

BYLAWS OF THE COUNCIL OF CO-OWNERS OF

DIPLOMAT ARMS CONDOMINIUMS

The following Bylaws shall apply to the above-named condominium project (herein called the "Project"), located at 165 Thierman Lane, Jefferson County, Kentucky, as described in and created by Master Deed and Horizontal Property Regime (herein called the "Declaration") recorded in the office of the County Court Clerk of Jefferson County, Kentucky, at Louisville, and to all present and future owners, tenants and occupants of any units of the Project and all other persons who shall at any time use the Project:

ARTICLE I

Membership

Section 1. Qualification. All owners of units of the Project shall constitute the Council of Co-owners, herein called "Council." The owner of any unit upon acquiring title thereto shall automatically become a member of the Council and shall remain a member thereof until such time as his ownership of such unit ceases for any reason, at which time his membership in the Council shall automatically cease. Voting shall be on a one vote per ownership of each unit as expressed in Section 7 hereof.

Section 2. Place of Meetings. Meetings of the Council shall be held in the Project or such other suitable place convenient to the unit owners as may be designated by the Board of Administration.

Section 3. Annual Meetings. Annual meetings of the Council shall be held on the second Monday of January of each year at a time set by the Board of Administration. The first such meeting for unit owners shall occur following surrender by the Developer of control of the Council and Board of Administration as provided in the aforesaid Declaration.

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Section 4. Special Meetings. Special meetings of the Council may be held at any time upon the call of the President or a petition signed by at least twenty-five percent (25%) of the unit owners and presented to the Secretary following surrender of Developer's control.

Section 5. Notice of Meetings. The Secretary shall give written or printed notice of each annual and special meeting to every unit owner according to the Council's record of ownership at least five 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 him personally, or (b) by leaving it at his unit in the Project or at his usual residence or place of business, or (c) by mailing it, postage prepaid, addressed to him at his address as it appears on the Council's record of ownership. If notice is given pursuant to the provisions of this section, the failure of any unit owner to receive actual notice of any meeting shall in no way invalidate such meeting or any actions taken. The presence of any unit 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 in person or by proxy of a majority of the unit owners shall constitute a quorum, and the acts of a majority of the unit owners present, in person or by proxy, at any meeting at which a quorum is present shall be the acts of the Council except as otherwise provided herein. The term "majority of unit owners" in these bylaws means the owners of units to which are appurtenant more than fifty percent (50%) of the unit owners as established by the Declaration, and any other specified percentage of the unit owners contained in these bylaws

means the owners of units to which are appurtenant such percentage of the common interests.

Section 7. Voting. Voting shall be as to one vote for each unit of ownership in the Condominium. Votes may be cast in person or by proxy by the respective unit owners as shown in the record of ownership of the Council. An executor, administrator, guardian or trustee may vote in person or by proxy at any meeting of the Council for any unit owned or controlled by him in such capacity, whether or not the same shall have been transferred to his name in the Council's record of ownership, provided that he shall first present evidence satisfactory to the Secretary that he owns or controls such unit in such capacity.

Section 8. Proxies and Pledges. The authority given by any unit owner to another person to represent him at meetings of the Council shall be in writing, signed by such owner and filed with the Secretary, and unless limited by its terms shall continue until revoked by 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 unit 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 Council may be adjourned from time to time to such place and time as may be determined by majority vote of the unit owners present, whether or not a quorum be 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 Administration

Section 1. Number and Qualifications. The affairs of the Council and the Project shall be governed by a Board of Administration composed of at least five and no more than seven persons, at the discretion of the Council of Co-owners, in order to qualify as a Board Member, the proposed member must be vested in ownership interest and/or title to a unit in the Condominium project. The Board members shall serve without compensation unless otherwise authorized by the Council of Co-owners.

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

Section 3. Election and Term. Election of Board members shall be by cumulative voting by secret ballot at each annual meeting and any special meeting called for the purpose. They shall hold office for a period of one year and until their respective successors have been elected and qualified, subject to removal as herein provided.

Section 4. Vacancies. Vacancies in the Board of Administration caused by any reason other than removal of a member by the Council shall be filled by vote of a majority of the remaining members, even though they may constitute less than a quorum, and each person so elected shall be a member until his successor is elected at the next annual meeting of the Council. Death, incapacity, resignation, or sale of ownership in the Condominium Project, of any board member, or his continuous absence from the State of Kentucky for more than six months, shall cause his office to become vacant.

