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MASTER DEED AND DECLARATION OF  
CONDOMINIUM PROPERTY REGIME OF  
RICHMOND SQUARE OFFICE TOWNHOUSE CONDOMINIUMS

Fidelity Development Corporation, a Kentucky corporation, 171 North Upper Street, Lexington, Kentucky 40507, hereafter referred to as the Developer, on the 22nd day of May, 1987, declares this as its plan for ownership in condominium of certain property in Fayette County, Kentucky, more particularly described in Exhibit A, attached hereto and made a part hereof by reference.

W I T N E S S E T H:

In order to create a condominium project consisting of the property described in Exhibit A and improvements thereon (the "Regime"), to be known as Richmond Square Office Townhouse Condominiums, the Developer hereby submits this property and all of the Developer's interest therein to a Condominium Property Regime established under the Condominium Property Law, sections 381.805 through 381.910 of the Kentucky Revised Statutes ("KRS"). In furtherance thereof, the Developer makes the following declarations regarding divisions, limitations, restrictions, covenants and conditions, hereby declaring that this property shall be held, conveyed, mortgaged, encumbered, leased, rented, used, occupied and improved subject to this Declaration. The provisions of this Declaration constitute covenants running with the land and are binding on and for the benefit of present and future owners, lessees and mortgagees of any part of the Regime.

1. Definitions. Certain terms as used in this Declaration shall be defined as follows:

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A. "Council of Co-Owners", hereinafter referred to as "Council" means all of the unit owners acting as a group in accordance with this Declaration, any amendments thereto, the bylaws and any other governing documents.

B. "Common Elements" means and includes, as provided in KRS 381.810(7):

- (1) the land in fee simple described herein;
- (2) the foundations, main walls, roofs and entrances and exits or communication ways;
- (3) the grounds, landscaping, roadways, parking areas and walkways;
- (4) the compartments and installations for central service;
- (5) all other devices or installations existing for common use;
- (6) all other elements of the buildings and grounds rationally of common use or necessary to their existence, upkeep and safety.

C. "Limited Common Elements" means and includes, pursuant to KRS 381.810(8), as expanded upon herein, those Common Elements which are reserved for the use of certain unit or number of units to the exclusion of other units including specifically the entry vestibule and second floor stairway area of those townhouses which have been divided into two separate office units. The term "entry vestibule" refers to that area immediately inside the front door of the townhouse, off of which area is the entry door to the downstairs unit and the stairway leading to the

upstairs unit.

D. "Unit" or "Condominium Unit" means the enclosed space consisting of certain rooms having direct access to the Common Elements, the location and extent of each unit as shown on the plans of the Regime recorded herewith or to be recorded under Section B of the Declaration. Notwithstanding that some of the following might be located in the Common Elements or limited Common Elements, the plumbing, heating and air conditioning equipment (including all ducts and pipes), electrical wiring and equipment, telephone, window panes, garbage disposer, storm and screen doors and window, if any, and other equipment located within or connected to that unit for the purpose of serving it, are a part of the unit, the maintenance, repair and replacement of such items being the responsibility of the unit owner.

E. "Boundaries of Units". Each unit includes that part of the building containing the space that lies within the boundaries of the unit, which boundaries are as follows:

(1) Upper and lower boundaries. The upper and lower boundaries of each unit shall be the following boundaries extended to an intersection with the perimetrical boundaries:

(a) Upper boundaries--the horizontal plane of the interior unfinished ceiling of each unit.

(b) Lower boundaries--the horizontal plane of the interior unfinished floor of each unit.

(2) Perimetrical boundaries. The perimetrical boundaries of each unit shall be the vertical planes of the interior unfinished walls bounding the unit extended to

intersections with each other and with the above-described upper and lower boundaries.

(3) Further description and delineation of upper and lower and perimetrical boundaries. The above described horizontal and vertical planes shall include the interior unfinished surface of any doors, windows, vents and other structural elements as ordinarily are regarded as enclosures of space, and the above-described unit boundaries shall include within the space of each unit any wallpaper, paint, carpets, tile and all other decorating or finishing materials affixed or installed as part of the physical structure of the unit.

F. "Common Expenses" means and includes all charges, costs and expenses incurred by the Council for and in connection with the administration of the Regime, including, without limitation thereof, operation of the Regime, maintenance, repair, exterior painting, replacement and restoration (to the extent not covered by insurance) of the Common Elements; additions and alterations thereto; all labor, services, common utilities, materials, supplies and equipment therefor; water charges; garbage removal; all liability for loss or damage arising out of or in connection with the Common Elements and their use; all premiums for hazard, liability and other insurance with respect to the Regime, all liabilities incurred in acquiring a unit pursuant to judicial sale and all administrative accounting, legal and managerial expenses shall constitute Common Expenses of the Regime for which the unit owners shall be severally liable for their respective proportionate shares in accordance with their

percentage of common interest. In addition, "Common Expenses" shall include amounts incurred in replacing, or substantially repairing major capital improvements of the Regime, including, but not limited to roof replacement, road, driveway and parking lot resurfacing. A reserve or reserves shall be included in the Regime's Common Expense budget for such repairs.

2. Description of Units. The project is being constructed in two phases. Phase I consisting of seven townhouses in a row, has recently been completed. Phase II which will consist of six townhouses in a row, constructed at a 90 degree angle to Phase I, will soon be constructed and this Master Deed will be amended to provide for Phase II at such time as construction is completed. Phase III and Phase IV, if built, will be on a two acre tract contiguous to the property described in Exhibit A. The Regime which is hereby divided into condominium units refers to Phase I. The Regime (Phase I) is hereby divided into 14 units, with the owners of each unit having a common right to a share with the other co-owners in the Common Elements of the Regime. The units, Common Elements, and limited Common Elements are shown or designated in plans, recorded in the office of the clerk of Fayette County, Kentucky, in Plat Cabinet G, p. 413 through 414, recorded herewith, which plans are incorporated in this Declaration by reference.

3. Common Interest. Each unit shall have appurtenant thereto an undivided percentage of common interest in the Common Elements; shall have the same percentage share in all common profits and Common Expenses of the Regime; and shall have this

percentage interest for all other purposes. The undivided percentage of common interest for each unit is shown in Exhibit B attached hereto and made a part hereof by reference.

4. Easements (including parking spaces). The units and Common Elements shall have and be subject to the following easements:

A. An easement for any maintenance, repair and replacement of any and all pipes, wires, conduits, or other utility lines running through or around any unit, which facilities are utilized for or serve more than that unit, said facilities being a part of the Common Elements.

