

BY-LAWS FOR ADMINISTRATION OF THE YACHT CLUB ESTATES
CONDOMINIUM AND YACHT CLUB ESTATES CONDOMINIUM ASSOCIATION, INC.

ARTICLE I

ESTABLISHMENT OF ASSOCIATION

Section 1. Association: The members of the Yacht Club Estates Condominium Association, Inc., a not-for-profit corporation organized under the provisions of the General Not for Profit Corporation Act of the State of Kentucky (which corporation is hereinafter referred to as the "Association"), shall consist of the Unit Owners of Yacht Club Estates, located in Oldham County, Kentucky, in accordance with the Master Deed Declaration of Condominium Horizontal Property Regime of Yacht Club Estates (the "Declaration"), which Declaration is recorded in the Office of the Recorder of Deeds of the County of Oldham, Kentucky, and appended to which is a copy of these By-Laws, marked Exhibit _____. (The words "Member" or "Members" as used in these By-Laws shall refer to a "Unit Owner or "Unit Owners", as the case may be, referred to in the Declaration and Kentucky Horizontal Property Law, as provided in KRS 381.805 to 381.910, herein referred to as "Condominium Act".) All capitalized words and phrases defined in the Declaration shall have the same meaning herein unless explicitly defined otherwise herein.

Section 2. Membership: The membership of each Unit Owner shall be determined as provided for in the Declaration. The Association may issue certificates evidencing membership therein.

Section 3. Meetings: The meeting of Unit Owners shall be held at the Property in Oldham County, Kentucky, or at such other place in Prospect, Kentucky, as may be specified in the notice of the meeting. An annual meeting of the Unit Owners shall be held on a date specified by the Board. Special meetings of the Unit Owners may be called by the President or by twenty percent (20%) of either the Board or the Unit Owners. Not less than ten (10) nor more than sixty (60) days in advance of any meeting, the Secretary of the Board shall cause notice to be hand-delivered or sent prepaid by United States mail to the mailing address of each Unit Owner, which shall state the time and place of the meeting and items on the agenda, including the general nature of any proposed amendment to the Declaration or By-Laws, any budget changes, and any proposal to remove a Director or Officer. Any Unit Owner or holder of a first mortgage shall have the right to designate a representative to attend all annual and special meetings. If sent by mail, notice shall be considered timely if mailed no less than seven days prior to any meeting.

Section 4. Voting: Each dwelling Unit shall be entitled to one (1) vote in the Association. If any Unit Owner consists of more than one person, the voting rights of such Unit Owner shall not be divided and a voting member shall be designated by a majority in interest of the owners of such Unit in writing. Any such designation may be revoked at any time by written notice signed by a majority in interest of the owners of such Unit. Except that if only one of the multiple owners of a Unit is present at a meeting of the Association, he is entitled to cast the vote allocated to that Unit as the designated voting member and if any one of the multiple owners casts the vote allocated to a Unit without prompt protest being made to the person presiding over the meeting then the multiple owner casting such vote shall be deemed the designated representative. A corporation, if an owner of a Unit, shall act through its President or such other officer or director as shall be designated in writing by the Board of Directors of such corporation. All designations of voting members shall be held by the Secretary of the Board among the records of the Board. A Unit Owner may vote by proxy given to any other Unit Owner, the Board or the Developer (also referred to as the "Declarant").

Section 5. Cumulative Voting: In all elections for Directors, each Unit Owner shall be entitled to vote on a cumulative voting basis.

Section 6. Quorum: A quorum of Unit Owners for any meeting shall be constituted by Unit Owners represented in person or by proxy and holding a majority of the votes of all Unit Owners.

ARTICLE II

EXECUTIVE BOARD

Section 1. Establishment: The Executive Board of the Association (referred to as the "Board" or the "Executive Board") shall consist of three (3) Directors. The first Board shall be determined as provided for in the Articles of Incorporation.

Section 2. Directors: The Board shall be elected from among the Unit Owners, and each Director (except for Directors appointed by the Declarant) must be a Unit Owner, or, if a Unit Owner is a corporation, a Director may be an officer of such Unit Owner, or if a Unit Owner is a partnership, a Director may be a partner of such Unit Owner, or if a Unit Owner is a trust, a Director may be a beneficiary of such Unit Owner. If a Director shall cease to meet such qualifications during his term, he shall thereupon cease to be a Director and his place on the Board shall be deemed vacant.

Section 3. Voting: All matters subject to the control of the Executive Board shall require the approval of two-thirds of the Directors.

Section 4. Quorum: Two (2) Directors shall constitute a quorum at any Directors' meeting for the transaction of business. Any action taken by a quorum of Directors shall require the approval of both Directors constituting the quorum.

