or the rules and regulations

of the Association by self-help (specifically including, but not limited to, the towing of vehicles that are in violation or to recover monetary damages or both without the necessity of compliance with the procedure set forth above). In any such action, to the maximum extent permissible, the Owner or occupant responsible for the violation of which abatement is sought shall pay all costs, including reasonable attorney's fee actually incurred.

Article IV **Officers**

Section 1. Officers. The officer of the Association shall be a President, Vice President, Secretary and Treasurer, to be elected from among the members of the Board of Directors. The Board of Directors may appoint such other officers, including one or more Assistance Secretaries and one or more Assistant Treasurers, as it shall deem desirable, such officer to have the authority and perform the duties prescribed from time to time by the Board of Directors. Any two (2) or more offices may be held by the same person, except the offices of President and Secretary.

Section 2. Election, Term of Office and Vacancies. The officers of the Association shall be elected annually by the Board of Directors at the first meeting of the Board of Directors following each annual meeting of the Members, as herein set forth in Article III. A vacancy in any office arising because of death, resignation, removal or otherwise may be filled by the Board of Directors for the unexpired portion of the term.

Section 3. Removal. Any officer may be removed by the Board of Directors whenever in its judgment the best interest of the Association will be served thereby.

Section 4. Powers and Duties. The officer of the Association shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as may from time to time specifically be conferred or imposed by the Board of Directors. The President shall be the chief executive officer of the Association. The Treasurer shall have primary responsibility for the preparation of the budget as provided for in the Declaration and may delegate all or part of the preparation and notification duties to a finance committee.

Section 5. Resignation. Any officer may resign at any time by giving written notice to the Board of Directors, the President or the Secretary. Such resignation shall take effect on the date of the 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 6. Agreements, Contract, Deeds, Leases, Checks, Etc. All agreements, contracts, deeds, leases, checks and other instruments of the Association shall be executed by at least two (2) officers, one (1) of which must be the Treasurer or the duly appointed Assistant Treasurer, or by such other person or persons as may be designated by resolution of the Board of Directors.

Section 7. Compensation of Officers. The Secretary and Treasurer may receive compensation from the Association for acting in such capacity when such compensation is approved by the Board of Directors, with such reasonable compensation being set by resolution. In addition, any officer may be reimbursed for expenses incurred on behalf of the Association upon approval of a majority of the other Directors.

Article V **Committees**

Section 1. General. Committees are hereby authorized to perform such tasks and to serve for such periods as may be designated by a resolution adopted by a majority of the Directors present at a meeting at which a quorum is present. Each committee shall operate in accordance with the terms of the resolution of the Board of Directors designating the committee or with rules adopted by the Board of Directors.

Section 2. Covenants Committee. In addition to any other committee which may be established by the Board pursuant to Section 1 of this Article, the Board of Directors may appoint a Covenants Committee consisting of at least five (5) and no more than seven (7) Members. Acting in accordance with the provisions of the Declaration, these By-Laws and resolutions the Board may adopt, the Covenants Committee, if established, shall be the hearing tribunal of the Association and shall conduct all hearings held pursuant to Article II, Section 22 of these By-Laws.

Article VI **Miscellaneous**

Section 1. Fiscal Year. The fiscal year of the Association shall be set by resolution of the Board of Directors. In the absence of such a resolution, the fiscal year shall be the calendar year.

Section 2. Parliamentary Rules. Except as may be modified by Board resolution, "Robert's Rules of Order" (current edition) as modified from time to time, shall govern the conduct of the Association proceedings when not in conflict with Kentucky Law, the Articles of Incorporation, the Declaration, or these By-laws.

Section 3. Conflicts. If there are conflicts between the provisions of Kentucky Law, the Articles of Incorporation, the Declaration, and these By-Laws, the provisions of Kentucky Law, the Declaration, the Articles of Incorporation, and the By-Laws (in that order) shall prevail.

Section 4. Books and Records.

- (a) **Inspection by Members and Mortgagees.** The Declaration and By-Laws, membership register, books of accounts, and minutes of meeting of the Members, the Board and the Committees shall be made available for inspection and copying by any Mortgagee, Member of the Association, or by his or her duly authorized representative at any reasonable time and for a purpose reasonably related to his or

her interest as a Member at the office of the Association or such other place within the Properties as the Board shall prescribe.

(b) Rules for Inspection. The Board shall establish reasonable rules with respect to:

- (i) notice to be given to the custodian of records;
- (ii) hours and days of the week when such an inspection may be made; and
- (iii) payment of the costs of reproducing copies of documents requested.

(c) Inspection by Directors. Every Director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and the physical Property owned or controlled by the Association. The right of inspection by a Director includes the right to make extracts and a copy of relevant documents at the expense of the Association.

Section 5. Notices. Unless otherwise provided in these By-laws, all notices, demands, bills, statements, or other communication under these By-Laws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by United State Mail, first class postage prepaid:

- (a) If to a Member, at the address which the Member has designated in writing and filed with the Secretary or, if no such address has been designated, at the address of the Lot of such Member; or
- (b) If to the Association, the Board of Directors, or the managing agent, at the principal office of the Association or the managing agent, if any or at such other address as shall be designated by notice in writing to the Members pursuant to this section.

Section 6. Amendment. Prior to the conveyance of the first Lot, Developer may unilaterally amend these By-Laws. After such conveyance, the Developer may unilaterally amend these By-Laws so long as it has the unilateral right to annex property to the Declaration for development as part of the Property and so long as the amendment has no material adverse effect upon any right of any Owner; thereafter and otherwise, these By-Laws may be amended only by the affirmative vote (in person or by proxy) or written consent, or any combination thereof, of Members representing seventy-five percent (75%) of the total votes of the Association, and the written approval of the Class B Member, so long as the Class B membership exists. However, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of the affirmative votes required for action to be taken under that clause.

No amendment may remove, revoke or modify any right or privilege of Developer without the written consent of the Developer or the designee of such right and privilege.

Article VII
Limitation of Director Liability

No Director shall be personally liable to the Corporation for monetary damages for breach of his duties as Director except for liability:

- (a) For any transaction in which the Director's personal financial interest is in conflict with the financial interests of the corporation,
- (b) For acts or omissions not in good faith or which involved intentional misconduct or are known to the Director to be a violation of law,
- (c) For any transaction from which the Director derives an improper personal benefit.

If the Kentucky Revised Statutes are amended after approval of this Article to authorize corporate action further eliminating or limiting the personal liability of Directors, then the liability of a Director of the Corporation shall be deemed to be eliminated or limited by this provision to the fullest extent then permitted by the Kentucky Revised Statutes, as so amended.

Any repeal or modification of this Article shall not adversely affect any right or protection of a Director of the Corporation existing at the time of such repeal or modification.

These By-Laws of The Paddocks of Thoroughbred Acres Homeowners Association, Inc. hereby approved and adopted by the initial Directors on this the 17th day of March, 2008.


ELMER WHITAKER


JACK E. WHITAKER


RALPH A. RUSCHELL