

BY-LAWS OF ELK LAKE PROPERTY OWNERS'
ASSOCIATION, INC

(revised, updated and effective July 1, 2015)

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Table of Contents

ARTICLE I Name, Location, Description, and Purpose.....	2
ARTICLE II Applicability.....	3
ARTICLE III Membership and Member Meetings.....	3
ARTICLE IV Directors and Directors Meetings.....	7
ARTICLE V Officers.....	12
ARTICLE VI Accounting, Finances, and Budget.....	13
ARTICLE VII Powers and Duties of the Association.....	14
ARTICLE VIII Miscellaneous.....	19

BY-LAWS OF ELK LAKE PROPERTY OWNERS' ASSOCIATION, INC.

ARTICLE I

Name, Location, Description, and Purpose

1. Name. The name of this corporation is Elk Lake Property Owners' Association, Inc. (the "Association").
2. Location. The location of the principal and registered office of the Association shall be on the premises of the Elk Lake Subdivision ("Elk Lake") in Owen County, Kentucky. The current mailing address of the Association is 445 Elk Lake Resort Road, Owenton, Kentucky 40359.
3. Description. The Association is a Kentucky non-profit membership corporation without capital stock.

4. Purpose. The purpose and mission of the Association shall include, without limitation, those purposes set forth in the Articles of Incorporation, as may be amended from time to time; maintaining, operating and managing Elk Lake in Owen County, Kentucky; and those matters filed of record for the properties in Elk Lake in the Owen County Clerk's Office.

5. Plan. The Association has been declared and constituted a non-profit, non-stock corporation for the purpose of maintaining and managing Elk Lake Subdivision in Owen County, Kentucky, which purpose and authority shall include those matters set forth in the deeds filed of record in the Owen County Clerk's Office, as amended (the "Restrictions"), and over all subsequently designated properties, Units or Sections. The Association's Governing Documents shall include (i) the Association's Articles of Incorporation; (ii) the Restrictions; (iii) the Association's Bylaws, as may be amended from time to time; and (iv) the Rules, Regulations, Policies and Procedures adopted by the Association or its Board, as may be amended from time to time.

ARTICLE II **Applicability**

6. Applicability to the Property. These By-Laws are applicable to and govern the Association, and its Members (as defined herein), and all properties in the Elk Lake community that are subject to the Restrictions (collectively, the "Property"), whether an individual Property is privately owned by a Member or is a Common Area. These By-Laws govern the use, occupancy, sale, lease, or other transfer of the Property, and the Members, as defined herein.

7. Personal Application. All Members, owners, lessees, occupants, or users of the Property; the tenants, guests, licensees, invitees, agents, contractors, independent contractors, and servants of them; and any person or persons that shall be permitted to use the Property are subject to the provisions of the Governing Documents. Acceptance of any interest of any Lot in the Property, including without limitation any ownership, leasehold, occupancy, and/or use, shall constitute an acknowledgement that said person(s) has(ve) accepted, agreed to comply with and ratified the provisions of the Governing Documents.

ARTICLE III **Membership and Member Meetings**

8. Members. The Members of the Association shall be every person, firm, corporation, company, partnership, trust, or other legal entity or any combination thereof, that is or are the record owner(s) of any Lot in the Property as set forth in the Governing Documents. In the event that a Member owns more than one Lot in the Property, said Member shall be considered as having one (1) "Membership" for each group of Lots that are adjacent or in the near vicinity of each other and have one primary residence. In the event that multiple primary residences exist on one or more Lots owned by a Member, that Member shall be deemed to have a number of "Memberships" equal to the number of primary residences for which a Certificate of Occupancy has been issued. Further, if a Member owns more than one Lot and those Lots do not have a principal residence, said Member shall be considered as having only one (1) "Membership" for all Lots so owned.

The definition of immediate family includes only an Owner's Spouse, Parents, Children, Step-Children, Brothers, Sisters and Grandchildren.

When more than one person, firm, corporation, company, partnership, trust, or other legal entity or any combination thereof, holds ownership interest in a "Membership", all such persons shall be "Members" but shall constitute only one (1) Membership, subject to the definition above, and the vote for each such Membership shall be exercised as they determine, but in no event shall more than one (1) Vote be cast with respect to any Membership.

9. Address. The Members shall be responsible for notifying the Board of any change in address or other such contact information to allow the Board to update the Association's books and records. In circumstances where more than one person, firm, corporation, company, partnership, trust, or other legal entity or any combination thereof, owns a Lot or any part thereof, all such owners shall be considered Members of the Association, but only one certificate of Membership shall be issued, granting one vote. Said Members shall designate one of them to serve as the primary contact and address for the Association.

10. Sale of Property, Membership Approvals. When a Member of the Association sells any of its Lots, all indebtedness to the Association must be paid in full and all violations of the Governing Documents and sanctions remedied before transfer of the Membership, including access to Common Areas, to the buyer(s) will be approved. It is the seller's responsibility, and not an obligation of the Association, to advise prospective buyers of the Association's initiation fees and other applicable fees and annual dues requirements.

11. Sale of Property, Membership Termination. Except as may be required by Kentucky law, the right of Members to vote and the right, title, and interest of Members to use or benefit from the Common Areas shall be divested upon termination or transfer of Membership. Transfer or other disposition by a Member of the Member's fee interest in a Lot or Lot(s) in Elk Lake, other than a mortgage or similar encumbrance, shall terminate the Member's membership in the Association, including the right of entry to Elk Lake, other than as a guest of a Member.