B. An easement for ingress and egress for the maintenance, repair and replacement of any load bearing wall located within a unit.

C. If any part of the Common Elements encroaches upon any unit or limited Common Element, a valid easement for such encroachment, the maintenance, repair and replacement thereof, so long as it continues, shall and does exist. If in the event any building of this Regime shall be partially or totally destroyed and then rebuilt, minor encroachments of any parts of the Common Elements due to reconstruction shall be permitted, and valid easements for such encroachments and of maintenance, repair and replacement thereof shall exist.

D. An easement for ingress and egress and maintenance in favor of any public utility providing utility service to the Regime and the units therein for the purpose of maintenance repair and replacement of the facilities and equipment necessary to

provide such services, the utility to exercise this right in a reasonable manner.

E. An easement in favor of the Council exercisable by the Board of Directors and its agents, to enter any unit and limited Common Element from time to time during reasonable hours, as may be necessary for the operation of the Regime or, in the event of emergency, for necessary action to prevent damage to any part of the Regime.

F. Easements of record affecting the Regime property.

G. In addition, Developer reserves the right during development to grant, transfer, cancel, relocate, and otherwise deal with all utility and other easements now or hereafter located on the Regime without necessity of authority from any unit owner, except where such unit is directly affected.

H. Any parking area or other paved portion of the Regime allocated to parking purposes shall be part of the Common Elements and not part of any individual unit; the Board of Directors may prescribe such rules and regulations with respect to such parking areas as the Board may deem fit.

I. A valid easement in each unit is hereby established for stairways and doors which encroach upon any Common Element.

J. If any two units having a common wall are purchased and held under common ownership, these units may be joined by a connecting doorway. If either unit is sold separately, the connecting doorway shall be removed and replaced by a solid wall of such materials and compositions as originally constructed, at the expense of the parties to that sale.

5. Alteration and Transfer of Interests. The Common Elements (limited and general) and easements appurtenant to each unit shall have a permanent character and shall not be altered without the consent of the unit owner affected (except where such authority is retained herein by the Developer), expressed in a recorded amendment to this Declaration. The Common Elements and easements shall not be separated from the unit to which they appertain, and shall be deemed to be conveyed, leased or encumbered with such unit even though such elements or easements are not expressly mentioned or described in the conveyance or other instruments.

6. Partition. The Common Elements, including limited Common Elements, shall remain undivided and shall not be the object of any action for partition or division of any part thereof except as provided by the Condominium Property Law of Kentucky.

7. Restrictions. The units and the Common Elements shall be subject to the following restrictions, which restrictions shall be permanent.

A. The unit shall be used only for purposes permitted in the P-1 zoning classification according to the Zoning Ordinance in effect in Lexington, Kentucky at the time of the signing of this document, as restricted by this document. The units shall not be sub-divided and shall be subject to such limitations and conditions as may be contained herein, or in the bylaws of the Council of Co-owners or any Regime rules which may be adopted from time to time by the Board of Directors of the Council as to the use and appearance of the units and the limited and general Common



Elements. Notwithstanding these restrictions, the Developer shall be permitted to use unsold units as models or a sales office.

B. Any unit may be leased by the owner, so long as it is in accordance with the P-1 Zoning Ordinance and the restrictions herein.

C. No unit may be sold or leased for the purpose of a pet shop, abortion clinic, or veterinarian office.

D. No "For Sale" or "For Rent" signs, advertising, or other displays shall be maintained or permitted on any part of the property except as such location and in such form as shall be determined by the Developer and/or the Board.

E. There shall be no obstruction of the common elements nor shall anything be stored in the common elements without the prior consent of the Board except as herein expressly provided. Each unit owner shall be obligated to maintain and keep his or her own unit, windows, and doors in good, clean order and repair.

F. Nothing shall be done or kept in any unit or in the common elements which will increase the rate or insurance on the building or contents thereof applicable for office and commercial use without the prior written consent of the Board. No unit owner shall permit anything to be done or kept in his or her unit, or in the common elements or limited common elements which will result in the cancellation of insurance on the building or contents thereof, or which would be in violation of any law. No waste shall be committed in the common elements or limited common elements.

G. Unit owners shall not cause or permit anything to be

hung or displayed on the outside of windows or placed on the outside walls of the building, and no sign or signs or lettering, awning, canopy, shutter, storm windows or doors, radio or television antenna shall be affixed to or placed upon the exterior walls, doors, windows, or roof of any part thereof, without the prior written consent of the Developer and/or the Board.

H. No animal or animals of whatever nature shall be raised, bred, or kept in any unit or on any part of the property.

I. No noxious or offensive activity shall be carried on in any unit or on the property, nor shall anything be done therein, either wilfully or negligently, which may be or become an annoyance or nuisance to the other unit owners or occupants, or constitute waste at common law.

J. Nothing shall be done in any unit or in, on, or to the common elements which will impair the structural integrity of the building or which would structurally change the building, except as otherwise provided herein.

K. No personal property or other articles shall be left out or exposed on any part of the common elements. The common elements and the limited common elements shall be kept free and clear of rubbish, debris and other unsightly materials.

L. Nothing shall be altered on, constructed in, or removed from the common elements or limited common elements, except upon the written consent of the Developer and/or Board.

M. No trailer, boat, motorcycle, truck larger than a pick-up truck, or any recreational vehicle shall be kept or parked on the premises at any time except with the express consent of the

Board.

N. Other rules and regulations may be made by the Developer and/or the Board as to the usage of the units.

O. Violation of Declaration. The violation of any restriction or condition or regulation adopted by the Board or the breach of any covenant or provision herein contained or contained in the Condominium Property Law shall give the Board the right, in addition to any other rights provided for in this Master Deed:

(a) to enter upon the unit or any portion of the property upon which, or as to which, such violation or breach exists, and to summarily abate and remove, at the expense of the defaulting unit owner, any structure, thing or condition that may exist thereon contrary to the intent and meaning of the provisions hereof; and the Council, or its employees or agents, shall not thereby be deemed guilty in any manner of trespass; or (b) to enjoin, abate or remedy by appropriate legal proceedings, the continuance of any breach.

