

BY-LAWS
OF
VILLAS OF SOUTHFORK COUNCIL OF CO-OWNERS, INC.

ARTICLE I

NAME AND LOCATION

Section 1.01. The name of the corporation is Villas of Southfork Council of Co-Owners, Inc., a Kentucky nonprofit corporation, hereinafter sometimes referred to as the "Council". The principal office of the corporation shall be located at 9115 Timberbrook Lane, Florence, Kentucky 41042, but meetings of Members and Directors may be held at such places within the State of Kentucky as may be designated by the Board of Directors.

ARTICLE II

DECLARATION AND DEFINITIONS

Section 2.01. "Declaration" shall mean and refer to the "Master Deed, Declaration of Property to the Horizontal Property Regime" applicable to the Property recorded in the office of the Boone County Clerk.

Section 2.02. As used in these By-Laws, the terms "Articles of Incorporation", "Board" or "Board of Directors", "Common Areas", "Common Expenses", "Condominium Project" or "Project", "Council", "Developer", "Drawings", "Limited Common Areas" or "Limited Common Elements", "Owner" or "Unit Owner", "Property" or "Condominium Property", "Member" and "Unit" shall have the same meaning as each is defined to have in the Declaration.

ARTICLE III

MEETING OF MEMBERS

Section 3.01. Annual Meetings. The first annual meeting of the Members shall be held within one (1) year from the date of incorporation of the Council, and each subsequent regular annual meeting of the Members shall be held during the first quarter of the year at a time and place designated by the Board of Directors.

Section 3.02. Special Meetings. Special meetings of the Members may be called at any time by the President or by the Board of Directors, or upon written request of the Members who are entitled to vote one-fourth (1/4) of the votes of the membership.

Section 3.03. Notice of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of, the secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least twenty (20) days before such meeting to each Member entitled to vote thereat, addressed to the Member's address last appearing on the books of the Council, or supplied by such Member to the Council for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting.

Section 3.04. Quorum. The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, one-fifth (1/5) of the votes of the membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration, or these By-Laws. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

Section 3.05. Adjourned Meetings. If, at any regular or special meeting of the Members of the Council, there be less than a quorum present, a majority of those Members present and entitled to vote may adjourn the meeting to a time not less than forty-eight (48) hours from the time the original meeting was called, at which time the quorum requirement shall be one-tenth (1/10) of the votes of the membership of the Council and any business which might lawfully have been transacted at the meeting as originally called may be transacted without further notice.

Section 3.06. Proxies. At all meetings of Members each Member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Unit.

Section 3.07. Voting. The vote of the majority of those present, either in person or by proxy, shall decide any question brought before the meeting, unless the question is one upon which a different vote is required by provision of the laws of the Commonwealth of Kentucky, the Declaration, the Articles of Incorporation of the Council or these By-Laws.

Section 3.08. Suspension of Voting Privileges. No Member shall be eligible to vote or to be elected to the Board of Directors who is shown on the books of the Council to be more than thirty (30) days delinquent in the payment of any assessment due the Council.

ARTICLE IV

BOARD OF DIRECTORS - SELECTION - TERM OF OFFICE

Section 4.01. Number. The affairs of this corporation shall be initially managed by a Board of three (3) Directors. At the first annual meeting of the Members, the Board shall expand from three (3) Directors to five (5) Directors.

Section 4.02. Term of Office. At the first annual meeting, the Members shall elect one (1) Director for a term of one (1) year, two (2) Directors for a term of two (2) years and two (2) Directors for a term of three (3) years. At each annual meeting thereafter, the Members shall elect Directors for a term of three (3) years.

Section 4.03. Removal. Any Director may be removed from the Board, with or without cause, by a majority vote of the Members of the Council. In the event of death, resignation or removal of a Director, his successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor.

Section 4.04. Compensation. No Director shall receive compensation for any service he may render to the Council. However, any Director may be reimbursed for his actual out-of-pocket expenses incurred in the performance of his duties.

Section 4.05. Action Taken Without a Meeting. The Directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all of the Directors. Any action so approved shall have the same effect as though taken at a meeting of the Directors.