12. Member in Good Standing. A Member shall be considered to be in "Good Standing" for each Membership Interest, entitling that Member to all rights and privileges that Membership provides, including without limitation access to Common Areas within the Property and the ability to issue guest passes, only if the Member has satisfied all of the following requirements:

a. The Member has completed and submitted a "New Member Information Form," in a form to be promulgated by the Board as may be amended from time to time, as well as any other required forms as from time to time may be required;

b. The Member has fully paid all Dues and Assessments assessed against the Member or Lot, which shall include all required initiation fees, Rental Unit fees, and other applicable fees;

c. The Member is not in violation of the Governing Documents;

d. The Member has not committed two (2) or more violations of any provision set forth in the Warranty Deeds in the previous twelve (12) month period prior to the date of submission of the New Member Information Form, such as by committing a “noxious or offensive trade or activity,” engaging in any activity constituting “an annoyance or nuisance to the neighborhood,” or otherwise violating the Rules, Regulations, or Policies adopted by the Association; and

e. Does not have any un-remedied sanction for a violation issued against the Member.

In the event that a Member has more than one Membership, said Member must be in Good Standing with respect to all Memberships in order to be in Good Standing as to any Memberships. If a Member is in Not in Good Standing, each and every other person, firm, corporation, company, partnership, trust, or other legal entity or any combination thereof, that comprise that Membership interest shall likewise be considered in “Not in Good Standing.”

13. Member in Not in Good Standing. A Member “Not in Good Standing” shall include every Member who meets the ownership requirements of Section 8 of these By-Laws, but who does not meet the Good Standing requirements of Section 12. Members Not in Good Standing shall have no voting rights with respect to Association, including voting for Directors, but still shall be bound by voting and other actions taken by Members in Good Standing and shall still be liable for all Dues and Assessments. Members Not in Good Standing shall not be entitled to use any Common Areas, including the lakes, of Elk Lake and shall not have the right to issue guest passes or have guests at the Property. **Members Not in Good Standing for failing to meet the requirement of Section 12(e) shall not be permitted to access the Elk Lake until the Board has determined that said Member has taken adequate steps to ensure that the same or similar violation(s) do not occur again.**

14. Members’ Meetings.

a. Annual and Regular Meetings. The Association shall hold at least one (1) Members’ meeting per year. Annual or Regular meetings shall be called by the Board and held at such place as may be designated in the Notice of the Meeting, but not more than 75 miles from the Association’s principal office. At least one (1) such Meeting shall be held annually during the month of October, unless otherwise provided in the notice of the annual meeting to the Members, for the purpose of electing directors and transacting any and all other business that may be authorized to be transacted by the Members. At each Annual Meeting, the Board will present a report, approved by a majority of the Directors, of past and current activities affecting the Association. Sufficient time shall be allotted at the Meeting to respond to Members’ questions and issues with respect to the report or as may affect the Association generally. The Board shall establish a process for nominating, voting and counting ballots for candidates for the Board, which may include, without limitation (i) voting by written proxy or by

absentee ballot by Members in Good Standing, (ii) a period of time following said Meeting for any such absentee or other written ballots to be received by the Board, and (iii) that all voting for the Board shall take place by mail.

b. Special Meetings. Special meetings shall be held whenever called by the President of the Board, by a majority of the Board, or by the Secretary of the Board upon receipt of a written request from Members entitled to cast at least ten percent (10%) of the total votes of the entire Membership, so long as the request is signed by such Members within sixty (60) days of the date of the first signature thereon by a Member.

c. Notice of Meetings. Notice of all Members' meetings, stating the place, day, and hour and the purpose for which the Meeting is called, shall be given by the Board, unless waived in writing by all Members. Such Notice shall be given in writing, and sent by mailing, hand-delivery or electronic service (facsimile or email) to each Member in Good Standing and entitled to vote at the Member's address as it appears on the books of the Association, and such Notice shall be sent not less than fourteen (14) days nor more than 45 days prior to the date of the meeting. Proof of such Notice shall be made at the outset of each Meeting, or upon request by a Member, by the affidavit of the person giving the Notice. Any deficiency of any Notice of Meeting may be waived before, during, or after the Meeting by any Member or the Member's authorized attorney-in-fact. Failure of a Member to receive Notice shall not affect the validity of any action taken at a Meeting.

d. Quorum. The presence of Members entitled to cast 20% of the eligible votes of the Membership shall constitute a quorum, except for the election of directors by mail or at the meeting, which shall not require a quorum. If the required quorum is not present, the Meeting may commence, but no vote, resolution, or official action may be taken by the Members at the Meeting. If the required quorum is not present, another Meeting may be called upon written Notice being not less than three (3) nor more than five (5) days prior to said rescheduled Meeting. The rescheduled Meeting shall not be required to satisfy the quorum requirement in order to do business. No such rescheduled Meeting may be held more than sixty (60) days following the preceding Meeting.

e. Presiding Officer. The President of the Association, or in the absence of the President, the Vice President of the Association, shall preside over all Meetings. If both such officers are absent, the Members shall choose a *pro tem* official to preside. The Secretary of the Association, or in the absence of the Secretary, the Assistant Secretary, shall act as secretary at all Meetings. If both such officials are absent, the Members shall choose a *pro tem* official to act as Secretary.

