

BYLAWS
OF
EDGEWATER PROPERTY OWNERS ASSOCIATION, INC.

The following Bylaws shall apply to **Edgewater Property Owners Association, Inc.** (herein called the "Association"), located in Edgewater Subdivision in Russell County, Kentucky (herein called the "Subdivision"), more particularly described in and created **Declaration of Covenants and Restrictions** (herein called the "Declaration") recorded in the Russell County Clerk's office, and to all present and future owners, tenants and occupants of any lots of the Subdivision and all other persons who shall at any time use the Subdivision.

ARTICLE I

Membership

Section 1. **Qualification.** All owners of lots of the Subdivision shall constitute the members of the Association (herein after "Member" or "Members"). The owner of any lot upon acquiring title thereto shall automatically become a Member and shall remain a Member thereof until such time as his ownership of such lot ceases for any reason, at which time his membership shall automatically cease.

Section 2. **Place of Meetings.** Meetings of the Association shall be held in the Subdivision or such other suitable place convenient to the lot owners as may be designated by the Board of Trustees (herein after referred to as the "Board").

Section 3. **Annual Meetings.** Annual meetings of the Association shall be held on the _____ day of _____ of each year at a time set by the Board.

Section 4. **Special Meetings.** Special meetings of the Association may be held at any time upon the call of the President, a majority of the members of the Board or a petition signed by owners of lots to which are appurtenant, in the aggregate, percentages of common

interest totalling at least 30% and presented to the Secretary following surrender of the Developer's control.

Section 5. **Notice of Meetings.** The Secretary shall give written or printed notice of each annual and special meeting to every lot owner according to the Association's record of ownership at least 15 days before the date set for such meeting, stating whether it is an annual or special meeting, the authority for the call thereof, the place, day and hour of such meeting and the purpose therefor, in any of the following ways: (a) by delivering it to the lot owner personally, or (b) by leaving it at the lot owner's lot in the Subdivision, or (c) by mailing it, postage prepaid, addressed to the lot owner at the address for that lot owner as it appears on the Association's record of ownership. If notice is given pursuant to the provisions of this section, the failure of any lot owner to receive actual notice of any meeting shall in no way invalidate such meeting or any actions taken. The presence of any lot owner in person or by proxy at any meeting shall be deemed a waiver of any required notice to such owner unless he shall at the opening thereof object to the holding of such meeting because of the failure to give notice in accordance with the provisions hereof.

Section 6. **Quorum.** The presence at any meeting jointly (in person or by proxy) of owners of lots to which are appurtenant, in the aggregate, percentages of common interest totalling at least 30% shall constitute a quorum, and the acts of a majority of the lot owners present, in person or by proxy, at any meeting at which a quorum is present shall be the acts of the Association except as otherwise provided herein.

Section 7. **Voting.** The Association shall have two classes of voting membership:

(A) **Class A.** Class A members shall be all of the Members of the Association, with the exception of the Declarant. Class A Members shall be entitled to one vote for each lot in the Subdivision in which they hold the interest required for membership as provided under the

Declaration. When more than one person holds such interest or interests in any lot, all such person shall be Members, and the vote for the lot shall be exercised as the Members determine, but, in no event, shall more than one vote be cast with respect to any such lot.

(B) Class B. The Class B Member shall be the Declarant. The Class B Member shall be entitled to five (5) votes for each lot in the Subdivision in which it holds the interest required for membership by the Declaration; provided that the Class B membership shall cease and become converted to Class A membership on the earlier of the happening of the following events: (1) with the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership, or (2) on January 1, 2010.

Section 8. **Proxies and Pledges**. The authority given by any lot owner to another person to represent it at meetings of the Association shall be in writing, signed by such owner and filed with the Secretary, and unless limited by its terms shall continue until revoked in writing filed with the Secretary or by the death or incapacity of such owner. Voting rights transferred or pledged by mortgage, deed of trust or agreement of sale or lease of any lot or interest therein, a true copy of which is filed with the Board through the Secretary, administrator or managing agent, shall be exercised only by the person designated in such instrument until the written release or other termination thereof is filed with the Board in like manner.

Section 9. **Adjournment**. Any meeting of the Association may be adjourned from time to time to such place and time as may be determined by majority vote of the lot owners present, whether or not a quorum is present, without notice other than the announcement at such meeting. At any such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted by a quorum at the meeting as originally called.