Section 5. Vacancies: Any vacancy occurring in the Board shall be filled by election by the Unit Owners at the next annual meeting or at a special meeting of Unit Owners called for such purpose.

Section 6. Meetings: An annual meeting of the Board shall held immediately following the annual meeting of Unit Owners and at the same place. Special meetings of the Board shall be held upon call by the President or by a majority of the Board on not less than forty-eight (48) hours' notice in writing to each Director, delivered personally or by mail or telegram. Any Director may waive notice of a meeting, or consent to the holding of a meeting, without notice, or consent to any action of the Board without a meeting.

Section 7. Compensation: Directors shall receive no compensation for their services, unless expressly provided for in resolutions duly adopted by the Unit Owners.

Section 8. Removal: The Unit Owners, by a two-thirds majority vote of all persons present and entitled to vote at any meeting of the Unit Owners at which a quorum is present, may remove any Executive Board Member.

Section 9. Powers and Expenditures: The Executive Board, for the benefit of all the Unit Owners, shall control the Association and to such end shall have the powers and duties provided in these By-Laws and the Declaration, including, but not by way of limitation, the power to provide for the following:

(a) Officers: The election of the Officers of the Association as hereinafter provided.

(b) Administration: The administration of the affairs of the Association and of the Property.

(c) Services and Utilities: Water, waste removal, electricity, gas, sewer expenses, and other necessary utility service for the Common Elements and water, trash and refuse collection and sewer fees for each Unit.

(d) Insurance: Insurance shall be provided in accordance with the Declaration and the Condominium Act.

(e) Other Insurance: All other insurance deemed appropriate by the Executive Board, including errors and omissions insurance for the Officers and Directors.

(f) Employees: The services of any person or firm employed by the Board, including but not limited to a manager, if one is employed, or a managing agent, if one is employed, accountants and attorneys; the designation and removal of personnel necessary for the maintenance, repair and replacement of the Units and Common Elements shall be made by the Board or as they direct the manager, if one is employed, or the managing agent, if one is employed.

(g) Maintenance: All maintenance, repair and replacement of items required by the Declaration including, but not limited to, landscaping, gardening, snow removal, painting, cleaning, decorating, repair and replacement of the Units and Common Elements and such furnishings and equipment for the Common Elements as the Executive Board shall determine are necessary and proper, and the Board shall have the right and duty to acquire the same for the Common Elements. The Board may delegate any of the above duties to any manager or managing agent it deems appropriate.

(h) Miscellaneous: Any other materials, supplies, furniture, labor, services, maintenance, repairs, structural alterations, insurance or assessments which the Board is required to secure or pay for pursuant to the terms of the Declaration, By-Laws, or by law or which in its opinion shall be necessary or proper for the maintenance and operation of the Property as a first class condominium development or for the enforcement of these By-Laws.

(i) Liens: Any amount necessary to discharge any mechanic's lien or other encumbrance levied against the entire Property or any part thereof which may, in the opinion of the Board, constitute a lien against the Property or against the Common Elements, rather than merely against the interests therein of particular Unit Owners. Where one or more Unit Owner is responsible for the existence of such lien, the Unit Owner of any affected Unit may pay to the lienholder the amount of the lien attributable to his Unit. The amount of the payment shall be proportionate to the ratio which that Unit Owner's Common Expense liability bears to the Common Expense liabilities of all Unit Owners whose Units are subject to the lien. After payment, the Board shall not assess or have a lien against that Unit Owner's Unit for any portion of the Common Expenses incurred in connection with that lien.

(j) Maintenance of Units: Maintenance and repair of any Unit and all other maintenance required by the Declaration.

(k) Entry for Maintenance: The Board or its agents may enter any Unit when necessary in connection with any maintenance, or construction for which the Board is responsible. Such entry shall be made with as little inconvenience to the Unit Owners as practicable. If any damage is caused to the Common Elements or to any Unit through which access is taken, the Association, if it

is responsible, shall be liable for the prompt repair thereof. If the Association is liable for payment, the expense thereof shall be paid from the Board's maintenance fund.

(l) Easements: To establish, grant and dedicate easements (including easements for utilities and sewers) over the Common Elements in addition to any shown on the Plats and Plans and for this purpose, the Board is hereby constituted Attorney in Fact for the Unit Owners to execute all documents necessary to carry out the terms of this provision.

(m) Accounting: Upon 10 days' notice and payment of a reasonable fee as designated by the Board, said Board shall furnish to a Unit Owner a statement of his account setting forth the amount of any unpaid Assessment or other charges due and owing from such owner.

(n) Rules and Regulations: Promulgation of administrative rules and regulations and such reasonable rules and regulations as it may deem advisable for the use, operation, maintenance, conservation, beautification and protection of the Common Elements and for the health, comfort, safety and general welfare of the Unit Owners. By a vote of a majority of the council of co-owners the council may amend such administrative rules and regulations.