Furthermore, if any unit owner (either by his or her own conduct or by the conduct of any other occupant of his unit) shall violate any of the covenants of this Master Deed or the regulations adopted by the Council and such violation shall continue for thirty (30) days after notice in writing from the Board or shall reoccur thereafter, thereupon an action may be filed by the Council against the defaulting unit owner for a decree of mandatory injunction against the unit owner or occupants, or, in the alternative, a decree declaring the termination of the defaulting unit owner's right to occupy, use or

control the unit on account of the breach of covenant and ordering that all the right, title and interest of the unit owner in the property shall be sold (subject to the lien of any existing mortgage) at a judicial sale upon such notice and terms as the court shall establish, except that the court shall enjoin and restrain the defaulting unit owner from reacquiring his interest at such judicial sale or by virtue of the exercise of any right or redemption which may be established. The proceeds of any such judicial sale shall first be paid to discharge court costs, reasonable attorney fees, and all other expenses of the proceeding and sale; and all such items shall be taxed against the defaulting unit owner in any decree. Any balance of proceeds after satisfaction of such charges and any unpaid assessments hereunder or any liens shall be paid to the unit owner. Upon the confirmation of such sale, the purchaser thereof shall be entitled to a deed to the unit and immediate possession of the unit sold and may apply to the court for a writ of assistance for the purpose of acquiring such possession, and it shall be a condition of any sale, and the decree shall so provide, that the purchaser shall take the interest in the property sold subject to this Master Deed and its bylaws.

P. In addition, an aggrieved unit owner may maintain a legal action for similar relief.

8. Responsibility of Unit Owner. The responsibility of the unit owner shall be as follows:

A. To maintain, repair and replace at his expense all portions of his unit (including the entry vestibule and stairway

to the second floor if applicable) except the portions to be maintained, repaired and replaced by the Council, including all redecorating, painting, tiling, carpeting, waxing, papering, plastering or varnishing which may be necessary to maintain the good interior appearance and condition of the unit. Such maintenance, repair and replacement shall be done without disturbing the rights of other unit owners.

B. To maintain, repair and replace at his expense the appliances and fixtures located in his unit including , but not limited to, any plumbing fixtures, air conditioning equipment, lighting fixtures, sinks, lamps, doors, windows and telephones located within the boundaries of his unit or benefiting his unit to the exclusion of any other unit.

C. Not to paint or otherwise decorate or change the appearance of any portion of the exterior of the building in which his unit is located, except as permitted herein.

D. To promptly report to the Council any defect or need for repairs, the responsibility for the repair of which is that of the Council.

E. All windows in each unit must be fitted with off-white levolor blinds for uniform appearance.

9. Signage. No exterior signs or logos shall be permitted except in accordance with this paragraph. The signage permitted shall be in brushed bronze letters, having a uniform height of six inches, which may be attached to the front of each unit in the brick area between the first and second floor. No signage may be hung from the cornice, windows, roof, or any other area except in

compliance with this paragraph. Similar signage as herein described (six inch brushed bronze lettering, either vinyl or metal, so long as it is in conformity with all other signage) may also be placed on the rear of the building which faces Man O' War Boulevard, unless and except if the governmental authorities shall object and direct that such signage be removed.

10. Council. The administration of the Regime shall be vested in its Council, consisting of all the unit owners of the Regime in accordance with the bylaws of the Council. The owner of any unit, upon acquiring title, shall automatically become a member of the Council and shall remain a member until such time as his ownership of such unit ceases for any reason, at which time his membership in the Council shall automatically cease.

The above paragraph notwithstanding, the administration of the Regime, including the adoption and amendment of bylaws, adoption of Regime rules, assessment of Common Expenses, and all other matters relating to the governing of the Regimes, shall be vested in the Developer until 90 percent of the units in Phase I through IV of the Regime have been sold, or until the Developer elects to surrender this power to the unit owners, or five (5) years after June 1, 1987, whichever first occurs. Until that time, the Developer shall constitute the Council and the Board of Directors, and shall possess the irrevocable proxy of the unit owners (which proxy each unit owner gives the Developer upon acceptance of a deed to a unit), all unit owners agreeing to such administration by the Developer in accepting unit conveyances.

11. Administration of the Regime. Administration of the

Regime, including the use, maintenance, repair, replacement and restoration of the Common Elements, and any additions and alterations to them, shall be in accordance with the provisions of the Kentucky Condominium Property Law, this Declaration, the bylaws of the Council, and all Regime rules adopted by the Board of Directors. Specifically, but without limitation, the Council shall:

A. Make, build, maintain and repair all improvements in the Common Elements which may be required by law to be made, built, maintained and repaired upon, adjoining, in connection with, or for the use of any part of the Regime.

B. Keep all general Common Elements in a clean and sanitary condition and observe and perform all laws, ordinances, rules and regulations now or hereafter made by any governmental authority, where applicable to the Regime.

C. Maintain and keep the land and all adjacent land between street boundary of the Regime and the established street line in a neat and attractive condition, including keeping all trees, shrubs and grass in good cultivation; replant them as may be necessary and repair and make good all defects in the Common Elements of the Regime required in this instrument to be repaired by the Council.

D. Except as may be provided herein, the bylaws and Regime rules, and well and substantially repair, maintain and keep them in good order and condition.

E. Observe any setback lines affecting the Regime as shown on the plans herein mentioned.

F. Not make or suffer any waste or unlawful, improper or offensive use of the Regime.

12. Board of Directors. Administration of the Regime shall be conducted for the Council by a Board of Directors (the Developer during the period outlined in Paragraph 10 who shall be chosen by the Council in accordance with the bylaws. The Board shall be authorized to delegate the administration of its duties and powers by written contract to a professional management agent employed for that purpose by the Board so long as such contract does not exceed three years in duration and may be cancelled by the Board upon ninety days prior written notice. It shall be the duty of the Board to determine annually, subject to the approval of the Council, the estimated Common Expenses of the Regime for the succeeding twelve months, and, having so determined, to make and collect monthly one-twelfth of the assessment from each unit owner based on his percentage of common interest. Where no such determination is formally made for any year, the calculations utilized for the previous twelve months shall remain in effect.

13. Waiver of Use of Common Elements. No unit owner may except himself from liability for his contribution towards the Common Expenses by waiver of the use or enjoyment of any of the Common Elements or by abandonment of his unit.

14. Unpaid Common Expenses Constitute Lien. Unpaid Common Expenses shall constitute a lien on the unit of the delinquent unit owner, prior to all other liens except (1) liens for taxes and assessments lawfully imposed by governmental authorities against such units and (2) the lien of a first mortgage. Such



lien may be enforced by suit by the Council or the Board of Directors, its administrator or agent, acting on behalf of the Council, in like manner as a mortgage of real property, provided that thirty days written prior notice of intention to sue to enforce the lien shall be mailed, postage prepaid to all persons having an interest in such unit (including any mortgagees) shown on the Council's record of ownership. The Council shall have the power to bid on such unit at judicial sale and to acquire, hold, lease, mortgage and convey such unit. Suit to recover a money judgment for unpaid Common Expenses shall be maintainable in either the District or Circuit Court and without waiving the lien securing same.