ARTICLE II

Board of Trustees

Section 1. **Number and Qualifications.** The affairs of the Association and the Subdivision shall be governed by the Board composed of at least three (3) persons, but may be increased or decreased by amendment of this bylaw. The Board members shall serve without compensation; however, any expenses incurred by any trustee by reason of his duties or responsibilities as such may be paid by the Association; provided, that nothing contained herein shall be construed to preclude any director from serving the Association in any other capacity and receiving compensation therefor.

Section 2. **Powers.** The Board shall have all powers necessary for the administration of the affairs of the Association and may do all such acts and things therefor as are not by law, the Declaration or these Bylaws directed to be exercised or done only by the lot owners.

Section 3. **Election and Term.** Election of Board members shall be at each annual meeting of the Association and any special meeting called for the purpose. Members of the Board shall hold office until the earlier of (1) the next annual meeting and until his successor has been elected and qualified; or (2) he is removed by a majority of the lot owners, with or without cause.

Section 4. **Vacancies.** Vacancies in the Board caused by any reason other than removal of a trustee by the Association shall be filled by vote of a majority of the remaining members of the Board, even though they may constitute less than a quorum, and each person so elected shall be a member of the Board until a successor is elected at the next annual meeting of the Association. Death, incapacity or resignation of any member, [or continued absence from the Commonwealth of Kentucky for more than nine (9) months] shall cause that member's office to become vacant.

Section 5. **Removal of Board Members.** At any regular or special meeting of the Association duly called, any one or more of the members may be removed with or without cause by vote of a majority of lot owners and a successor may then and there be elected to fill the vacancy thus created. Any member whose removal has been proposed by the lot owners shall be given an opportunity to be heard at such meeting.

Section 6. **Annual Meeting.** An organizational meeting of the Board shall be held at the place of and immediately following each annual meeting of the Association, and no notice shall be necessary to any Board members in order validly to constitute such meeting, provided that a majority of the whole Board shall be present. At such meeting the Board shall elect the officers of the Association for the ensuing year.

Section 7. **Regular Meetings.** Regular meetings of the Board may be held at such time and place as shall be determined from time to time by a majority of the Board members, but at least one such meeting shall be held during each calendar quarter of every year. Notice of regular meetings of the Board shall be given to each Board member, personally or by mail, telephone or telegraph, at least three (3) days prior to the date of such meeting.

Section 8. **Special Meetings.** Special meetings of the Board may be called by the President, or by a majority of the trustees in office, on at least five (5) days written notice to each Board member, given personally or by mail, first class postage paid, or telegraph to each trustee at his business address, which notice shall state the time, place and purpose of such meeting.

Section 9. **Waiver of Notice.** Before or at any meeting of the Board any Board member may in writing waive notice of such meeting, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Board member at any meeting of the Board shall be deemed a waiver of notice to such member of that meeting. If all the Board

members are present at any meeting of the Board, no notice thereof shall be required, and any business may be transacted at such meeting.

Section 10. **Quorum of Board.** At all meetings of the Board a majority of the total number of members of the Board shall constitute a quorum for the transaction of business, and the acts of a majority present at any meeting at which a quorum is present shall be the acts of the Board. If less than a quorum shall be present at any meeting of the Board, a majority of those present may adjourn the meeting from time to time. At any such adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

Section 11. **Fidelity Bonds.** The Board may require that all officers, employees and agents of the Association handling or responsible for its funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Association.

ARTICLE III

Officers

Section 1. **Designation.** The principal officers of the Association shall be a President, one or more Vice Presidents, a Secretary and a Treasurer, who shall be elected by, and in the case of the President, from the Board. The offices of Secretary and Treasurer may be combined in one person. The Board may appoint such other officers as in its judgment may be necessary.

Section 2. **Election, Term and Compensation.** The officers of the Association shall be elected annually by the Board at its annual meeting and shall hold office at the pleasure of the Board. Reasonable compensation may be paid to one or more officers at the discretion of the Board.

Section 3. **Removal.** Any officer may be removed either with or without cause by vote of a majority of the members of the Board and that officer's successor elected at any regular meeting of the Board, or any special meeting. Such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer shall not of itself create contract rights.

Section 4. **President and Vice President.** The President shall be the chief executive officer of the Association and shall preside at all meetings of the Association and the Board. Subject to the control of the Board the President shall exercise general supervision and direction over the management and conduct of the business and affairs of the Association. The President shall also have such other powers and duties as may be provided by these Bylaws or assigned from time to time by the Board. The Vice President shall so serve in the absence of the President. Any Vice President shall perform such other duties as from time to time may be assigned by the President or by the Board.