ARTICLE V

NOMINATION AND ELECTION OF DIRECTORS

Section 5.01. Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two (2) or more Members of the Council. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the Members to serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among Members or non-members.

Section 5.02. Election. Election to the Board of Directors shall be by secret written ballot. At such election the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

ARTICLE VI

MEETINGS OF DIRECTORS

Section 6.01. Regular Meetings. The Board of Directors shall meet annually within ten (10) days after the annual meeting of Members and in addition to the annual meeting shall meet at regular meetings established as to time and place by resolution of the Board.

Section 6.02. Special Meetings. Special meetings of the Board of Directors shall be held when called by the president of the Council, or by any two (2) Directors, after not less than three (3) days notice to each Director.

Section 6.03. Waiver of Notice. Any requirement of notice to a Director provided under this Article VI may be waived by the Director entitled thereto by written waiver of such notice signed by the Director and filed with the secretary of the Council.

Section 6.04. Quorum. A majority of the number of Directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

ARTICLE VII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 7.01. Powers. The Board of Directors shall have power to:

- (a) adopt and publish rules and regulations governing the use of the Common Areas, and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;
- (b) suspend the voting rights and right to use of the recreational facilities, if any, of a Member during any period in which such Member shall be in default in the payment of any assessment levied by the Council. Such rights may also be suspended after notice and hearing, for a period not to exceed sixty (60) days for infraction of published rules and regulations;
- (c) exercise for the Council all powers, duties and authority vested in or delegated to the Council and not reserved to the membership by other provisions of these By-Laws, the Articles of Incorporation, or the Declaration;
- (d) declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors; and

- (e) employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties.

Section 7.02. Duties. It shall be the duty of the Board of Directors to:

- (a) cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members, or at any special meeting when such statement is required in writing by one-fourth (1/4) of the Members who are entitled to vote;
- (b) supervise all officers, agents and employees of this Council, and to see that their duties are properly performed;
- (c) as more fully provided in the Declaration, to:
 - 1. fix the amount of the annual assessment against each Unit at least thirty (30) days in advance of each annual assessment period;
 - 2. send written notice of each assessment to every Owner subject thereto at least thirty (30) days in advance of each annual assessment period; and
 - 3. foreclose the lien against any property for which assessments are not paid within thirty (30) days after the due date or to bring an action at law against the Owner personally obligated to pay the same, when, in the sole determination of the Board, foreclosure or an action at law is necessary to collect such assessments and otherwise protect the interest of the Council;
- (d) issue or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;
- (e) procure and maintain adequate liability and hazard insurance on property owned by the Council;
- (f) cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate;
- (g) cause the Common Areas to be maintained;
- (h) cause the exteriors of buildings to be maintained and such structures to be covered by insurance, all as set out and in accordance with the terms of the Declaration;

- (i) otherwise perform duties imposed by the Declaration.

ARTICLE VIII

OFFICERS AND THEIR DUTIES

Section 8.01 Enumeration of Officers. The officers of this Council shall be a president and vice-president who shall at all times be members of the Board of Directors, a secretary, and a treasurer, and such other officers as the Board may from time to time by resolution create.

Section 8.02 Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the Members.

Section 8.03 Term. The officers of this Council shall be elected annually by the Board and each shall hold office for one (1) year unless such officer shall sooner resign, or shall be removed, or otherwise disqualified to serve.

Section 8.04 Special Appointments. The Board may elect such other officers as the affairs of the Council may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 8.05 Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time giving written notice to the Board, the president or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 8.06 Vacancies. A vacancy in any office may be filled by appointment of the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer being replaced.

Section 8.07 Multiple Offices. No person shall simultaneously hold more than one (1) office except in the case of special offices created pursuant to Section 8.04. Notwithstanding the foregoing, the offices of secretary and treasurer may be held by the same person.

Section 8.08 Duties. The duties of the officers are as follows:

President

(a) The president shall preside at all meetings of the Board of Directors and shall see that orders and resolutions of the Board are carried out.

Vice-President

(b) The vice-president shall act in the place of the president in the event of such officer's absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required by the Board.