(o) Unit Owners' Resolutions: To comply with the instruction of a majority of the Unit Owners, as expressed in a resolution duly adopted at any annual or special meeting of the Unit Owners.

(p) Litigation: To institute, defend, or intervene in litigation or administrative proceedings in the Association's name on behalf of the Association or two or more Unit Owners on matters affecting the Condominium Association.

(q) Contracts: To make any contracts or incur liabilities necessary to carry out any of the Association's duties under the By-Laws, the Declaration or the Condominium Act.

(r) Improvements: To make any additional improvements to the Common Elements that the Board approved by a vote of two-thirds (2/3) of the Directors.

(s) Conveyances: To acquire, hold, encumber, and convey in its own name any right, title or interest to real or personal property; provided, that Common Elements may only be conveyed or subjected to a security interest in accordance with the Condominium Act, if applicable.

(t) Fines: To impose charges for late payment of Assessments and after notice and an opportunity to be heard, levy reasonable fines for violation of the Declaration, By-Laws or rules and regulations.

(u) Charges: To impose reasonable charges for the preparation and recordation of amendments to the Declaration, resale certificates or statements of unpaid Assessments.

(v) Taxes: To prepare and file all necessary tax returns for the Association and to pay any and all taxes due by the Association. The Executive Board may delegate the duty of preparing tax returns to a qualified agent.

(w) Powers and Duties: To exercise all other powers and duties of the Executive Board or Unit Owners as a group referred to in the Act, and all powers and duties of a "Board of Directors" referred to in the General Not-for-Profit Corporation Act of the State of Kentucky, and all powers and duties of the Executive Board as stated in the Declaration and these By-Laws.

(x) Enforcement: To enforce the Declaration, any and all restrictions governing the land and to take any and all necessary steps to secure the enforcement and compliance of the same.

(y) Power from Declaration: To exercise any and all other powers or acts without limitation as are authorized by the Declaration.

(z) Right of First Refusal, Leases: To approve or disapprove any sale or lease of a Unit as provided in the Declaration and to exercise the powers of the Association granted by the Declaration.

Section 10. Limitations on Powers: The Executive Board may not act on behalf of the Association to amend the Declaration, to terminate the Condominium or the Association, or to elect members of the Executive Board or determine the qualifications, powers and duties or terms of office of Executive Board members, but may fill vacancies on the Board until an election is held to fill such vacancy as provided in Article II Section 5 of these By-Laws.

ARTICLE III

OFFICERS

Section 1. Election: At each annual meeting, the Board shall elect the following Officers of the Association:

(a) President: A President, who shall be a Director and who shall preside over the meetings of the Board and of the Unit Owners, who shall have the authority to prepare, execute, certify, and record amendments to the Declaration on behalf of the Association, and who shall be the chief executive officer of the Association.

(b) Vice President: A Vice President, who shall, in the absence or disability of the President, perform the duties and

exercise the powers of the President and who shall be qualified to be a Director.

(c) Secretary: A Secretary, who shall keep the minutes of all meetings of the Board and of the Unit Owners, and who shall, in general, perform all the duties incident to the office of Secretary, and who may be a representative of a managing agent.

(d) Treasurer: A Treasurer, who shall keep the financial records and books of account, and who may be a representative of a managing agent. The same person may hold the offices of both Secretary and Treasurer.

(e) Additional Officers: Such additional Officers as the Board shall see fit to elect.

Section 2. Powers: The respective Officers shall have the general powers usually vested in such Officers of a not-for-profit corporation; provided that the Board may delegate any specific powers to any other Officer or impose such limitations or restrictions upon the powers of any Officer as the Board may see fit.

Section 3. Term: Each Officer shall hold office for the term of one year and until his successor shall have been elected and qualified.

Section 4. Vacancies: Vacancies in any office shall be filled by the Board at special meetings thereof. Any Officer may be removed at any time with or without cause by the Board at a special meeting thereof.

Section 5. Compensation: The Officers shall receive no compensation for their services, unless expressly provided for in a resolution duly adopted by the Unit Owners.

ARTICLE IV

BUDGET AND ASSESSMENTS

Section 1. Annual Budget: The Board shall cause to be prepared a proposed annual budget for each fiscal year of the Association. The Association fiscal year shall be the calendar year unless otherwise determined by the Board. Such budget shall take into account the estimated Common Expenses and cash requirements for the year, including, but not by way of limitation, salaries, wages, payroll taxes, supplies, materials, parts, services, maintenance, repairs, replacements, landscaping, insurance, fuel, power and other common utilities, management fees and other Common Expenses (as distinguished from individual mortgage payments, real estate taxes and individual telephone, electricity, gas and other individual utility expenses billed or charged to the separate Unit Owners on an individual or separate basis rather than a common basis). The annual budget shall also

take into account the estimated net available cash income, if any, for the year from the operation or use of the Common Elements. The annual budget shall provide for a reserve for contingencies for the year and a reserve for replacements, in reasonable amounts as determined by the Board. To the extent that the Assessments and other cash income collected from the Unit Owners during the preceding years shall be more or less than the expenditures for such preceding year, the surplus or deficit, as the case may be, shall also be taken into account.