Section 5. **Secretary.** The Secretary shall attend and keep the minutes of all meetings of the Association and of the Board, give all notices thereof as provided by these Bylaws, maintain and keep a continuous and accurate record of ownership of all lots, and have charge of such books, documents and records of the Association as the Board may direct.

Section 6. **Treasurer.** The Treasurer shall maintain and keep the financial records and books of account of the Association, prepare regular reports thereof and be responsible for the proper deposit and custody, in the name of the Association, of all its funds and securities. If required by the Board, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board shall determine.

[Section 7. **Auditor**. The Association shall appoint annually an accountant or accounting firm as auditor, who shall not be an officer of the Association nor own any interest in any lot, to audit the books and financial records of the Association.]

ARTICLE IV

Administration

Section 1. **Management**. The Association shall at all times manage and operate the Subdivision and have such powers and duties as may be necessary or proper therefor, including without limitation the following:

- (a) Supervision of the immediate management and operation of the Subdivision;
- (b) Approval of installation or relocation of all sewer, electrical lines, water lines, or other utilities or appurtenances thereto;
- (c) Maintenance, repair, preservation, upkeep and protection of the common properties and common facilities as provided in the Declaration;
- (d) Collection, increase and decrease of the annual maintenance charges or assessments as provided in the Declaration;
- (e) Provision of notice of assessments to owners of all lots at least 30 days in advance of date payment is due;
- (f) Administration of the maintenance fund as provided in the Declaration;
- (g) Determination of method of garbage disposal; and
- (h) Adoption and enforcement of Subdivision Rules and enforcement of the provisions of the Declaration and these Bylaws.

Section 2. **Complaints.** Complaints or disputes regarding management of the Subdivision, grounds or regarding the actions of lot owners shall be made in writing to the Board. Such disputes shall be resolved as set forth herein, or in the Declaration. However, should the Board, at its sole discretion, determine by majority vote that the complaint or dispute is not of common interest to all of the lot owners, such dispute may be submitted to arbitrators selected by the Board to be decided in accordance with the Rules of the American Arbitration Association.

Section 3. **Managing Agent.** The Board may employ from time to time a responsible licensed managing agent or administrator to manage and control the Subdivision subject at all times to direction by the Board, with all the administrative functions set forth specifically in preceding Section 1, and such other powers and duties, and at such compensation as the Board may establish. The employment contract for a managing agent or administrator shall not exceed one (1) year in duration and shall be terminable by the Association for cause upon thirty (30) days notice.

Section 4. **Representation.** The President or managing agent, subject to the direction of the Board, shall represent the Association or any two or more lot owners similarly situated as a class in any proceeding affecting the Association, the common facilities or more than one lot, and may participate in such proceedings without limiting the rights of any lot owners to participate individually.

Section 5. **Execution of Instruments.** All checks, drafts, notes, acceptances, conveyances, contracts and other instruments shall be signed on behalf of the Association by such two persons as shall be provided by general or special resolution of the Board or, in the absence of any such resolution applicable to such instrument, by the President or the Treasurer.

ARTICLE V

Committees of the Board

Section 1. **Designation and Appointment.** The Board may from time to time designate and appoint one or more committees consisting of a least one member of the Board, and may vest in each such committee such rights, duties, powers, and authority as the Board shall by resolution determine. The chairperson of each such committee shall be appointed by the President.

Section 2. **Procedure.** Unless the Board provides otherwise, a majority of the members of any committee, shall constitute a quorum at any meeting of that committee and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of the committee. Action may be taken without a meeting by any committee by a written consent signed by all of the committee members. Each committee may prescribe its own rules for calling and holding meetings and its method for procedure, and shall keep a written record of all actions taken by the committee.