15. Acquisition at Judicial Sale. Where the mortgagee of a first mortgage of record or other purchaser of any unit acquires ownership of that unit as a result of the judicial enforcement of the mortgage, such unit shall no longer be subject to a lien for unpaid assessments for Common Expenses which become due prior to the acquisition of title, except where such lien rights may be asserted against surplus proceeds of the judicial sale.

16. Insurance. The Board of Directors shall carry a master policy of fire and extended coverage, vandalism, malicious mischief and liability insurance, and if required by law, workman's compensation insurance (hereinafter referred to as "master policy"), with respect to the Regime and the Council's administration thereof in accordance with the following provisions:

A. The master policy shall be purchased by the Board

for the benefit of the Council, the unit owners and their mortgagees as their interests may appear, subject to the provisions of this Declaration and the bylaws (and provisions shall be made for the issuance of appropriate mortgagee endorsements to the mortgagees of the unit owners). The unit owners shall obtain insurance coverage at their own expense upon their unit interiors and equipment and personal property and, in addition, shall obtain comprehensive personal liability insurance covering liability for damage to person or property of others located within such unit owner's unit, or in another unit in the Regime or upon the Common Elements resulting from the negligence of the insured unit owner, in such amounts as shall from time to time be determined by the Board of Directors, but in no case less than Five Hundred Thousand Dollars (\$500,000.00) for each occurrence and at least One Million Dollars (\$1,000,000.00) total coverage per year. The Board of Directors and unit owners shall use their best efforts to see that all property and liability insurance carried by a unit owner or by the Council shall contain appropriate provisions whereby the insurer waives its right of subrogation as to any claims against the unit owners or the Council and the respective employees, agents and guests of the unit owners or the Council as the case may be.

B. All buildings, improvements, personal property and other Common Elements of the Regime shall be insured against fire and other perils covered by a standard extended coverage endorsement, in an amount equal to the maximum insurable replacement value thereof, or at least one hundred percent (100%)

thereof, as determined from time to time by the Board of Directors. The Council acting through the Board of Directors, may elect to carry insurance to cover such other perils as from time to time shall be customarily covered with respect to buildings and improvements similar in construction, location and use.

C. The Board of Directors shall use its best efforts to see that the liability insurance carried by the Council shall contain cross-liability endorsements or appropriate provisions to cover liability of the unit owners, individually and as a group (arising out of their ownership interests in the Common Elements), to another unit owner.

D. All premiums upon insurance purchased by the Council shall be Common Expenses.

E. Proceeds of all insurance policies owned by the Council shall be received by the Board of Directors for the use of the unit owners and their mortgagees as their interests may appear, provided, however, the proceeds of any insurance received by the Board of Directors because of property damage shall be applied to repair and reconstruction of the damaged property, except as may otherwise be permitted by Section 17 of the Declaration. The named insured on the policy shall be the Council of Co-Owners of the Richmond Square Office Townhouse Condominiums.

F. Each unit owner shall be deemed to appoint the Board of Directors as his true and lawful attorney-in-fact to act in connection with all matters concerning the maintenance of the master policy. Without limitation of the generality of the foregoing, the Board of Directors as attorney in fact shall have

full power and authority to purchase and maintain such insurance, to collect and remit the premiums therefor, to collect proceeds and to distribute them to the Council, the unit owners and their respective mortgagees as their interests may appear, to execute releases of liability and to execute all documents and to do all things on behalf of such unit owners and the Regime as shall be necessary or convenient to the accomplishment of the foregoing; and any insurer may deal exclusively with the Board of Directors in regard to such matters. The Board of Directors shall not be responsible for procurement or maintenance of any insurance covering the contents of the interior of any unit nor the liability of any unit owner for injuries therein, not caused by or connected with the Council's operation, maintenance or use of the Regime.

17. Reconstruction. In case of fire or other destruction or damage, the Regime's insurance indemnity shall be applied to reconstruct and repair the Common Elements affected. Where the destruction and damage is not insured or where the insurance indemnity is not sufficient to cover the cost of reconstruction or repair, the cost (or added cost) shall be paid by the Co-owners as a Common Expense. The Council by majority vote is authorized to borrow funds therefor and to amortize the repayment over a period of time, not exceeding the reasonable life of the reconstruction or repairs. Phase I of Richmond Square consists of seven townhouses constructed at 121-129 Prosperous Place, which seven townhouses comprise a building approximately 187 feet in length which backs up to Man O' War Boulevard. Phase II will be a

building at a 90 degree angle to Phase I, containing six townhouses, backing up to the Union Plaza Building.

Reconstruction shall not be compulsory where two-thirds or more of either Phase I or Phase II is destroyed by fire or otherwise. Provisions for the compensation of the condominium owners is made in the bylaws and reference is made thereto.

18. Alteration of Project. Restoration or replacement of the Regime (unless resulting from casualty destruction), or substantial structural alteration or addition to any building, different from any material respect on the condominium plans of the Regime, shall be undertaken by the Council or any co-owners only after unanimous approval by the Board of Directors, who shall have the authority to amend this Declaration, with written consent of the holders of all liens affecting any of the units, and in accordance with the complete plans and specifications approved in writing by the Board of Directors. Promptly upon completion of such restoration, alteration or replacement, the Board of Directors shall duly record the amendment with a complete set of floor plans of the Regime as so altered, certified as built by a registered architect or engineer.

19. Maintenance Fund. The Board of Directors shall establish and pay into a Maintenance Fund all Common Expenses collections from the unit owners, assessed for and attributable to current expenses and shall pay from such Fund all current Common Expenses of the Regime.

20. Capital Replacement Fund. The Board of Directors shall establish a Capital Replacement Fund and pay into same from

month to month that portion of Common Expense collections from the unit owners, attributable to the Common Expense budget item for capital replacement reserves. For example, if ten percent of the Common Expense budget for that particular year is assigned to capital replacement reserves, ten percent of Common Expense collections shall be paid over to the Capital Replacement Fund. Disbursements from this Fund, other than for investment as hereinafter authorized, shall be made only for replacing, or substantially repairing, major capital improvements of the Regime, or for repayment of indebtedness incurred under Section 17, of this Declaration, approved by the Board of Directors. Fund balances available for investment may be invested by the Board of Directors in interest-bearing securities and/or savings accounts, so long as such investment is issued by the United States or insured under a program secured by the full faith and credit of the United States.

