

**BY-LAWS
OF
WALNUT GROVE ESTATES HOMEOWNERS ASSOCIATION, INC.**

ARTICLE I

NAME, PRINCIPAL OFFICE AND DEFINITIONS

Section 1. Name. The name of the Association shall be Walnut Grove Estates Homeowners Association, Inc. (hereinafter referred to as the "Association").

Section 2. Principal Office. The principal office of the Association in the Commonwealth of Kentucky shall be located in Lexington, Fayette County, Kentucky, at such location as shall be determined by the Board of Directors. The Association may have such other offices, either within or without the Commonwealth 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 the Declaration of Covenants, Conditions and Restrictions for the "Walnut Grove Estates" Subdivision in Lexington, Fayette County, Kentucky (hereinafter referred to as the "Subdivision", and said Declaration, as amended, renewed, or extended from time to time, is hereinafter sometimes referred to collectively as the "Restrictions"), unless the context shall prohibit. The "Developer", as used herein, shall mean JJK - Thomas, LLC, a Kentucky limited liability company.

ARTICLE II

ASSOCIATION: MEMBERSHIP, MEETINGS, QUORUM, VOTING, PROXIES

Section 1. Membership. The membership of the Association (the "Membership") shall consist of each person, family unit or entity who is the owner of record of a fee simple interest in any lot in the "Walnut Grove Estates" Subdivision in Lexington, Fayette County, Kentucky, including any annexations thereto (the "Subdivision"), which are subject to the Restrictions. Each person, family unit or entity is hereinafter referred to as a "Member". In the case where a lot is owned by more than one (1) person or entity, the owners of that lot shall collectively constitute one (1) Member.

Section 2. Place of Meetings. Meetings of the Membership of the Association shall be held at the principal office of the Association or at such other suitable place

convenient to the Members as may be designated by the Board of Directors either within the Properties or as convenient thereto as possible and practical.

Section 3. Annual Meetings. The first meeting of the Membership, whether a regular or special meeting, shall be held at a date specified by the Developer once at least 75% of the lots comprising the Subdivision (once the entirety of the Subdivision has been divided into buildable lots pursuant to recorded final record plats) has had homes constructed thereon and are occupied. The next annual meeting shall be set by the Board on a date specified by the Developer before the close of the Association's Fiscal Year. Subsequent regular annual meetings of the Membership shall be held on a date and time established by the Board. Subject to the foregoing, the annual meeting shall be held at a date and time as set by the Board of Directors.

Section 4. Special Meetings. The President, or the Developer, 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 a resolution of a majority of a quorum of the Board of Directors. 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) nor more than thirty (30) 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 for 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 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 alternate shall be deemed 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 convening 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 meetings 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 alternate, may adjourn the meeting to a time not less than five (5) nor more than thirty (30) days 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 of 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 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 alternates representing at least twenty-five (25%) percent of the total votes of the Association remain present, 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 and Control Rights.

A. Voting Rights. The owner(s) of each lot in the Subdivisions shall have, in the aggregate, one (1) vote for each lot owned.

B. Control Rights. **The Developer shall be vested with total control rights regarding the Association, notwithstanding the number of lots in the Subdivisions which may have been conveyed to Members, until the Developer no longer owns any property within any of the land components comprising the Subdivision (including any additional land which may be annexed and become subject to the scope of the Restrictions at a later date pursuant to Article VI, Section 7 hereof), or the date upon which the Developer relinquishes control of the Association over to the Association's Members via a written instrument, whichever event or date occurs first (the period of such control rights by the Developer is hereinafter referred to as the "Control Period"). For so long as all control rights of the Association remain vested in the Developer, the Developer shall have the sole right to appoint Directors to the Association's Board of Directors, establish the Association's annual budget, and make all decisions regarding the affairs of the Association, notwithstanding any votes or actions by the Members of the**

Association taken to the contrary. The provisions of this Section shall supercede any other provisions of these Bylaws to the contrary.

Section 9. Proxies. Members may vote by proxy or through their designated alternates, provided that designation is in writing.

Section 10. Manner of Acting. At any meeting of the Membership of the Association at which a quorum is present, the acts of the Members of the Association shall be determined by a majority of the votes which may be cast by Members pursuant to these By-Laws.