Secretary

(c) The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; keep the corporate seal of the Council and affix it on all papers requiring said seal; serve notice of meetings of the Board and of the Members; keep appropriate current records showing the Members of the Council together with their addresses, and shall perform such other duties as required by the Board.

Treasurer

(d) The treasurer shall receive and deposit in appropriate bank accounts all monies of the Council and shall disburse such funds as directed by resolution of the Board of Directors; keep proper books of account; cause an annual audit of the Council books to be made by a public accountant at the completion of each fiscal year; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting, and deliver a copy of each to the Members.

ARTICLE IX

COMMITTEES

Section 9.01. The Board of Directors may appoint a Finance and Budget Committee consisting of not more than five (5) persons.

The Board of Directors may also appoint an Architectural and Maintenance Committee, and a Nominating Committee, as provided in these By-Laws. In addition, the Board of Directors shall appoint other committees as deemed appropriate in carrying out its purpose.

ARTICLE X

INDEMNIFICATION AND LITIGATION PROVISIONS

Section 10.01. In addition to any other right or remedy to which the persons hereinafter described may be entitled, under the Articles of Incorporation, By-Laws, Declaration, any other Agreement, or by vote of the Members or otherwise, the Council shall, and by these presents does, to the fullest extent permitted by law, indemnify any Director or officer of the Council or former Director or officer of the Council who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative

or investigative by reason of the fact that he is or was a Director or officer of the Council against expenses (including reasonable attorneys fees) judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding provided (a) he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interest of the Council, and (b) with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interest of the Council, and with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

10.02. Litigation. Notwithstanding any other provision of the By-Laws, the Declaration or the Articles, no judicial or administrative proceeding shall be commenced or prosecuted by the Association unless approved by at least seventy-five percent (75%) of the Unit Owners. This Section shall not apply, however, to (a) actions brought by the Association to enforce the provisions of the Declaration (including, without limitation, the enforcement of the restrictive covenants or the foreclosure of liens), (b) the imposition and collection of assessments as provided in Article V of the Declaration, (c) proceedings involving challenges to ad valorem taxation, or (d) counter claims brought by the Association in proceedings instituted against it. This Section shall not be amended unless such amendment is made pursuant to the procedures set forth in Section 14.12 of the Declaration.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Books and Records. The books, records and papers of the Council shall at all times, during reasonable business hours, be subject to inspection by any Member. The Declaration, the Articles of Incorporation and the By-Laws of the Council shall be available for inspection by any Member at the principal office of the Council, where copies may be purchased at a reasonable cost.

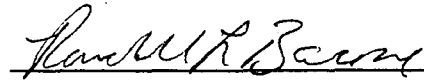
Section 11.02. Fiscal Year. The fiscal year shall begin on the first day of January of every year, except that the first fiscal year of the Council shall begin at the date of incorporation. The commencement date of the fiscal year herein established shall be subject to change by the Board of Directors should corporate practice subsequently dictate.

Section 11.03. Execution of Council Documents. With the prior authorization of the Board of Directors, all notes, contracts and other documents shall be executed on behalf of the Council by either the president or the vice-president, and all checks and other drafts shall be executed on behalf of the Council by such officers, agents or other persons as are from time to time by the Board of Directors authorized so to do.

Section 11.04. Conflict. In the case of any conflict between the Articles of Incorporation and these By-Laws or the Declaration, the Articles shall control; and in the case of conflict between the Declaration and these By-Laws, the Declaration shall control.

Section 11.05. Amendments. These By-Laws may be amended at a regular or special meeting of the Members, at which a quorum is present, by affirmative vote of not less than fifty percent (50%) of the total number of votes held by the Members present in person or by proxy.

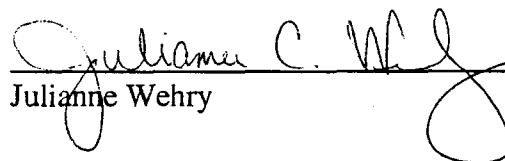
IN WITNESS WHEREOF, we, being all of the Directors of Villas of Southfork Council of Co-Owners, Inc., have hereunto set our hands this 5th day of April, 2004.



Randall L. Bacome



James Fallon



Julianne Wehry