Section 5. Removal of Board Members. At any regular or special meeting of the Council duly called, any one or more of the board members may be removed with or without cause by vote

of a majority of unit owners and a successor may then and there be elected to fill the vacancy thus created. Any board member whose removal has been proposed by the unit owners shall be given an opportunity to be heard at such meeting.

Section 6. Annual Meeting. An organizational meeting of the Board of Administration shall be held at the place of and immediately following each annual meeting of the Council, 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 Council for the ensuing year.

Section 7. Regular Meetings. Regular meetings of the Board of Administration 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 one day prior to the date of such meeting.

Section 8. Special Meetings. Special meetings of the Board of Administration may be called by the President on at least eight hours' notice to each Board member, given personally or by telephone or telegraph, which notice shall state the time, place and purpose of such meeting. Special meetings of the Board shall be called by the President or Secretary in like manner and with like notice on the written request of at least two Board members.

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

member at any meeting of the Board shall be waiver of notice to him of such meetings. 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 of Administration 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 of Administration may require that all officers, employees and agents of the Council handling or responsible for its funds, shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Council.

ARTICLE III

Officers

Section 1. Designation. The principal officers of the Council shall be a President, a Secretary and a Treasurer, who shall be elected by, and in the case of the President, from the Board of Administration. The offices of Secretary and Treasurer may be combined in one person. The Board may appoint an assistant treasurer, an assistant secretary and such other officers as in its judgment may be necessary.

Section 2. Election and Term. The officers of the Council shall be elected annually by the Board of Administration at its annual meeting and shall hold office at the pleasure 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 of Administration and his successor elected at any regular meeting of the Board, or any special meeting.

Section 4. President. The President shall be the chief executive officer of Council and shall preside at all meetings of the Council and the Board of Administration. Subject to the control of the Board, he shall exercise general supervision and direction over the management and conduct of the business and affairs of the Council. He shall also have such other powers and duties as may be provided by these Bylaws or assigned to him from time to time by the Board.

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

Section 6. Treasurer. The Treasurer shall maintain and keep the financial records and books of account of the Council, prepare regular reports thereof and be responsible for the proper deposit and custody, in the name of the Council, of all its funds and securities.

Section 7. Auditor. The Council may appoint annually an accountant or accounting firm as auditor, who may not be an officer of the Council nor own any interest in any unit, to audit the books and financial records of the Council.

ARTICLE IV

Administration

Section 1. Management. The Board of Administration shall at all times manage and operate the Project and have such powers and

duties as may be necessary or proper therefor, including those set forth in the Declaration and including without limitation the following:

(a) Supervision of the immediate management and operation of the Project;

(b) Maintenance, repair, replacement and restoration of the common elements and any additions and alterations thereto;

(c) Purchase, maintenance and replacement of any equipment and provide for all water and utility services required for the common elements;

(d) Provision at each unit of all water, sewer, electricity and such other utility services and utilities as the Board shall deem necessary either at the expense of such unit or as a common expense as determined by the Board;

(e) Employment, supervision and dismissal of such personnel as may be necessary for the maintenance and operation of the Project;

(f) Preparation at least 60 days before each fiscal year of a proposed budget and schedule of assessment for Common Expenses for such year;

(g) Collection of all installments of assessments for Common Expenses authorized by the Board;

(h) Purchase and maintenance in effect of all policies of hazard and liability insurance for the project required by the Declaration and such other insurance and bonds as may be required or authorized by the Declaration or the Council or the Board;

(i) Notification of all persons having any interest in any unit, according to the Council's record of ownership of delinquency exceeding 30 days in the payment of any assessment against such unit;

(j) Assignment and supervision of motor vehicle parking including the authority to make reasonable rules in regard thereto;

(k) Supervision of the use of the common elements, including use of Limited Common Elements which includes adoption and enforcement of Project rules and enforcement of the provisions of the Declaration and these Bylaws.

Section 2. Managing Agent. The Board of Administration may employ from time to time a responsible Managing Agent or Administrator to manage and control the Project 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.