15. Voting. Subject to the Governing Documents, at any meeting of Members, each Member in Good Standing shall have one (1) Vote for each Membership, as set forth in Section 8 herein.

a. Any Member in Good Standing who leases his Lot(s) shall exclusively retain the voting rights in the Association and shall not convey same to the Lessee.

b. Members in Good Standing may vote on any matter, including election of Directors, in person, by proxy or by absentee ballot. Votes by proxy must be executed on a proxy form approved by the Board. The place or persons to whom written proxies should be mailed or delivered will be included within the body of the Board-approved proxy form. If a proxy that has been mailed to the Member in Good Standing is not returned to the Association in a timely manner and to the place or persons designated in the proxy, or if the proxy form is incomplete as to any information required therein, then the Member's proxy shall not be counted as a "for" or an "against" vote. A Member's proxy shall be valid for no more than 180 days after its execution, but a date less than 180 days may be specified therein. No revocation of a proxy shall be effective until written notice thereof is received by the Secretary.

c. A Member in Good Standing shall be entitled to vote at any Annual or Regular Meeting or at Special Meetings of Members duly noticed and called; however, any such Member shall not be entitled to vote if the Member is not in Good Standing at the time of voting.

ARTICLE IV **Directors and Directors Meetings**

16. **Directors.**

a. The affairs of the Association shall be managed by a Board of Directors consisting of not less than nine (9) nor more than twelve (12) individuals, each of whom must be a Member, or member, shareholder, partner, trustee, or owner of a Member in Good Standing, and shall serve without compensation. No Member may have more than one (1) individual, member, shareholder, partner, trustee, or owner as a Director at a time.

b. No more than one member of a family (including spouses; natural, adopted, or step-children; parents; brothers or sisters; aunts or uncles; grandparents; or any of the previously described family-members-in-law) shall be Directors at any time, regardless of how many Lots are owned by that family or by the Memberships they may possess. The purpose of this provision is to ensure that a representative and impartial Board is in place to act in the best interests of the overall membership of the Association.

17. **Director Elections.**

a. Each Director shall be elected to each serve for a term of three (3) years, from the date of the first Regular Board meeting after the Director is elected until the commencement of the first Regular Board meeting after the Director's successor is elected, as provided for herein. The effectiveness of the Board is deemed to be improved with a staggered Board membership. Accordingly, not less than three (3) or more than four (4) Directors shall be elected at each annual election, and newly-elected

Directors shall replace the Directors whose three (3) year term is expiring. Nothing in this section shall prohibit an individual from serving on the Board for multiple terms.

b. The election of Directors shall be initiated at the Annual Meeting and completed by mail within a reasonable period of time as the Board may establish. The Members present shall elect three (3) Members, whom must be in Good Standing who are not Directors and not Director candidates to serve as “Inspectors of Election,” who shall take and subscribe an oath to execute their duties satisfactorily, impartially, and to the best of their ability. The Inspectors of Election shall take charge of the voting and, after the vote has been taken, shall make a written certificate of the result of the vote. If any appointed Inspectors of Election is absent or refuses or is unable to act through illness, death, or otherwise, then the remaining Inspectors of Election shall have the full power and authority originally vested in the three (3) Inspectors of Election unless the Board replaces such missing Inspector of Election through an additional appointment or appointments.

c. A nominating committee of at least (1) one current Director and three (3) non-Director Members in Good Standing shall be appointed by the Board not less than thirty (30) days prior to the Annual Meeting. The committee shall nominate one (1) person for each Director to be elected at the Meeting. Any Member in Good Standing may also nominate an individual to be elected as a Director by notifying the Board in writing at least thirty (30) days prior to the Annual Meeting.

d. Should there be an insufficient number of Director candidates available to fill vacancies occurring due to the expiration of terms, the President shall accept nominations of Members in Good Standing from the floor during the Annual Meeting, but only for the position(s) for which there is no candidate. The other candidates nominated prior to said Annual Meeting shall be deemed automatically elected by acclamation as Board Members, and the remaining candidates nominated during the floor shall then be elected by mail by the process adopted by the Board, as set forth herein; provided, however, in the event that the number of candidates nominated from the floor equal or are less than the open seats for which there was no pre-Annual Meeting nominations, such candidates shall likewise be deemed automatically elected by acclamation as Board Members.

e. The election shall be by written ballot (unless dispensed with by unanimous consent), and each Membership entitled to vote at such election shall have the right to cast one (1) Vote for each Director to be elected. Each Membership entitled to vote at such election shall have the right to cast votes in a number up to the number of Directors to be elected, but may not cast more than one (1) Vote for any single nominee.

18. Vacancies and Removal of Directors.

a. If at any point a Director fails to meet the requirements for Membership in the Association, such as upon the transfer, sale, assignment, or conveyance of every Lot owned by a Member who is a Director, or the Director is no longer in a Member in Good Standing, the Director shall immediately cease to be a Director.

b. Any Director may be removed at any duly-called Annual or Special Meeting of the Members, so long as the notice of the Meeting lists this matter on the agenda. The vote required to remove a Director at an Annual or Special Meeting shall be a majority vote of the quorum present for such Meeting. Any Director may also be removed by the Board upon the vote of 75 percent (75%) of the other Directors at any duly-called Board meeting, so long as the notice of the Meeting lists this matter on the agenda.

c. In case a vacancy on the Board shall occur from any cause other than the expiration of the Director's term, all of the remaining Directors shall by secret ballot and majority vote elect a new Director to fill the vacancy until the next election of Directors, at which time the Members will be asked to choose a candidate to fill any remaining full calendar years of the unexpired term. If a nominee for the Board is not elected as Director at the Annual Meeting, said nominee may be considered by the Board to fill any subsequent vacancy that occurs between that Annual Meeting and the next Annual Meeting, if any; provided, however, the Board shall have no obligation to appoint said nominee(s) to fill any such vacancies.