Section 11. 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 12. Quorum. Except as otherwise provided in these By-Laws, the presence in persons or by alternates of the Members representing ten (10%) percent of the total Membership of the Association shall constitute a quorum at all meetings of the Association.

Section 13. 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 thereat.

Section 14. 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 a consent in writing setting forth the action so taken shall be signed by all of the Members entitled to vote with respect to the subject matter thereof, and 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 as provided in Section 2 of this Article, the Directors shall either be Members

or spouses of such Members, or principals of business entities which are Members; provided, however, no person and his or her spouse may serve on the Board at the same time (except in the case of Mr. & Mrs. James C. Ball, Jr.). In the case of an Owner which is a corporation, limited liability company or partnership, the person designated in writing to the Secretary of the Association as the representative of such corporation, limited liability company or partnership shall be eligible to serve as a Director.

Section 2. Initial Directors. During the Control Period (or such earlier date, as designated by, and at the sole option of, the Developer), the Directors of the Association shall consist of the following persons:

James C. Ball, Jr.
James C. Ball, III
Kerry B. Ball

Following the expiration of the Control Period, the Developer shall call a special meeting of the Association for the purpose of electing new Directors.

Section 3. Number of Directors. The number of Directors of the Association shall be not less than three (3) nor more than seven (7).

Section 4. Nomination of Directors. During the Control Period, the Board of Directors shall serve as the Nominating Committee for further nominations to the Board. Thereafter, nominations for election to the Board of Directors shall be made by a Nominating Committee consisting of two (2) members 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 from the close of such annual meeting until the close of the next annual meeting, and such appointment shall be announced at each such annual meeting.

Section 5. Election and Term of Office. Notwithstanding any other provision contained herein, at the first annual meeting of the Membership after the expiration of the Control Period, and at each annual meeting of the Membership thereafter, all Directors shall be elected by the Members, pursuant to a formula based upon 1 vote for each lot in the Subdivision. All Directors shall be elected to serve for a term of two (2) years. The members of the Board of Directors shall hold office until their respective successors shall have been elected by the Association. Directors may be elected to serve any number of consecutive terms.

Section 6. Voting Procedure for Directors. At any election of Directors to the Board of Directors, each Member may cast, in respect to each vacancy, as many votes as he or she is entitled to exercise pursuant to those Bylaws. The candidates receiving the largest number of votes shall be elected.

Section 7. Removal of Directors and Vacancies. During the Control Period, the Developer shall have the right to remove any Director from the Board and to appoint such removed Director's successor. Following the expiration of the Control Period, Directors may be removed, with or without cause, by a vote of the Members holding a majority of the votes of the Association. Any Director whose removal is sought will be given notice prior to any meeting called for that purpose. Upon removal of a Director, a successor shall then and there be elected to fill the vacancy.

Following the Control Period, any Director who has three (3) consecutive unexcused absences from Board of Directors meetings or who is delinquent in the payment of any assessment for more than thirty (30) days may be removed by a majority of the Directors present at a regular or special meeting at which a quorum is present, and a successor may be appointed by the Board of Directors. In the event of the death, disability, or resignation of a Director, a vacancy may be declared by the Board of Directors and it may appoint a successor. Any Director appointed by the Board of Directors shall serve for the remainder of the term such successor was appointed to fill.

B. Meetings.

Section 8. Organizational Meetings. The first meeting of the Board of Directors following each annual meeting of the membership shall be held within sixty (60) 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, and at such frequency, as shall be determined from time to time by a majority of the Directors. 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 a written consent to holding of the meeting.

Section 10. Special Meetings. Special meetings of the Board of Directors shall be held when called by written notice signed by the President 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) by telephone communication, either directly to the Directors or to a person at the Director's office or home who would reasonably be expected to communicate such notice promptly to the Director; (d) by facsimile, or (e) by electronic mail. All such notices shall be given at the Director's telephone number, fax number or e-mail address, 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, facsimile, or electronic mail shall be delivered, telephoned, faxed, or e-mailed 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 each of the Directors not present signs a written waiver of notice, a consent to holding the meeting, or any approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. 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. No Director shall receive any compensation from the Association for acting as such unless approved by members holding a majority of the total vote of the Association at a regular or special meeting of the Association; provided that any Director may be reimbursed for expenses incurred on behalf of the Association upon approval of a majority of the other Directors. Nothing herein contained shall be construed to preclude any Director from serving the Association in any other capacity and receiving reasonable compensation therefor.