Section 2. Adoption of Annual Budget: Within thirty days after adoption of any proposed budget for the Association, the Board shall provide a summary of the budget to all the Unit Owners, and shall set a date for a meeting of the Unit Owners to consider ratification of the budget, which date shall be not less than fourteen nor more than thirty days after mailing of the summary. Unless at that meeting a majority of all the Unit Owners reject the budget, the budget is ratified, whether or not a quorum is present. In the event the proposed budget is rejected, the periodic budget last ratified by the Unit Owners shall be continued until such time as the Unit Owners ratify a subsequent budget proposed by the Board.

Section 3. Initial Assessment: Assessments shall commence upon the conveyance of the first Unit to a Unit Owner other than the Declarant.

Section 4. Financial Statements: Within ninety days after the end of each year covered by annual budget, or as soon thereafter as shall be practicable, the Board shall cause to be furnished to each Unit Owner an annual unaudited financial statement for such year so ended, showing the receipts and expenditures and such other information as the Board may deem desirable. Furthermore, any Unit Owner or any institutional holder of a first mortgage on any Unit may request an audited annual financial statement from the Board within ninety days following the end of any fiscal year, provided, that any Unit Owner or holder of a first mortgage on any Unit requesting such statement agrees to pay the costs involved in the preparation of such statement and provided further that if a majority of the Unit Owners or their mortgagees request an audited annual financial statement one shall be provided and the cost therefor paid by the Association. Any excess or surplus of Assessments collected over expenses and reserves actually incurred during any calendar year shall be deemed to be advance payments towards the following year's Assessments.

Section 5. Accounts: The Board shall cause to be kept a book with a detailed account of the receipts and expenditures affecting the property and its administration, as set forth in KRS 381.865.

Section 6. Supplemental Budget: In the event that during the course of any year, it shall appear to the Board that the quarterly assessments, determined in accordance with the estimated annual budget for such year, are insufficient or inadequate to cover the estimated Common Expenses for the remainder of such year, then the Board shall approve a Supplemental Budget covering the estimated deficiency for the remainder of such year. Copies of such Supplemental Budget shall be made available to each Unit Owner and thereupon a Supplemental Assessment shall be made for each of the Unit Owners' proportionate share of such Supplemental Assessment.

Section 7. Lien for Unpaid Assessments: It shall be the duty of every Unit Owner to pay his proportionate share for the Common Expenses, in the same ratio as his allocated interests in the Common Elements, as set forth in the Declaration, and as assessed in the manner herein provided, and it shall be the duty of every Unit Owner to pay Special Assessments as provided for herein or in the Declaration. If any Unit Owner shall fail or refuse to make any such payment of the Common Expenses or any Special Assessments when due, the amount thereof shall constitute a lien on the interest of such Unit Owner in the property. Such delinquent Assessments shall bear interest from the date when due until paid in full at the rate of twelve (12%) percent per annum or the highest rate allowed by law if such rate is less than twelve (12%) percent. The Association and the Board shall have the authority to exercise and enforce any and all rights and remedies as provided for in the Declaration or these By-Laws, or otherwise available at law, or in equity, for the collection of all unpaid Assessments.

Section 8. Records: The Board shall cause to be kept detailed and accurate records in chronological order of the receipts and expenditures affecting the property specifying and itemizing the Common Expenses incurred and such records shall be available for examination by the Unit Owners, and by the holders of a first mortgage on any Unit, at convenient hours of the weekdays.

ARTICLE V

RESTRICTIONS OF DECLARATION

The use of each Unit and all Common Elements are subject to the restrictions, as set forth in the Declaration, which run with the land and are perpetual and appurtenant to the Property, Units and Common Elements.

ARTICLE VI

AMENDMENT

Section 1. Amendments: These By-Laws may be amended or modified from time to time by action or approval of sixty-seven percent (67%) of the votes in the Association. All amendments shall be recorded in the Office of the Recorder of Deeds of the County of Oldham, Kentucky.

ARTICLE VII

INTER-COUNCIL ASSOCIATION

By action of the Board, the Association or Board may participate in and contract with other such Boards and Associations or other governing body of any other adjoining Subdivision for the purposes of efficiency and economy in the administration, operation and maintenance of the Subdivision, Associations or Boards participating therein.

Adopted as of this _____ day of _____,

President

ATTEST:

Secretary

(Recorded as part of the Minutes)