ARTICLE VI

Obligations of Lot Owners

Section 1. **Assessments.** All lot owners shall pay to the Board, or if a managing agent is appointed, to the managing agent, on a date fixed by the Board (which shall be the first day of a month) the annual assessment. The first annual assessment shall be made for the balance of the calendar year in which it is made and shall be payable on the date fixed for commencement, or in equal monthly installments over the balance of the year, at the election of the Association. The assessments for each calendar year after the first year shall be due and payable to the Association in advance on January 1st each year at the election of the Association. Provided, however, that upon the purchase of his lot (as evidenced by the date of his term

Contract of Sale or Deed, or his occupancy, whichever is earlier), each Member shall be obligated to pay to the Association a prorated part of the applicable percentage, as determined by the Declaration, of the regular annual maintenance charge assessed on such lot, which shall bear the same ratio to the applicable percentage of the full annual maintenance charge as the number of full calendar months remaining in the year of purchase to twelve (12), and which shall be payable in full upon such purchase or in equal, monthly installments over the balance of the year of purchase as the Association may elect. If any lot owner is delinquent in the payment of any assessment for a period in excess of thirty (30) days, the unpaid amount shall bear interest from the due date thereof until paid at the highest interest rate allowed under the laws of the Commonwealth of Kentucky, and, if placed in the hands of an attorney for collection or if suit is brought thereon or if collected through probate or other judicial proceedings, shall pay to the Association an additional reasonable amount, but no less than ten percent (10%) of the amount owed, as attorney fees. In addition, the Board may take such other actions as may be permitted by the Declaration.

Section 2. **Maintenance of Lots.** All lots shall be mowed at least five (5) times yearly, the first time beginning in April. If the lots are not mowed as provided hereof and in the Declaration, the Association will mow the lots and the lot owners will be billed. Failure of the lot owner to pay the bill shall constitute a lien against the property and the lot owner will be subject to all of the stipulations and requirements outlined in the Bylaws and the Declaration in conjunction with the maintenance charge and assessments.

Section 3. **Use of Subdivision.**

(a) No lot of the Subdivision shall be used for any purpose other than a single family residence.

(b) No lot owner or occupant shall place on any lot, either temporarily or permanently, any structure of a temporary character, including but not limited to, a trailer, mobile, modular or prefabricated home, tent, shack,, barn, or any other structure or building, other than the residence to be built thereon.

(c) No lot owner shall move a residence house, garage or other structure upon any lot from another location; except, however, that Declarant reserves the exclusive right to erect, place and maintain such facilities as permitted by the Declaration.

(d) No noxious or offensive activity shall be carried on or permitted upon any lot or upon the common properties, nor shall anything be done thereon which may be or become an annoyance or nuisance to the neighborhood or to other owners. The Board shall have sole and exclusive discretion to determine what constitutes a nuisance or annoyance.

(e) No lot owner or occupant shall maintain a satellite dish larger than 18 inches and it shall be located in a manner which will be as invisible from the roadway as possible.

(f) No lot owner shall display a sign of any kind to the public view on any lot or the common properties except (a) Builders may display one (1) sign of not more than five (5) square feet to advertise the lot and any residential structure situated thereon for sale during the sales and/or construction period; and (b) any owner may display one (1) sign of not more than five (5) square feet on a lot improved with a residential structure to advertise the lot and residence for sale or rent. Notwithstanding the foregoing, the Declarant, or his successors and

assigns to whom the rights of Declarant are expressly transferred, may display signs, billboards or other advertising devices for so long as Declarant shall own any portion of the properties.

(g) No animals, livestock, or poultry of any kind shall be raised, bred, or kept on any lot or on any portion of the common properties, except that dogs, cats or other common household pets may be kept, but they shall not be bred for commercial purposes. All pets must be under the control of their owner at all times. One horse shall be allowed for each two acres of area on interior lots, but no horses shall be kept on lake front lots.

(h) The digging of dirt or tile removal from any lot or from any portion of the common properties is prohibited, except as necessary in conjunction with landscaping or construction of improvements thereon. Notwithstanding the foregoing, Declarant reserves the right to cut, trim or otherwise remove trees and other vegetation from all lots in a manner that will maximize the view of the lake for the common benefit of all Members or lot owners in an area beginning fifty (50) feet behind the footer of a Member's house to the U.S. Corps of Engineers property line.

(i) All lots and common properties shall at all times be kept in a healthful, sanitary and attractive condition. No lot or any part of common properties shall be used or maintained as a dumping ground for garbage, trash junk or other waste matter. All trash, garbage, or waste matter shall be kept in adequate containers, as provided under the Declaration, which shall be maintained in a clean and sanitary condition and screened from public view. No lot shall be used for open storage of any materials whatsoever, which storage is visible from the street, except that the building materials used in the construction of improvements erected on any lot may be placed upon the lot at the time construction is commenced and may be maintained for a reasonable time, so long as construction progresses without unreasonable delay.

(j) All septic tanks shall be constructed in a manner approved by local and state regulation.