21. Additional Common Expense Provisions. In addition to the other provisions of this instrument relating to the Regime's Common Expenses, the following requirements and limitations are applicable:

A. The proportionate interest of each unit owner in the Maintenance Fund, Capital Replacement Fund and Reserve Fund cannot be withdrawn or separately assigned, but are deemed to be transferred with such unit even though not mentioned or described in the conveyance thereof.

B. In the event the Condominium Property Regime herein created shall be terminated or waived, any part of said Funds

remaining after full payment of Common Expenses and costs of termination shall be distributed to the then existing unit owners in their respective proportionate shares.

C. The Developer shall be responsible for the maintenance cost of the Regime, incurred over and above amounts payable to the Maintenance Fund by the unit owners, until it transfers control of the Regime as follows: when 90 percent of the units in Phase I through Phase IV have been sold, when the Developer so elects, or five (5) years after June 1, 1987, whichever first occurs. Thereafter, the Developer shall be liable only for assessment of Common Expense on occupied units owned by them.

22. Incurrence and Retirement of Indebtedness. The Council, acting by unanimous vote of the Board of Directors, may borrow monies from time to time for the following purposes:

A. To cover any budgetary deficit for operational expenses, so long as such loan can be repaid within twelve months from anticipated Common Expense income not needed for ongoing operations. The Board may amend the yearly budget at such special meeting as they may call, majority vote required.

B. To pay costs of reconstruction, major repair, replacement or alteration of the Common Elements incurred under Section 17 (to the extent not covered by insurance proceeds). When it is necessary to effect such a loan, the Council, acting through its Board of Directors, may pledge, as security thereon, its rights to receive that part of the monthly Common Expenses income that is necessary to amortize the payoff of the loan.

23. Voting and Voting Percentages. The term "majority" or "majority of unit owners" used herein or in the bylaws shall mean the owners of the units to which are appurtenant fifty-one percent (after the Developer turns over the administration of the Regime to the Council pursuant to paragraph 10 hereof) of the floor area of units comprising the Regime. Any specified percentage of unit owners means the owners of units to which are appurtenant such percentage of the common interest. Where a unit is jointly owned by one or more persons, the vote for that unit may be cast by one of the joint owners. Where the joint owners of one unit cannot agree on a vote, the vote applicable to that unit shall be divided pursuant to ownership interest. Owners shall be entitled to vote at Council meetings in person or by written proxy.

24. Amendment of Declaration.

A. If, during the construction period or before control of the Regime has been transferred to the Council, it is found that an error exists in this instrument, an amendment setting forth the error and correction may be filed by the Developer without the consent of any unit owners, and shall become a part of this Master Deed. Developer will need to amend this Master Deed when Phase II is completed and specifically reserves that right to itself. Richmond Square could ultimately be enlarged to include the two acre tract adjoining the property herein described, and Developer specifically reserves the right to amend this Master Deed if and in that event.

B. Except as otherwise provided, the provisions of this Master Deed may be amended by an instrument in writing setting



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forth such amendment, signed and acknowledged by owners of eighty percent (80%) of all units and eighty percent (80%) of first mortgages against the units. The bylaws, unless otherwise provided, shall be amended only by an instrument in writing signed and acknowledged by owners of at least eighty percent (80%) of all units.

C. Any amendment to this Master Deed shall conform to the provisions of the Condominium Property Law and shall be effective upon recordation thereof. Bylaws and any amendments thereto need not be recorded.

25. Incorporation of Council. The Council may be incorporated as a nonstock, nonprofit corporation, to administer the Regime with the membership and voting rights in such corporation being the same as membership and voting rights hereinabove established for the Council.

26. Construction. The provisions of this Master Deed shall be liberally construed to effectuate its purpose of creating a uniform plan for the development and operation of an office condominium project.

27. Mortgagee of Developer. Any mortgagee of Developer which acquired title by foreclosure or by deed in lieu thereof shall enjoy all rights hereunder and under the bylaws of the Council of Co-Owners.

WITNESS the signatures of the duly authorized and acting

officers of the Developer on this 22<sup>nd</sup> day of May, 1987.

FIDELITY DEVELOPMENT CORPORATION

BY: James E. Howard  
James E. Howard, President

ATTEST:

Charles J. Bausch, Jr.  
Charles J. Bausch, Jr., Secretary

STATE OF KENTUCKY)

: SS.

COUNTY OF Fayette)

The foregoing Master Deed was acknowledged before me by James E. Howard, President and Charles J. Bausch, Jr., Secretary respectively of Fidelity Development Corporation, to be their free act and deed and the free act and deed of that corporation this 22<sup>nd</sup> day of May, 1987.

Karol Acce  
NOTARY PUBLIC  
State at Large  
My commission expires: 5/13/89

PREPARED BY:

James E. Howard  
JAMES E. HOWARD  
Attorney at Law  
171 North Upper Street  
Lexington, KY 40507

BOOK 0017 PAGE 698

BOOK 1442 PAGE 130

EXHIBIT A

BEING all of Lot 3, containing two parcels totalling 1.869 acres as shown by the amended plat of Man O'War Properties, of record in Plat Cabinet F, Slide 132, in the Fayette County Court Clerk's Office, and to which said plat reference is hereby made for a more particular description; and,

BEING of the property conveyed to Fidelity Development Corporation, a Kentucky corporation, by Zartoshti Corporation, a Kentucky corporation, by deed dated November 6, 1986, of record in Deed Book 1422, Page 668, in the aforesaid Clerk's Office.

BOOK 0017 PAGE 699

BOOK 1442 PAGE 131

RICHMOND SQUARE  
PERCENTAGES OF OWNERSHIP  
FOURTEEN UNIT BUILDING  
PHASE I

<u>UNIT</u>	<u>FLOOR AREA</u>	<u>PERCENTAGE OF TOTAL FLOOR AREA</u>
Unit 7A	1,033.86 s.f.	7.62200%
Unit 7B	958.03 s.f.	7.06293%
Unit 8A	933.60 s.f.	6.88282%
Unit 8B	938.90 s.f.	6.92190%
Unit 9A	1,026.49 s.f.	7.56764%
Unit 9B	957.02 s.f.	7.05548%
Unit 10A	1,011.03 s.f.	7.45367%
Unit 10B	959.33 s.f.	7.07251%
Unit 11A	954.12 s.f.	7.03410%
Unit 11B	938.80 s.f.	6.92166%
Unit 12A	933.27 s.f.	6.88039%
Unit 12B	927.14 s.f.	6.83520%
Unit 13A	1,033.86 s.f.	7.62200%
Unit 13B	<u>958.74 s.f.</u>	<u>7.06820%</u>
	13,564.19 s.f.	100.00000%

(Total Floor Area)

The percentages shown herein, of necessity, must be amended as Phase II, III, and IV are constructed and Developer specifically reserves to itself that right. Refer to paragraph 2, page 5 hereof.