19. Directors' Meetings.

a. Regular Meetings of the Board may be held at such time and place as shall be determined, from time to time, by Resolution of the Board, but not more than 75 miles from the Association's principal office. Unless otherwise changed by Resolution of the Board, Regular Meetings of the Board shall be held on the third Saturday of each month, beginning at 9:00 a.m. (8:00 a.m. from May to October). Notice of regular meetings shall be given to each Director, by mailing, hand-delivery or electronic service (facsimile or email), or such other manner as will ensure receipt by each Director, at least five (5) days prior to the date of each such Meeting; however, valid Meetings of the Board may be held at any time without notice if all Directors are present in person or if the absent Directors waive notice in writing or electronic means prior or subsequent to the Meeting.

b. Special Meetings of the Directors may be called by the President, and shall also be called by the Secretary at the written request of at least one third (1/3) of the Directors. Notice of the Special Meeting shall be given by mailing, hand-delivery or electronic service (facsimile or email) or such other manner as will ensure receipt by each Director, at least five (5) days prior to the day named for such Meeting, which notice shall state the time, place, and purpose of the Meeting.

c. A Meeting of the Board may be held without notice immediately after the October Annual Meeting of the Members or immediately following Special Meetings of Members. Such Board Meeting may be at the same location as the Members' Meeting or elsewhere, at the Board's discretion. The Board is authorized to take valid and binding action at such Meetings so long as quorum requirements are satisfied.

d. Any Director may waive notice of a Meeting before, during, or after the meeting and such waiver shall be deemed equivalent to the giving of Notice.

e. A quorum at a Directors' Meeting shall consist of a majority of the then-existing number of sitting Directors. The acts approved by a majority of those present at a meeting at which a quorum is present shall constitute the acts of the Board. If at any Meeting of the Board less than a quorum is present, the majority of those present may adjourn the Meeting from time to time until a quorum is present. At any adjourned Meeting, any business that might have been transacted at the Meeting as originally called may be transacted without further Notice. The joinder of a Director in the action of a Meeting by signing and concurring in the minutes thereof shall constitute the presence of such Director for the purpose of determining a quorum.

f. The presiding officer of Directors' Meetings shall be the President. In the absence of the President, the Vice President shall preside.

g. The Board may take action without a meeting only by unanimous written consent, duly signed by all Directors.

20. Powers and Duties of the Board. The Association's Board shall have all powers and duties set forth in the Governing Documents, under KRS Chapter 273 regarding non-profit, non-stock corporations, any other applicable state and local laws, statutes, ordinances, and other governmental rules and regulations, and all lawful powers and duties deemed by the Board advisable or necessary to carry out its functions in its capacity for the overall benefit of Elk Lake, the Association and its Members. All of the powers and duties of the Association existing under the Governing Documents shall be exercised exclusively by the Board, its agents, contractors, or employees, subject only to approval by Members when such is specifically required. Compensation of employees of the Association shall be fixed by the Directors. The powers and duties of the Board include without limitation:

a. To appoint, hire, and engage officers, agents, contractors, and employees and determine their duties, and at its discretion, with or without cause, remove, suspend, and terminate such officers, agents, contractors, and employees;

b. To fix and change salaries and wages and other forms of payment of employees, agents, contractors, and others performing services for the Association;

c. To establish or appoint committees comprised of Directors and Members in Good Standing to assist the Board, as appropriate, in carrying out its duties and responsibilities;

d. To accept title in the name of the Association to real property and tangible and intangible personal property;

e. To establish an annual budget and based upon said budget, including an allowance for delinquent accounts, etc., as set forth, at least in part, in Section 29, to set the annual dues, initiation fees, and special assessments and other resources necessary or appropriate to properly fund the Association;

f. To authorize reasonable and necessary borrowing on behalf of and in furtherance of the interests of the Association;

g. To amend these Bylaws, from time to time;

h. To establish the Rules, Regulations, Policies and Procedures and penalties for violations of the Governing Documents, for the purposes set forth herein, and to amend same from time to time;

i. To propose, enact, amend, and interpret on its own accord, certain Rules, Regulations, Policies and Procedures it deems necessary or appropriate to operate the Association; and

j. To regulate matters which are the subject of the Restrictions applicable to Elk Lake and to regulate all matters to which the Members are subject in accordance with the Association's Governing Documents.

21. Court Actions. Legal actions to enforce the various provisions of the Governing Documents may be initiated on behalf of the Association only upon approval by majority vote of the Board. In any action brought by the Association, if the Association is the prevailing party, the Association shall be entitled to also collect its reasonable costs and expenses incurred, including without limitation attorney's fees and professional fees.

22. Limitations on Director Liability. In addition to such limitations of liability afforded to the Directors of the Association as may be provided by Kentucky law, no Director of the Association, collectively or individually, shall be personally liable to any of the Members or to any other person or entity whatsoever, for any error or omission in the discharge of the Director's duties and responsibilities or for the Director's failure to provide any service required under the Governing Documents of the Association; provided that such Director has acted in good faith and in a manner that such person believes to be in the best interests of the Association.

23. Director Code of Ethics. As a condition of serving on the Board, each Director shall be required to agree to and sign a Conflicts of Interest Policy and/or Code of Ethics, if same are adopted by the Board. Individual Directors shall, as a condition of directorship, execute and be governed in all actions as Director by a document containing the following provisions:

"I agree to serve on the Board of Directors of Elk Lake Property Owners' Association (ELPOA) for the term for which I was elected or appointed to fill, unless I voluntarily resign or unless I am removed from office pursuant to the ELPOA governing documents.