Section 3. Representation. The President or Managing Agent, subject to the direction of the Board of Administration, shall represent the Council or any two or more unit owners similarly situated in a class in any action, suit, hearing or other proceeding concerning the Council, the common elements or more than one unit, and on its or their behalf may institute, defend, intervene in, prosecute and settle any such actions, suits and proceedings without prejudice to the rights of any unit owners individually to appear, sue or be sued. Service of process in any such action, suit or proceeding may be made on the President or Managing Agent.

Section 4. Execution of Instruments. All checks, drafts, notes, acceptances, conveyances, contracts and other instruments shall be signed on behalf of the Council by such person or persons as shall be provided by general or special resolution of the Board of Administration or, in the absence of any such resolution of the Board of Administration, or, in the absence of any such resolution applicable to such instrument, by the President or the Treasurer.

ARTICLE V

Obligations of Unit Owners

Section 1. Assessments. All unit owners shall pay to the Board of Administration, or if a Managing Agent is appointed, to the Managing Agent, in advance, on the first day of each and every month the monthly assessments against their respective units for Common Expenses of the Project in accordance with the Declaration. The assessment is delinquent if not received on or before the first day of the month that it is due. In the event any Unit owner is delinquent in the payment of any monthly assessment for a period in excess of thirty days, a penalty of five percent of the delinquent assessment shall be payable for each month of delinquency beginning with the initial month. In addition, the Board may, from time to time, post in a conspicuous place upon the common elements the names of such delinquent Unit owners.

Section 2. Maintenance of Units. Every Unit owner shall at his own expense at all times well and substantially repair, maintain, amend and keep his unit, including without limitation all internal installations therein, such as water, electricity, gas, telephone, sewer, sanitation, air conditioning, lights, windows and all other fixtures and accessories belonging to such unit and the interior decorated or finished surfaces of all walls, floors and ceilings of such unit, with all necessary reparations and amendments whatsoever in good order and condition except as otherwise provided by law or the Declaration, and shall be liable for all loss or damage whatsoever caused by his failure to perform any such work diligently, and, in case of such failure after reasonable notice to perform, shall reimburse to the Council promptly on demand all expenses incurred by it in performing any such work authorized by the Board of Administration or the Managing Agent. Every Unit owner and occupant shall reimburse the Council promptly on demand all expenses

incurred by it in repairing or replacing any uninsured loss or damage to the common elements and equipment thereof caused by the negligence or misconduct of such owner or occupant or by a member of the household or guest of either of them and shall give prompt notice to the Board of Administration or Managing Agent of any loss or damage or other defect in the Project when discovered.

Section 3. Use of Project.

(a) All units of the Project shall be used only for single family residential unit purposes.

(b) All common elements of the Project shall be used only for their respective purposes as designed.

(c) No unit owner or occupant shall place, store or maintain in the common elements any furniture, packages or objects of any kind (except in specifically authorized storage areas) or otherwise obstruct transit through such common elements or permit said elements to be unsightly or disorderly.

(d) Every unit owner and occupant shall at all times keep his unit and any limited common elements appurtenant thereto in a strictly clean and sanitary condition and observe and perform all laws, ordinances, rules and regulations now or hereafter made by any governmental authority, the Council or the Board of Administration applicable to the Project.

(e) No unit owner or occupant shall make or suffer any waste or unlawful, hazardous, improper or offensive use of his unit or the Project nor alter or remove any equipment of the common elements.

(f) No unit owner or occupant shall erect or place in the Project any structure including fences and walls, nor make any additions or alterations to any common elements (including limited common elements) of the Project, except as may be permitted in

the Master Deed and Declaration and except in accordance with plans and specifications, including detailed plot plan, prepared by a licensed architect, if so required by the Board, unless approved by the Board of Administration, which approval may be given with accompanying restrictions as to unit owner's duties of maintenance, repair and replacement of such improvements and any common elements affected thereby.

(g) No signs, posters or billboards may be placed or maintained in the Project unless approved by the Board of Administration.

(h) No unit owner or occupant shall decorate or landscape any entrance or other planting area adjacent to his unit except in accordance with standards therefor established by the Board of Administration or specific plans approved in writing by the Board, which standards or approval may be given with accompanying restrictions as to the unit owner's duties of maintenance, repair and replacement of such decorating or landscaping and any common elements affected thereby.