EXHIBIT B--PHASE I

BOOK 0017 PAGE 700

BOOK 1442 PAGE 132

BYLAWS OF THE  
RICHMOND SQUARE  
OFFICE TOWNHOUSE CONDOMINIUMS  
COUNCIL OF CO-OWNERS, INC.

- - - - -

ARTICLE I

General Provisions

I. 1. Identification. These are the Bylaws of the Richmond Square Office Townhouse Condominiums Council of Co-Owners, Inc., a Kentucky nonstock, nonprofit corporation organized under KRS Chapter 276.160 et. seq., hereinafter called "the Council."

I. 2. Definitions. Except as otherwise defined herein, or unless the context clearly demands otherwise, the following terms shall have the respective meanings given such terms in the Kentucky Horizontal Property Law, KRS 381.805 to 381.910, as amended (hereinafter called "the Act"): "Unit," "Condominium," "Condominium Project," "General Common Elements," "Limited Common Elements," and "Council of Co-Owners," and "Council of Co-Owners."

I. 3. Purposes of Council. The Council has been organized and these Bylaws have been adopted by the Board of Directors of the Council pursuant to the Act for the purpose of administering a condominium project in Fayette County, Kentucky, known as "Richmond Square Office Townhouse Condominiums" (hereinafter sometimes called "the project").

I. 4. Office. The initial office of the Council shall be located at 121 Prosperous Place, Unit 8A, Lexington, Kentucky 40509, or such other office as the Board of Directors may determine from time to time.

I. 5. Fiscal Year. The fiscal year of the Council shall be the calendar year.

I. 6. Members' Qualifications. The members of the Council shall consist of all of the record owners of units in the Richmond Square Office Townhouse Condominiums. Any person, on becoming a record owner of a unit, shall automatically become a member of the Council and be subject to these Bylaws, and such membership shall terminate without any formal action by the Council when such person ceases to be a record owner of a unit, but such termination shall not relieve or release such former owner from any liability or obligation incurred or arising during the period of his membership or impair any rights and remedies which

the Council or others may have against such former owner arising out of or connected with his membership.

ARTICLE II

Members' Meetings

II. 1. Annual Meetings. The annual meeting of the membership shall be held at the office of the Council, or such other place designated by the Board of Directors, at 10:00 A.M., Eastern Standard Time, on the 1st day of June each year for the purpose of electing directors and transacting any and all other business authorized to be transacted by the members; provided, however, that if that day is a legal holiday or a Sunday, the meeting shall be held at the same hour on the next normal business day that is not a holiday.

II. 2. Special Meetings. Special meetings of the membership shall be held whenever called by the president or Board of Directors. A special meeting must be called upon receipt of a written request of members entitled to cast one-third or more of the votes of the entire membership.

II. 3. Notice of All Meetings. Notice of all meetings stating the time and place and purpose for which the meeting is called shall be given by the president, vice-president, or secretary. Such notice shall be given in writing to each member at such member's address as it appears in the books of the Council and shall be personally delivered or mailed not less than ten days nor more than sixty days prior to the date of the meeting. Any member may waive notice of any and all meetings in writing before or after such meetings, and such waiver shall be deemed equivalent to the giving of notice. The managing agent employed by the Board of Directors pursuant to Section 4.9 hereof shall also receive notice of all meetings and designate a representative to attend such meetings on his or its behalf. All mortgagees requesting to be notified of the holder of such meetings shall be sent notices thereof. All mortgagees shall, in any case, be notified of all meetings at which the making of material amendments or additions to or deletions from any part of the Master Deed or Bylaws of the Council is to be considered.

II. 4. Quorum. A quorum at members' meetings shall consist of persons entitled to cast a majority of the votes of the entire membership. The acts approved by a majority of the votes present at a meeting at which a quorum present shall constitute the acts of the members, except when approval by a greater number of members is required by the Master Deed of Richmond Square Office Townhouse Condominiums (hereinafter called the "Master Deed") or by these Bylaws.

II. 5. Voting Rights. Voting shall be on the basis of one vote per unit. The vote of each unit shall be indivisible,

and no member or group of members shall be permitted to cast a fraction of the vote to which his unit is entitled.

II. 6. Designation of Voting Representative. If a unit is owned by one person, his right to vote shall be established by the record title to his unit. If a unit is owned by a husband and wife, either owner (but not both) shall be entitled to vote and to be counted for purposes of a quorum, but, if both are present at a meeting and cannot agree on how to cast a vote on any subject, they shall lose their right to vote on that subject at that meeting. If a unit is owned by more than one person (other than husband and wife), or is under lease, the person entitled to cast the vote for the unit shall be designated by a certificate signed by all of the record owners of the unit and filed with the secretary of the Council. If a unit is owned by a corporation, the person entitled to cast the vote for the unit shall be designated by a certificate signed by the president or vice-president and attested by the secretary or assistant secretary of the corporation and filed with the secretary of the Council. If a unit is owned by a trust or estate, the person entitled to cast the vote for the unit shall be designated by a certificate signed by the trustee or personal representative and filed with the secretary of the Council. If a unit is owned by a partnership, whether general or limited, or a joint venture, the certificate designating voting members shall be signed by all partners or joint adventurers, as the case may be. Such certificates shall be valid until revoked or superseded by a subsequent certificate or until a change in the record ownership of the unit concerned. A certificate designating the person entitled to cast the vote of a unit may be revoked by any owner of that unit. If such a certificate is not on file, the vote of such owners shall not be considered in determining the requirement for a quorum or for any other purpose.

II. 7. Proxies. Votes may be cast in person or by proxy. A proxy may be made by any person entitled to vote and shall be valid only for the particular meeting designated in the proxy and must be filed with the secretary before the appointed time of the meeting or any adjournment of the meeting.

II. 8. Adjourned Meetings. If any meeting of members cannot organize because a quorum had not attended, the members who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum is present.

II. 9. Order of Business. The order of business at annual members' meetings, and as far as practical at other members' meetings, shall be:

- (a) Election of chairman of the meeting;
- (b) Calling of the roll and certifying of proxies;

- (c) Proof of notice of meeting or waiver of notice;
- (d) Reading and disposal of any unapproved minutes;
- (e) Reports of officers;
- (f) Reports of committees;
- (g) Election of inspectors of election;
- (h) Election of directors;
- (i) Unfinished business;
- (j) New business;
- (k) Adjournment.