I will serve and fulfill all the obligations of my office without receiving pay of any type.

I will not use my position on the Board of Directors to solicit gifts or privileges from others, including those who do business with ELPOA and those whose work I may oversee or whose bids for work I may vote on.

I will not use my position on the Board to exercise undue influence or power over others.

I will not use my position on the Board to personally profit in any way.

I will vote on all issues before the Board using the criteria of “what is in the best interest of the majority of the members of ELPOA and the Elk Lake community as a whole,” even though it might be contrary to my own interest.

I further agree to conduct myself in accordance with the laws of the Commonwealth of Kentucky, and the governing documents of ELPOA.”

24. Committees of the Board. The Board shall establish such special committees or standing committees as from time to time may be necessary or desirable for the conduct of the business of the Association. The committees shall provide periodic reports of activity to the Board.

a. The President of the Board shall nominate, and the Board shall appoint, all committee members. Committee members need not be Directors, but each committee must include at least one Director, and the remaining committee members must be Members of the Association.

b. A quorum for conducting committee business shall be a majority of committee members present and voting.

c. Committees of the Board shall have and may exercise such powers as shall be conferred or authorized by the Board Resolution appointing or creating them. All committee decisions shall be in the nature of recommendations to the Board, unless the Board has specifically authorized the committees to act in a limited way on behalf of the Board.

ARTICLE V **Officers**

25. Officers. The executive officers of the Association shall be the President, a Vice-President, a Treasurer, and a Secretary, each of whom shall be a Director and shall be elected from within the Board. The officers shall be elected annually by the Board for a term of one (1) year. President, Vice-President, and Secretary, may not be simultaneously occupied by the same person. The Board may from time to time elect other non-executive officers to exercise such powers and duties as the Board shall find to be required to manage the affairs of the Association, such as Assistant Secretaries and Assistant Treasurers. Officers shall not receive any compensation from the Association.

26. Removal of Officers and Filling Vacancies. Any Officer may be removed at any time, with or without cause, by a majority vote of the entire Board less the Officer/Director who is sought to be removed from office. In case a vacancy shall occur from any cause in any office, the Board shall promptly fill such vacancy.

27. Offices.

a. The President shall be the chief executive officer of the Association. The President shall have all of the powers and duties which are usually vested in the office of the President of a corporation, including but not limited to the power to appoint committees from among the Members from time to time, as the President may determine appropriate to assist in the conduct of the affairs of the Association.

b. The Vice President shall fill in when the President is unavailable and shall have all the powers and duties of the President when acting in the President's place and stead.

c. The Secretary shall keep the minutes of all proceedings, votes, resolutions, and official actions of the Directors and the Members. The Secretary shall attend to the giving and serving of all notices to the Members and Directors and other notices required by law. The Secretary shall keep the records of the Association, except those of the Treasurer, and shall perform all other duties incident to the office of Secretary of a corporation and as may be required by the Directors or the President. Any Assistant Secretary shall perform the duties of the Secretary when the Secretary is absent. The Secretary may be assisted by an association manager, if approved by the Board.

d. The Treasurer shall have custody of all property of the Association, including monies, deposits, dues, assessments, funds, securities, and evidence of indebtedness. The Treasurer shall keep the books of the Association in accordance with good accounting practices and shall perform all other duties incident to the office of Treasurer, such as depositing all monies and other valuable effects in the name and to the credit of the Association in such depositories as may be designated by the Board. The Treasurer shall disburse the funds of the Association as may be ordered by the Board, taking proper vouchers for such disbursements, and shall promptly render to the President and the Board such statements of the transactions and accounts as the President and Board may from time to time require. The Board may also instruct the Treasurer to prepare an annual report of financial position and results of operations at the close of each fiscal year, to be submitted to and approved by the Board, and then to be submitted to the Members at the annual meeting. The Treasurer may be assisted by an association manager, if approved by the Board.

ARTICLE VI
Accounting, Finances, and Budget

28. Fiscal Year. The fiscal year of the Association shall be on a calendar-year basis, January 1st – December 31st, unless otherwise determined by the Board.

29. Accounting. The funds and expenditures of the Association shall be credited and charged to the accounts as shall be appropriated by the Board, which shall be Common Expenses except to the extent said charges may be allocated or appropriated to an individual Member or Lot for fines, sanctions, etc., and said Common Expenses may include, but are not limited to:

a. “Operation/Current Expenses,” which shall include expenses for all operations and management of the Association, and those set forth in the Governing Documents; office and administrative expenses; governmental taxes, property taxes and related assessments against the Association; cost of insurance applicable to the Association’s operations; utility expenses; payroll and related payroll taxes or salary burden; operating deficits for prior periods; care, upkeep and management of the Common Areas, including the lakes, roads, and other areas or property subject to the Association’s operation, control, and management; and such funds and expenditures to be made during the year for which the funds are budgeted, including a reasonable allowance for delinquent accounts, contingencies, shortfalls, and working funds, except expenditures chargeable to reserves, to additional improvements, or to operations. The balance in the fund at the end of each year shall be applied to reduce the assessments for operating/current expenses for the succeeding year.

b. “Reserve for deferred maintenance,” which shall include funds for maintenance items which occur less frequently than annually.

c. “Reserve for replacement,” which shall include funds for repair or replacement required because of damage, depreciation, or obsolescence.

d. “Additional improvements,” which shall include the funds to be used for capital expenditures for additional improvements or additional personal property which will be part of the common elements.