(i) All occupants shall exercise extreme care about making noises and in the use of musical instruments, radios, televisions and amplifiers that may disturb other occupants.

(j) No garments, rugs or other objects shall be hung from balconies, windows or facades of the Project or in other areas within view of other occupants.

(k) No rugs or other objects shall be dusted or shaken from balconies or windows of the Project or cleaned by beating or sweeping on any exterior part of the Project.

(l) No refuse, garbage or trash of any kind shall be thrown, placed or kept on any common elements of the Project except in the areas provided for such purposes.

(m) No livestock, poultry, rabbits, snakes or other such animals shall be allowed or kept in any part of the Project. Dogs, Cats (not exceeding 13 pounds), and caged animals or birds shall be allowed subject to regulation by the Board, including regulation as to the number thereof.

(n) No unit owner or occupant shall without the written

approval of the Board of Administration install any wiring for electrical or telephone installations, television antenna, machines, or other equipment or appurtenances whatsoever on the exterior of the Project or protruding through the walls, windows or roof thereof.

(o) Nothing shall be allowed, done or kept in any units or common elements of the Project which would overload or impair the floors, walls or roofs thereof, or cause any increase in the ordinary premium rates or the cancellation or invalidation of any insurance thereof maintained by or for the Council.

(p) The developer of the Project or its agent, shall have the right to maintain and show units, including the maintenance and showing of model units. A unit owner, or his agent, shall have the right to show his unit at reasonable times of the day for the purpose of sale or lease.

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

Section 5. Expenses of Enforcement. Every unit owner shall pay to the Council promptly on demand all costs and expenses including reasonable attorney's fees incurred by or on behalf of the Council in collecting any delinquent assessments against such unit, foreclosing its lien therefor or enforcing any provisions of the Declaration, these Bylaws and Project Rules against such owner or any occupant of such unit.

Section 6. Record Ownership. Every unit owner shall promptly cause to be duly recorded the deed, lease, assignment or other conveyance to him of such unit, or other evidence of his title thereto, and shall file a copy of same with the Board of Administration, and the Secretary shall maintain all such information in the record ownership of the Council.

Section 7. Mortgages. Any unit owner who mortgages his unit, or any interest therein, shall notify the Board of Administration 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 Council. The mortgagee or prospective purchaser of any unit, or interest therein, shall report to such person the amount of any assessments against such unit then due and unpaid.

ARTICLE VI

Miscellaneous

Section 1. Amendment. These Bylaws may be amended in any respect not inconsistent with provisions of law or the Declaration by vote of seventy-five percent (75%) of the Unit owners (as defined in the Declaration) at any meeting of the Council duly called for such purpose.

Section 2. Indemnification. The Council shall indemnify every Board member 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 part by reason of being or having been a Board member or officer of the Council, 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 Council 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. Nothing in these Bylaws shall be deemed or construed to authorize the Council or Board of Administration to conduct or engage in any active business for profit on behalf of any or all of the unit owners.

Section 4. Incorporation. In the event the Council of Co-owners chooses to incorporate as permitted in the Declaration, these Bylaws shall become the Bylaws of said Corporation.

Section 5. Inter-Council Association. By action of the Board of Administration, the Council of Co-owners of Diplomat Arms Condominiums may participate in and contract with any inter-council association of condominium regimes that may be created in the future in the surrounding community, organized for the purposes of efficiency and economy in the operation and maintenance of the condominium regimes participating therein.

Section 6. Enforcement. Violation of the provisions of the Declaration, these Bylaws or any Project rules may be remedied in any court of law or equity having jurisdiction thereof by the Council of Co-owners, its Board of Administration, or managing agent or administrator, or any unit 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 7. Developer's Rights. During the period of control of the Project by the Developer, as provided in the Declaration, it shall have the right to enforce the provisions of the Declaration, Bylaws and Project Rules as set out immediately above and in Article V, Section 5, of these Bylaws.

Certificate of Adoption

The undersigned Developer, and Owner, of all units of the Project hereby adopts the foregoing as the Bylaws of the Council of Co-owners of Diplomat Arms Condominiums, this 23 rd. day of December, 1980.

DIPLOMAT ARMS DEVELOPMENT CO., INC.

By Patricia A. Crick
Patricia A. Crick, President

By Walter A. Crick
Secretary