ARTICLE III

Directors

III. 1. (a) Management of Affairs. The affairs of the Council shall be managed by a board of three (3) directors initially, and thereafter the exact number shall be determined by vote of a majority of the membership at each annual meeting of the Council; provided, however, that any increase or decrease in the number of directors shall not become effective until the next annual meeting of the Council after such increase or decrease is voted. Except as provided in Section III. 16 hereof, each director shall be a unit owner or the spouse of a unit owner, or shall be a member of a partnership or officer or director of a corporation or trustee or beneficiary of a trust which is a unit owner.

(b) Interim Management of Affairs. The management of the condominium project, however, shall be under the exclusive direction and control of the Developer until such time as ninety (90%) percent of the individual condominium units in both Phase I, II, III and IV have been sold or until sixty (60) months have elapsed from the recording of the Master Deed, whichever event first occurs, at which time it shall be turned over to the owners of the condominium units.

III. 2. Election of Directors. Except as provided in Section III. 16 hereof, the election of directors shall be conducted in the following manner:

(a) Election of directors shall be held at the annual members' meeting.

(b) A nominating committee of two (2) members shall be appointed by the Board of Directors not less than thirty (30) days



prior to the meeting at which directors are to be elected. The committee shall nominate one person for each director then serving. Additional nominations may be made from the floor at the meeting.

(c) The election shall be held by written ballot (unless dispensed by unanimous consent) and by a plurality of the votes cast, each person voting being entitled to cast his votes for each of as many nominees as there are vacancies to be filled. There shall be no cumulative voting.

(d) Except as to vacancies provided by removal of directors by members, vacancies in the Board of Directors occurring between annual meetings of members shall be filled by vote of a majority of the remaining directors, whether or not such a majority constitutes a legal quorum of such Board. If such directors are unable to agree, such vacancy shall be filled by vote of the members at a special meeting.

III. 3. Removal of Directors. Any director may be removed by concurrence of two-thirds of the votes of the entire membership at a special meeting of the members called for that purpose. The vacancy in the Board of Directors so created shall be filled by vote of a majority of the membership at the same meeting.

III. 4. Term of Directors. The term of each director's service shall extend until the next annual meeting of the members and subsequently until his successor is duly elected and qualifies, or until he is removed in the manner provided in Section III. 3 hereof.

III. 5. Organization Meeting. The organization meeting of newly-elected Board of Directors shall be held within ten (10) days of their election at such place and time as shall be fixed by the Directors at the meeting at which they were elected, and no further notice of the organization meeting shall be necessary.

III. 6. Regular Meetings of Directors. The regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by vote of a majority of the Directors. Notice of regular meetings shall be given to each Director by the chairman of the Board if such an officer has been elected, or by the president, personally or by mail, telephone or telegraph, at least three (3) days prior to the day named for such meeting. If a manager or managing agent is employed by the Board of Directors pursuant to SECTION IV. 9 hereof, such manager or managing agent shall receive notice of all meetings in the same manner as Directors and shall be entitled to attend such meetings or to designate a representative to attend such meetings on his or its behalf.

III. 7. Special Meetings of Directors. Special meetings

of the Directors may be called by the chairman of the Board, if such an officer has been elected, or by the president, or by the secretary at the written request of one-third of the Directors. Not less than three (3) days' notice of the meeting shall be given to each Director by the chairman of the Board, if such an officer has been elected, or by the president, personally or by mail, telephone or telegraph, which notice shall state the time, place and purpose of the meeting.

III. 8. Waiver of Notice of Directors' Meetings. Any Director may waive notice of a meeting in writing before or after the meeting, and such waiver shall be deemed equivalent to the giving of notice.

III. 9. Quorum of Directors. A quorum at a Directors' meeting shall consist of a majority of the Directors then in office. 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 of Directors, except when approval by a greater number of Directors is required by the Master Deed or by these Bylaws.

III. 10. Adjourned Meetings of Directors. If, at any meeting of the Board of Directors, there should be less than a quorum 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.

III. 11. Joinder in Meeting by Approval of Minutes. The joinder of a Director in the action of a meeting by signing and concurring in the minutes of that meeting shall constitute the presence of such Director for the purpose of determining a quorum.

III. 12. Presiding Officer at Directors' Meetings. The presiding officer of a Directors' meeting shall be the chairman of the Board, if such an officer has been elected; and, if none, the president shall preside. In the absence of the presiding officer, a majority of the Directors present shall designate one of their number to preside.

III. 13. Order of Business at Directors' Meetings. The order of business at Directors' meetings shall be:

- (a) Calling of roll;
- (b) Proof of due notice of meetings;
- (c) Reading and disposal of any unapproved minutes;
- (d) Reports of officers and committees;
- (e) Election of officers;

- (f) Unfinished business;
- (g) New business;
- (h) Adjournment.

III. 14. Directors' Fees. Directors' fees, if any, shall be determined by the members; provided, however, that this provision shall neither preclude the Board of Directors from employing a director at a compensation established by the Board as an employee of the Council nor preclude the contracting with a director at a compensation established by the Board of Directors for the management of the project pursuant to Section IV. 9 hereof.

III. 15. Liability of Board of Directors. The members of the Board of Directors shall not be liable to the unit owners for any mistake of judgment, negligence, or otherwise, except for their own individual wilful misconduct or bad faith. The unit owners shall indemnify and hold harmless each member of the Board of Directors against all contractual liability to others arising out of contracts made by the Board of Directors on behalf of the project. The liability of any unit owner arising out of any contract made by the Board of Directors shall be limited to such proportion of the total disability thereunder as his interest in the common elements bears to the interests of all the unit owners in the common elements. Every agreement made by the Board of Directors or by the managing agent or by the manager on behalf of the project shall provide that the members of the Board of Directors, or the managing agent, or the manager, as the case may be, are acting only as agents for the unit owners and shall have no personal liability thereunder (except as unit owners), and that each unit owner's liability thereunder as his interest in the common elements bears to the interests of all unit owners in the common elements.

III. 16. Proviso. Every provision contained in this Article III shall be subject to the following proviso: Within thirty (30) days after the Developer has closed the sale of and received payment for ninety (90%) percent of the units in Phase I, II, III and IV, or until sixty (60) months have elapsed from the date of recording of the Master Deed, or at such time as the Developer chooses, whichever event first occurs, the initial Board of Directors designated by the Developer in the Articles of Incorporation of the Council (or appointed by the Developer as hereinafter provided in this Section) shall call a special meeting of the membership for the purpose of electing successors to the initial Board of Directors and transacting any and all other business authorized to be transacted by the members. Until such meeting, the Board of Directors shall consist of those persons designated by the Developer in the Articles of Incorporation of the Council, and in the event of vacancies the Developer shall

fill the vacancies. Directors designated by the Developer in the Articles of Incorporation or to fill vacancies need not be unit owners.