30. Budget and Dues and Assessments. The Board shall adopt a budget for each year that includes the total estimated funds required to defray Common Expenses and for the accounts listed in Section 29 of these By-Laws, and any other lawful expenses of the Association.

31. Bank Deposits.

a. The deposits of the Association shall be made into such bank or banks as shall be designated from time to time by the Directors and in which the monies of the Association shall be deposited. Withdrawal of monies from such accounts shall be only by checks signed by such persons as are authorized by the Directors.

b. An audit or review of the accounts of the Association shall be made by an accountant on an at least a bi-annual basis (a full audit every fourth year), and a copy of

the report shall be furnished to the Board and be made available for inspection by the Members not later than May 1st of the year following the calendar year for which the report is made.

ARTICLE VIII

Powers and Duties of the Association

32. **Rights of the Association.**

a. The Association shall have the right to contract with any person for the performance of various duties and functions as are necessary and appropriate for the operation of the Association, including all matters set forth in the Governing Documents and specifically these Bylaws. Without limiting the foregoing, this right shall entitle the Association to enter into common management, operational, or other agreements with trusts, condominiums, cooperatives, neighborhoods, and other owners or residential associations, both within and without the Subdivision. Such agreements shall require the vote of two-thirds (2/3) of the Board.

b. Notwithstanding anything to the contrary contained herein, the Association, through the Board, shall have the right to enter into a declaration of easements and covenant to share costs or similar arrangement whereby the Association assumes maintenance responsibility for Lots or property which it does not own, or grants easements to individuals who are not Members, in consideration for payment by the owner(s) of such property or such non-members of all or a portion of the costs associated with such operation, upkeep, maintenance or use. The Board shall have all powers and duties set forth in the Governing Documents.

33. **Implied Rights.** The Association may exercise any other right or privilege given to it expressly by the Governing Documents, or which may be reasonably implied from or reasonably necessary to effectuate any such right or privilege.

34. **Rules, Regulations, Policies and Procedures.** The Association, through the Board or by majority vote of Members present at any Annual, Regular, or Special meeting duly noticed and held as set forth herein, may make, modify, and enforce reasonable rules, regulations, policies and procedures (i) governing the use, maintenance, and upkeep of the Property, the Common Areas and all Lots; and (ii) prescribing the policies and procedures for levying Dues and Assessments, levying fines or other sanctions, and enforcing violations of the Governing Documents (the "Rules, Regulations and Policies"), consistent with the rights and duties established in the Governing Documents and the law. Such Rules, Regulations, Policies and Procedures shall be binding upon all Members, lessees, occupants, or users of the Property, the tenants, guests, licensees, invitees, agents, and servants of them, and any person or persons that shall be permitted to use the Property.

35. **Dues and Assessments.**

a. **Regular Dues and Assessments.** Each year, the Board shall set and assess annual Dues and Assessments for each Membership in an amount equal to the budget for that

year divided equally by the number of Memberships that are required to pay such charges (the "Dues and Assessments"), provided however that if the Dues and Assessments are proposed to increase from one year to the next, said increase shall be presented to the Members for approval as set forth in the Warranty Deeds, as amended. The Board shall set the date by which all such Dues and Assessments shall be due and payable. The Board may establish that the Dues and Assessments are payable in a lump sum by a date certain, or in partial amounts on a periodic basis during said year. If the Board fails to set a specific due date for the Dues and Assessments, such Dues and Assessments will accrue and will be due and payable on or before March 1st of each year. Dues and Assessments shall be deemed delinquent if not paid in full on or before the 10th day after they are due, or as otherwise set by Board, and a late fee as set forth in Exhibit A to the Rules and Regulations, as may be adopted or amended by the Board from time to time, shall be immediately assessed and interest at the rate of 18% percent, or the maximum amount allowed by law, whichever is greater, shall accrue thereafter.

If the Board elects to allow partial payments on a periodic basis during said year, the Board may accelerate payment of the entire Dues and Assessments for said year for any Member who becomes delinquent in the payment of any such partial payment. The Dues and Assessments and assessed late fee and interest, plus all costs and expenses incurred, shall constitute a continuing lien on the Lot or unit owned by said Member. Any Common Areas or real property owned or leased by the Association shall be exempt from payment of Dues and Assessments.

b. Special Assessments. Periodically, the Association may experience the need for special monetary assessments to cover expenses that cannot be satisfied by annual Dues and Assessments or initiation fees ("Special Assessments"). Special Assessments shall be approved by a vote of two-thirds (2/3rds) of all Directors.

c. Initiation Fees. Additionally, each new Member of the Association shall be obligated to pay an "Initiation Fee" to the Association at the time of acceptance of any ownership interest in or to any Lot in Elk Lake (except for mortgages or similar encumbrances), in an amount to be establish, from time to time, by the Board. However, the Initiation Fee shall not be required of those Owners who acquire title through probate of a last will or testament and are part of the Immediate Family as defined in Section 8. The Initiation Fee shall be considered a part of a Member's "Dues and Assessments" until paid in full. The Initiation Fee is set forth in Exhibit A to the Rules and Regulations, as may be adopted or amended by the Board from time to time which may be amended, from time to time, by the majority vote of the Board. Any change shall be reflected in the minutes of the Board meeting at which it is adopted by the Board and updated in Exhibit A to the Rules and Regulations, as may be adopted or amended by the Board from time to time.

d. Rental Unit Fees. The Board may, in its sole discretion, on an annual basis levy a separate fee on Rental Units. The Rental Unit fee shall be considered a part of a Member's "Dues and Assessments" until paid in full. The annual Rental Unit fee shall be set by the majority vote of the Board, which said change shall be reflected in the minutes of the Board meeting at which it is adopted by the Board, and which shall be set forth in Exhibit A to the Rules and Regulations, as may be adopted or amended by the Board from time to time. The annual Rental Unit fee shall be due and payable at the same time as the regular Dues and

Assessments are due and payable, as set forth above. A "Rental Unit" is defined in the Association's Rules, Regulations, Policies and Procedures.