(k) No driveways or roadways may be constructed on any lot to provide access to any adjoining lot or other peroration of the properties unless the express written consent of the Declarant or Association first shall have been obtained.

(l) All lots must be accessible to an adjoining street by a driveway suitable for such purposes. No driveways shall be of asphalt, but shall be of concrete or an approved substance. No lot owner or occupant shall block any drainage ditch (including road ditches).

(m) All lot owners mailboxes shall be constructed of the same material as residential structure.

(n) All residences situated on a lot shall be connected to the water and sewer lines as soon as practicable after the water and sewer lines are available at the lot line.

(o) No lot shall be re-subdivided unless previously approved in writing by the Association or Declarant as provided in the Declaration.

(p) No oil drilling or development operations, oil refining, quarrying or mining operations shall be permitted on any lot. No oil wells, tanks, tunnels, mineral excavations, or shafts be permitted upon or in any lot. Not derrick or other structure designed for use in boring for oil or natural gas shall be erected maintained or permitted upon any lot.

Section 4. **Subdivision Rules.** The Board may adopt, amend or repeal any rules and regulations governing details of the operation and use of the Subdivision not inconsistent with any provision of law, the Declaration or these Bylaws.

Section 5. **Expenses of Enforcement.** Every lot owner shall pay to the Association promptly on demand all costs and expenses including reasonable attorneys' fees incurred by or on behalf of the Association in collecting any delinquent assessments against such lot,

foreclosing its lien therefor or enforcing any provisions of the Declaration, these Bylaws and Subdivision Rules against such owner or any occupant of such lot.

Section 6. **Record Ownership.** Every lot owner shall promptly cause to be duly recorded the deed, assignment or other conveyance to it of such lot, or other evidence of its title thereto, and shall file a copy of same, or any lease affecting such lot, with the Board, and the Secretary shall maintain all such information in the record of ownership of the Association.

Section 7. **Mortgages.** Any lot owner who mortgages his lot, or any interest therein, shall notify the Board of the name and address of his mortgagee, and also of the release of such mortgage, and the Secretary shall maintain all such information in the record of ownership of the Association. The Board or managing agent at the request of any mortgagee or prospective purchaser of any lot, or interest therein, shall report to such person the amount of any assessments against such lot then due and unpaid.

ARTICLE VII

Miscellaneous

Section 1. **Amendment.** Subject to the rights of the Declarant with respect to the administration of the Subdivision, the adoption of rules and the making of assessments (as provided in the Declaration), these Bylaws may be amended in any respect not inconsistent with provisions of law or the Declaration by vote of a majority of the lot owners (as defined in the Declaration) at any meeting of the Association duly called for such purpose.

Section 2. **Indemnification.** The Association shall indemnify every Board trustee and officer, and his executors and administrators, against all expenses reasonably incurred by or imposed on him in connection with any action, suit or proceeding to which he may be made a party by reason of being or having been a Board member, except in relation to matters as to which he shall be finally adjudged in such action, suit or proceeding to be liable for fraud or bad

faith in his conduct; and in the absence of such final adjudication, indemnification shall be provided only in connection with such matters as to which the Association is advised by its legal counsel that the person to be indemnified committed no such breach of duty. The foregoing right of indemnification shall not be exclusive of any other rights to which such person may be entitled.

Section 3. **Interpretation.** In case any provision of these Bylaws shall be held invalid, such invalidity shall not render invalid any other provision hereof which can be given effect.

Section 4. **Merger.** In the event the Association chooses to merge or consolidate with another Association, as permitted in the Declaration, these Bylaws shall become the bylaws of said Association.

Section 5. **Enforcement.** Violation of the provisions of the Declaration, these Bylaws or any Subdivision rules may be remedied in any court of law or equity having jurisdiction thereof by the Association, its Board or managing agent or administrator, or any lot owner or owners entitled to relief, with the remedies available to such person or persons including damages, restraining order, injunction, accounting, lien enforcement and specific performance, or any combination thereof.

Section 6. **Declarant's Rights.** During the period of control of the Subdivision by the Declarant, the Declarant may, to accommodate prospective buyers, amend the floor plans of any unsold lots and shall have the right to enforce the provisions of the Declaration, Bylaws, and Subdivision Rules.

Certificate of Adoption

The undersigned Declarant and owner of all of the real property of the Subdivision hereby adopts the foregoing as the Bylaws of the Association of Edgewater, a residential subdivision, on _____, 2008.

DECLARANT AND OWNER:

Gene V. Smith

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