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 the 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. 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 16. 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 with respect to the Subdivision, and, as provided by law, may do all acts and things as are not prohibited by the Restrictions, the Articles of Incorporation of the Association, or these By-Laws or directed to be done and exercised exclusively by the Members or the Membership generally.

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 be hereafter adopted, the Board of Directors shall have the power to and shall be responsible for the following, in way of explanation, but not limitation:

(a) preparation and adoption of an annual budget in which there shall be established the contribution of each Owner in the form of assessments (as provided in the Restrictions).

(b) making assessments to defray the expenses of the Association, establishing the means and methods of collecting such assessments, and establishing the period of the installment payments of the annual assessment;

(c) providing for the operation, care, upkeep, and maintenance of any common areas of the Subdivision, as set forth in the Restrictions or any Final Record Plat pertaining to the Subdivision;

(d) designating, hiring, and dismissing the personnel necessary for the maintenance, operation, repair, and replacement of the Association, its property, and any common areas and, where appropriate, providing for the 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 assessments, depositing the proceeds thereof in a bank depository which it shall approve, and using the proceeds to administer the affairs of 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 any common areas in accordance with the other provisions of the Restrictions and these By-Laws after damage or destruction by fire or other casualty;

(i) enforcing by legal means the provisions of the Restrictions, these By-Laws, and the rules and regulations adopted by it and bringing any proceedings which may be instituted on behalf of or against the Members concerning the Association;

(j) obtaining and carrying insurance against casualties and liabilities, as provided in the Restrictions, and paying the premium cost thereof;

(k) paying the cost of all services rendered to the Association or its Members and not chargeable to Members;

(l) keeping books with detailed accounts of the receipts and expenditures affecting the Association and its administration, specifying the maintenance and repair expenses and any other expenses incurred. The said books and vouchers accrediting the entries thereupon shall be available for examination by the Members upon prior appointment following the receipt by the Board of Directors of a written request. All books and records shall be kept in accordance with generally accepted accounting practices;

(m) permit utility suppliers to use portions of any common area reasonably necessary to the ongoing development or operation of the Subdivision.

The Board of Directors shall also have the right to exempt the Developer from paying any maintenance fees otherwise applicable to any lot owned by the Developer which does not have an occupied residence constructed thereon, provided that upon such an exemption, the Developer be liable for any deficit incurred by the Association in its budget for any given year while such exemption is in effect.

Section 17. Accounts and Reports. The following management standards of performance will be followed unless the Board of Directors by resolution specifically determines otherwise:

(a) accrual accounting, as defined by generally accepted accounting principles, shall be employed;

(b) accounting and controls should conform to generally accepted accounting principles;

(c) cash accounts of the Association shall not be commingled with any other accounts;

(d) no remuneration shall be accepted by the management agent from vendors, independent contractors, or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise; anything of value received shall benefit the Association;

(e) any financial or other interest which the management agent may have in any firm providing goods or services to the Association shall be disclosed promptly to the Board of Directors;

(f) commencing at the end of the calendar year in which the first payments of maintenance fee assessments are received by the Association, financial reports shall be prepared for the Association at least annually containing:

(i) an income statement reflecting all income and expense activity 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 Association ledger 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 Members who are delinquent in paying the monthly installments of assessments at the time of the report and describing the status of any action to collect such installments which remain delinquent [any installment not paid within ten (10) days of the due date shall be deemed delinquent without notice or demand]; and

(g) an annual report as of the end of the Fiscal Year consisting of at least the following: (1) a balance sheet; (2) an operating (income) statement; and (3) a statement of changes in financial position for the Fiscal Year. The annual report referred to above may be prepared on an audited, reviewed, or unaudited basis, as determined by the Board of Directors. If said report is not prepared by an independent certified public accountant, it shall be accompanied by the certificate of an authorized officer of the Association that the statements were prepared without audit from the books and records of the Association.