36. Liens, Fines and Sanctions.

a. Enforcement. The Board shall have the power to impose fines or other sanctions upon any Member, lessee, occupant or user of the Property, the tenant, guest, licensee, invitee, agent and servant of them, and any person or persons that shall be permitted to use the Property, and to suspend a Member's right to serve as a Director, to vote or to use any Common Areas or any Association property or equipment for the violation of any duty imposed Governing Documents. The Board shall give notice of such fine, sanction or enforcement to the person or entity subject thereto by mailing notice of same to the address of the Member as it appears on the books of the Association, and, in addition, if to a non-Member, to the last known address of such non-Member.

In the event that a fine is imposed by the Board as set forth herein, the fine may be assessed against the occupant or the Member owning said Lot(s), or both the occupant and the Member owing such Lot(s), in the Board's discretion; provided, however, if a fine is first assessed against a non-Member occupant and is not paid within the time period set by the Board, the Member shall pay the fine upon notice from the Association within the time period set by the Board. The failure of the Board to enforce any provision of the Governing Documents shall not be deemed a waiver of the right of the Board to do so thereafter.

If any fine assessed hereunder is not paid when due, the occupant and/or Member so fined shall incur a late fee, and interest as provided for herein.

Unpaid fines shall be deemed delinquent the same unpaid Dues and Assessments are deemed delinquent in these Bylaws, or as set forth in such notice of violation; and a late fee and interest shall accrue on all such fines the same as late fees and interest are incurred same unpaid Dues and Assessments as set forth in these Bylaws, or in such notice of violation.

b. Suspension of access. Nothing herein shall authorize the Association or the Board limit ingress and/or egress to or from any Lot unless a Member, or a Member's lessee, occupant, user of the Property, tenant, guest, licensee, invitee, agent, contractor, independent contractor, or servant of them, or any person or person that were permitted to use the Property by said Member, engages in a violation of the Governing Documents or otherwise acts in such a manner that that threatens, risks or causes, or attempts to threaten, risk or cause, serious injury, harm or death to life, limb or property or the public welfare. In such case, after the first such instance, the Board may give notice to said Member that if the same or similar violation or actions occurs again within any contiguous twenty four (24) month period, the Board may suspend said actor's and, if said actor is not a Member, the Member's access to his/her/its Lot(s) and may limit ingress and/or egress to or from said Lot(s).

c. Notice. Prior to imposition of any sanction hereunder against a Member and/or fines for a violation of the Governing Documents (except the suspension of voting rights for nonpayment of Dues and Assessments, which shall be automatic as of the day same is declared late or delinquent hereunder), the Board shall serve said Member with written notice

via prepaid, first-class U.S. mail or personal delivery at the Member's address as it appears on the books of the Association; and such notice shall describe (1) the nature of the alleged violation; (ii) the proposed sanction to be imposed; (iii) a period of not less than ten (10) days to cure the alleged violation or present a written request to the Board for a hearing; and (iv) a statement that the proposed fine, sanction, and enforcement mechanism shall be imposed as contained in the notice unless a challenge is begun within the time allotted. If the violation is not cured or a challenge is not made in the time allotted, the action stated in the notice shall be imposed.

d. Hearing. If the Member in violation requests a hearing in a timely manner, the hearing shall be held in executive session by the Board affording the owner a reasonable opportunity to be heard, at a Special Meeting called for same or next Regular Board Meeting. Prior to the effectiveness of any fine, sanction, or enforcement mechanism provided for herein, proof of the services of the 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, Director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator appears at the Meeting. The minutes of the Meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed.

e. Additional Enforcement Rights.

1. Notwithstanding anything to the contrary herein contained, the Association, acting through the Board, may elect to enforce any provision of the Governing Documents by self-help (specifically including without limitation entering into said Lot(s) to remedy an uncured violation following notice provided for herein), 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 herein.

2. In any such action, to the maximum extent permissible, the Member who owned the Lot(s) at the time of the violation of which abatement was or is sought shall be liable for all costs and expenses incurred in engaging in such self-help and remedying said violation, including without limitation administrative fees, costs, and expenses of such self-help which shall be considered a fine hereunder, and late fees and interest, and attorneys' and professional fees incurred in pursuing in any rights or remedies available under the Governing Documents, and said amounts shall constitute a continuing lien on the Lot(s) or unit as stated herein.

f. Liens.

1. All Dues and Assessments, fines, late fees, interest, and administrative fees, as provided for herein, as well as the costs and expenses incurred in collecting said amounts and in enforcing a violation of the Governing Documents, including without limitation attorney's fees and professional fees, shall be the personal obligation of the Member(s) who owned the Lot(s) in question at the time such amounts were incurred or at the time of such violation; and said owner's grantee shall be jointly and severally liable for such

portion thereof as may be due and payable at the time of conveyance, except to the extent the lien securing same may have been extinguished by judicial proceedings.

2. The Dues and Assessments, fines, late fees, interest, and administrative fees, as well as the costs and expenses incurred in collecting said amounts and in enforcing a violation of the Governing Documents, including without limitation attorneys' and professional fees, shall be secured by a continuing lien on such Lot(s) in favor of the Association, which lien shall not be diminished, terminated, or satisfied in any way by a sale, transfer, subdivision or consolidation of the Lot(s). Such lien shall be prior and superior to all other liens and encumbrances upon said Lot, except as set forth in the Governing Documents.

3. Any lien incurred as set forth herein may be enforced by suit, judgment, and foreclosure on behalf of the Association upon majority vote of the Board. The Association, upon majority vote of the Board, shall have the power to bid for the Lot at foreclosure sale and to acquire and hold, lease, mortgage, and convey same. During the period of time which a Lot(s) is owned by the Association following foreclosure:

- i) No right to vote shall be exercised on its behalf; and
- ii) No Dues or Assessments or fines shall be levied on it.

4. All payments received by the Association with respect to the continuing lien created hereunder for Dues and Assessments and any fines, together with all late fees, interest, costs, and expenses incurred, including without limitation attorney's fees, professional fees, and filing fees, and penalties, in collecting said amounts and/or in enforcing a violation of the Governing Documents, including without limitation attorney's fees, professional fees, shall be applied first to expenses and costs incurred, including without limitation, attorney's and professional fees, then to late fees, and accrued interest, then to administrative charges, and then to delinquent Dues and Assessments and/or delinquent fines, in order of coming due.

37. Enforcement. The Board shall have any and all other rights, authority and powers allowed or permitted by law to enforce the Governing Documents.

ARTICLE VIII

Miscellaneous

38. Corporate Seal. The corporate seal of the Association shall have inscribed thereon the name of the non-profit corporation and the year of its incorporation. The seal shall, in addition, contain such other words and figures as the Board shall determine. The corporate seal may be used for such purposes and in such a manner as directed by the Board.

39. Books and Records. The Association shall keep current and accurate books and records of account and shall also keep minutes of proceedings of its Members, Board, and committees having and exercising any of the authority of the Board, and shall keep at the Association's administrative office a record reflecting the names and addresses of Members

entitled to vote. The books and records of the Association may be inspected by any Member for any proper purpose at reasonable times and with sufficient advance notice.

40. Parliamentary Rules. *Robert's Rules of Order* (latest edition) shall govern the conduct of Association Membership or Board meetings when not in conflict with the Governing Documents.

41. Indemnification of Officers and Directors. The Association shall indemnify every Director or Officer, his or her heirs, executors, and administrators, against all losses, costs, and expenses, including attorney's fees, reasonably incurred by him or her in connection with any action, suit, or proceeding to which he or she may have been a party by reason of his or her being or having been a Director or officer of the Association, excepting in matters as to which he shall be finally adjudged in such action, suit, or proceeding to be liable for gross negligence, or willful misconduct. In the event of a settlement, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Association is advised by counsel that the person to be indemnified has not been guilty of gross negligence or willful misconduct in the performance of his or her duties as such Director or Officer in relation to the matter involved. The foregoing right shall not be exclusive of other rights to which such Director or officer may be entitled. All liability, loss, damage, costs, and expenses incurred or suffered by the Association by reason of or arising out of or in connection with this indemnification provision shall be treated and handled by the Association as common expense; provided, however, that nothing in this section shall be deemed to obligate the Association to indemnify any member or owner of a Lot who is or has been a Director or officer of the Association with respect to any duties or obligations assumed or liabilities incurred by him or her under and by virtue of the Governing Documents.

42. Information and Lender's Notices. The Association shall make available for inspection, upon request, during normal business hours or under other reasonable circumstances the books and records of the Association, these By-laws, and the Rules, Regulations and Policies, to all Members.

43. Amendment of the By-Laws or Rules and Regulations These By-Laws or Rules and Regulations may be amended in the following manner:

a. Notice of the subject matter of a proposed amendment shall be included in the notice of any Meeting, whether Member or Board Meeting, at which a proposed amendment is considered.

b. A resolution adopting the proposed amendment may be proposed and adopted by either a 2/3 majority of the sitting Board or by a majority of the Members at a duly-noticed and held meeting of either the Directors or the Association, as the case may be.

c. No amendment shall discriminate against any Member or Lot, unless the Lot owners so affected shall consent in writing.

d. A copy of each amendment shall be certified by the President and Secretary of the Association as having been duly adopted and shall be effective immediately upon adoption.

44. Conflict Among Governing Documents. If there is any conflict between the provisions of these By-Laws and the other Governing Documents, the provisions of these By-Laws shall govern unless otherwise controlled by requirements of Kentucky law.

45. Severability. Should any of the provisions of these By-Laws be held unenforceable or invalid for any reason, the remaining provisions of these By-Laws shall be unaffected by such holding.

IN WITNESS WHEREOF, the Board of Directors of Elk Lake Property Owners' Association, Inc. has adopted the foregoing to be the By-laws for Elk Lake Property Owners' Association, Inc., by their signatures hereunder.

This ____ day of January, 2015.

Ted L. Blaney, Director

Eugene D. Stetler, Director

Patrick J. Tessier, Director

Thomas W. Goldschmidt, Director

Paul Miniard, Director

Jeff Smith, Director

Jason Wainscott, Director

George Schneider, Director

Sheri Donaldson, Director