Section 18. Borrowing. The Board of Directors shall have the power to borrow money for the purpose of repair or restoration of any common areas (including retention basins) without the approval of the Membership; provided, however, the Board of Directors shall obtain Member approval (by majority vote) for any 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 or would exceed five percent (5%) of the budgeted gross expenses of the Association for the Fiscal Year.

Section 19. Rights of the Association. With respect to the maintenance of any common areas (including retention basins), 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.

Section 20. Enforcement. The Board shall have the power to impose reasonable fines, which shall constitute a lien upon the property of the violating Owner, and to suspend an Owner's right to vote or to use any common area for violation of any duty imposed under the Restrictions, these By-Laws, or any rules and regulations duly adopted hereunder; provided, however, nothing herein shall authorize the Association or the Board of Directors to limit ingress and egress to or from a lot. In the event that any occupant of a lot violates the Restrictions, 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 Restrictions, 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, except the suspension of voting rights for nonpayment of assessments, 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 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 stated 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 a 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 date and manner of delivery, is entered by the officer, Directors, 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. All decisions of the Board of Directors shall be final.

(c) Additional Enforcement Rights. Notwithstanding anything to the contrary herein contained, the Association, acting through the Board of Directors, may elect to enforce any provision of the Restrictions, 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 of parking rules and regulations) or by suit at law or in equity to enjoin any 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 fees actually incurred.

ARTICLE IV

OFFICERS

Section 1. Officers. The officers of the Association shall be a President, Vice-President, Secretary, and Treasurer, to be elected from among the members of the

Board. The Board of Directors may appoint such other officers, including one or more Assistant Secretaries and one or more Assistant Treasurers, as it shall deem desirable; such officers 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 Membership, as set forth in these Bylaws. 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 interests of the Association will be served thereby.

Section 4. President. The President shall be the principal executive officer of the Association and shall, in general, supervise and control all of the business and affairs of the Association. The President shall preside at all meetings of the Board of Directors, and shall, in general, perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

Section 5. Vice-President. The Vice-President shall possess the power and may perform the duties of the President in his absence or disability. The Vice-President shall perform such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

Section 6. Secretary. The Secretary shall keep the minutes of the meetings of the members and of the Board of Directors in one or more books provided for that purpose; see that all notices are duly given in accordance with the provisions of these By-Laws or as required by law; be custodian of the corporate records; keep a register of the mailing address of each Member and each Director which shall be furnished to the Secretary by each such Member and Director; and, in general, perform all the duties incident to the office of Secretary and such other duties as from time to time may be assigned by the President or by the Board of Directors.

Section 7. Treasurer. The Treasurer shall have charge and custody of and be responsible for all funds and securities of the Association; receive and give receipts for monies due and payable to the Association from any source whatsoever; deposit all

such monies in the name of the Association in such banks, trust companies, or other depositories as shall be selected by the Board of Directors; keep an accurate account of the finances of the Association on the books of the Association prepared and furnished for that purpose; render an account at such times as the Board of Directors may require; and, in general, perform all the duties incident to the office of Treasurer and such other duties as from item to time may be assigned to him or her by the President or by the Board of Directors. However, the Treasurer may delegate all or part of the preparation and notification duties to a finance committee, the management agent, or both.

Section 8. 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 9. Agreements, Contracts, 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 or by such other person or persons as may be designated by resolution of the Board of Directors.

Section 10. Compensation. Officers shall not receive compensation for their services as such, but may receive reimbursement for such reasonable expenses of conducting the business and affairs of the Association as the Board of Directors shall from time to time determine. Nothing herein contained shall be construed to preclude any Director from serving the Association as an employee and receiving reasonable compensation therefor.

ARTICLE V

COMMITTEES

Section 1. Nominating Committee. The Board of Directors may appoint a Nominating Committee to recommend to the Board nominees for election to the Board of Directors pursuant to Article III, Section 4, of these By-Laws.

Section 2. Other Committees. The Board of Directors may appoint from time to time such other committees to serve such purposes of the Association as the Board of Directors shall deem appropriate.

Section 3. Committee Requirements and Limitations. Notwithstanding any other provision of these By-Laws, each committee appointed by the Board of Directors shall: (a) be subject to such limitations as may be imposed by the Board of Directors, these By-Laws, the Articles of Incorporation, or applicable law; (b) include at least two (2) Directors of the Association; and (c) keep regular minutes of its meetings and shall present the same to the Board of Directors at the meetings of the Board of Directors.

ARTICLE VI

MISCELLANEOUS

Section 1. Fiscal Year. The fiscal year of the Association shall be set by resolution of the Board of Directors.

Section 2. Parliamentary Rules. Except as may be modified by Board resolution, Robert's Rules of Order (current edition) shall govern the conduct of 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 or inconsistencies between the provisions of Kentucky law, the Articles of Incorporation, the Restrictions, and these By-Laws, the provisions of Kentucky law, the Restrictions, and Articles of Incorporation, and these By-Laws (in that order) shall prevail.

Section 4. Books and Records.

(a) Inspection by Members and Mortgagees. These By-Laws, membership register, books of account, and minutes of meetings of the Members, the Board of Directors, and the committees shall be made available for inspection and copying by any Mortgagee, Member of the Association, or by his or her duly appointed representative by appointment following a written request sent to the Board of Directors and for a purpose reasonably related to his or her interest as a Member at the office of the Association or at such other place as the Board of Directors shall prescribe.

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

(i) Notice to be given to the custodian of the records;

(ii) hours and days of the week when such an inspection may be made;
and

(iii) payment of the cost 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 properties 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 communications 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 States 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, the Developer may unilaterally amend these By-Laws. After such conveyance, the Developer may unilaterally amend these By-Laws so long as the Developer still owns any property within the Subdivision and so long as the amendment has no material adverse effect upon any right of any Member. Thereafter and otherwise, these By-Laws may be amended only by the affirmative vote (in person or by alternate) or written consent of Members representing sixty percent (60%) of the total votes of the Association, including sixty (60%) percent of the votes of Members other than the Developer. However, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause. No amendment shall be effective until recorded in the Fayette County Clerk's Office in Lexington, Kentucky.

Section 7. Annexation. For so long as it owns any lots within the Subdivision, including any addition to the Subdivision which may be annexed in the future, the Developer shall have the unilateral authority to annex to the Subdivision and

the jurisdiction of the Restrictions any lands adjacent to the Subdivision. After the Developer no longer owns any lots within the Subdivision, or after the Developer has relinquished control of the affairs of the Association over to the Association, the Association shall have the authority to annex any lands adjacent to the Subdivision, upon the affirmative vote of a majority of the votes cast by the Members at an election held for such purpose. Annexation shall be accomplished by the filing of record in the Fayette County Clerk's Office, in Lexington, Kentucky, of a written instrument with respect to the property(ies) being annexed. Any such instrument shall be signed by the President and Secretary of the Association and by the owner of the property being annexed, and any such annexation shall be effective upon filing unless otherwise provided therein. The relevant provisions of these By-Laws dealing with regular or special meetings, as the case may be, shall apply to determine the time required for and the proper form of notice of any meeting called for the purpose of considering annexation of property pursuant to this Section 7 and to ascertain the presence of a quorum at such meeting.

Section 8. 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 management 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 Article III of these By-Laws. The Developer, or affiliates of the Developer, may be employed as management 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 or penalty on ninety (90) days or less written notice.

Section 9. Assignment of Developer's Rights. The Developer shall have the right to assign its rights hereunder to such property management company or other third party as it shall deem appropriate in its sole discretion.

CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of the Walnut Grove Estates Homeowners Association, Inc., a Kentucky nonprofit corporation;

That the foregoing By-Laws constitute the original By-Laws of said Association, as duly adopted at a meeting of the Board of Directors thereof held on the 18th day of March, 2002.

IN WITNESS WHEREOF, I have hereunto subscribed my name on this the 18th day of March, 2002.

A handwritten signature in cursive script, appearing to read "Kerry B. Ball", is written over a horizontal line.

KERRY B. BALL, Secretary