ARTICLE IV

Powers and Duties of the Board of Directors

IV. 1. Powers and Duties of Board of Directors. All of the powers and duties of the Council existing under the Act, the Master Deed, and these Bylaws shall be exercised exclusively by the Board of Directors, its agents, contractors or employees, subject only to approval by unit owners when such is specifically required. The Board shall have and exercise all lawful powers and duties necessary for the proper conduct and administration of the affairs of the Council and the proper and legal operation thereof, and may do or cause to be done all such lawful acts in furtherance thereof.

IV. 2. Assessments. The Board shall make and collect assessments against members to defray the costs and expenses of the project in the manner provided by the Master Deed.

IV. 3. Disbursements. The Board shall use the proceeds of the assessments in the exercise of its powers and duties in the manner provided by the Master Deed.

IV. 4. Reconstruction and Improvements. The Board shall reconstruct improvements after casualty and further improve the project in the manner provided by the Master Deed.

IV. 5. Rules and Regulations. The Board shall make reasonable rules and regulations respecting the use of the project in the manner provided by the Master Deed. Rules and regulations of the Council, until amended, shall be as set forth in the Master Deed and are made a part of these Bylaws.

IV. 6. Management Contract. The Board may employ to operate the project a professional managing agent at a compensation to be established by the Board and may delegate to such managing agent all powers and duties of the Board and the Council except such as are specifically required by the Master Deed or these Bylaws to have approval of the Board or the membership of the Council or the owners within a particular building or unit. Any management agreement must be terminable by the Council for cause upon thirty (30) days' written notice, and the term of any such agreement must not exceed one (1) year, renewable by agreement of the parties for successive one-year periods.

IV. 7. Enforcement. The Board shall enforce by legal means the provisions of the Act, the Master Deed, the Bylaws and the rules and regulations for the use of the project.

IV. 8. Purchase of Units. The Board, on behalf of the Council, may purchase units in the project, subject to the provisions of the Master Deed.

IV. 9. Insurance. The Board shall keep the buildings and other improvements on the property fully insured according to paragraph 16 of the Master Deed of the Richmond Square Office Townhouse Condominiums, recorded in the Fayette County Clerk's Office, and any recorded amendments thereto.

IV. 10. Audit. The Board shall cause a complete audit of the books and accounts of the Council to be conducted at the end of each fiscal year by a competent certified public accountant and copies thereof distributed to all co-owners.

#### ARTICLE V

##### Officers

V. 1. Executive Officers. The executive officers of the Council shall be a president, who shall be a director; one vice-president; a treasurer, and a secretary, all of whom shall be elected annually by the Board of Directors and who may peremptorily be removed by vote of the Directors at any meeting. Any person may hold two or more offices except that the president shall not be also the secretary or an assistant secretary or treasurer. The Board of Directors from time to time shall elect such other officers and designate their powers and duties as the Board shall find to be required to manage the affairs of the Council. The Board of Directors shall have the power to elect an assistant secretary who shall perform the duties of the secretary when the secretary is absent.

V. 2. President. The president shall be the chief executive officer of the Council. He shall have all of the powers and duties usually vested in the office of president of a nonstock, nonprofit corporation, including, but not limited to, the power to appoint committees from among the members from time to time, as he in his direction may determine appropriate, to assist in the conduct of the affairs of the Council.

V. 3. Vice-President. The vice-president, if elected, in the absence or disability of the president, shall exercise such other powers and perform such other duties as shall be prescribed by the Directors. If the Board of Directors shall elect more than one vice-president, the Board shall designate the order of seniority of such vice-presidents.

V. 4. Secretary. The secretary shall keep the minutes of all proceedings of the Directors and the members. He shall attend to the giving and serving of all notices to the members and Directors and other notices required by law. He shall keep the

records of the Council, except those of the treasurer, and shall perform all duties incident to the office of secretary of the Council and as may be required by the Directors or the president. The assistant secretary shall perform the duties of the secretary when the secretary is absent.

V. 5. Treasurer. The treasurer shall have custody of all property of the Council, including funds, securities and evidences of indebtedness. He shall keep the books of the Council in accordance with good accounting practices, including a "Book of Account" as required by and defined in KRS 381.865; and he shall perform all other duties incident to the office of treasurer.

V. 6. The secretary and treasurer may be one person.

V. 7. Compensation. The compensation, if any, of all officers and employees of the Council shall be fixed by the Directors; provided that the Board of Directors may delegate authority to fix the compensation of employees to the executive officers.

#### ARTICLE VI

##### Fiscal Management

VI. 1. Fiscal Management. The provisions for fiscal management of the Council set forth in the Master Deed shall be supplemented by the following provisions.

VI. 2. Accounts. The receipts and expenditures of the Council shall be credited and charged to accounts under the following classifications as shall be appropriate, all of which expenditures shall be common expenses:

(a) "Current expenses," which shall include all receipts and expenditures within the year for which the budget is made, including a reasonable allowance for contingencies and working funds, except expenditures chargeable to reserves or to additional improvements. The balance in this fund at the end of each year, if any, shall be credited to each unit owner's assessment due the succeeding year.

(b) "Reserve for deferred maintenance," which shall include funds for maintenance items that occur less frequently than annually.

(c) "Reserve for capital expenditures," which shall include the funds to be used for capital expenditures for additional improvements (if any) or additional personal property (if any) that will be part of the common elements.

VI. 3. Budget. The Board of Directors shall adopt a budget for each fiscal year that shall include the estimated funds

required to defray the common expense and to provide and maintain funds for the foregoing accounts and reserves according to good accounting practices.

Copies of the budget and proposed assessments shall be transmitted by the Board of Directors to each member at least thirty (30) days preceding the beginning of the fiscal year for which the budget has been made, and, if the budget is subsequently amended, a copy of the amended budget shall be furnished to each member.

VI. 4. Assessments and Special Assessments. Assessments against the unit owners for their shares of the items of the budget shall be made for each fiscal year at least thirty (30) days preceding the beginning of such fiscal year. Such assessment shall be due in twelve (12) equal payments on the first day of each month of the fiscal year. If an annual assessment is not made as required, an assessment shall be presumed to have been made in the amount of the last prior assessment and monthly installments on such assessments shall be due upon each installment payment date until changed by an amended assessment. Should the annual assessment prove to be insufficient to meet either current expenses or the cost of deferred maintenance or capital expenditures, the budget may be amended accordingly and special assessments made. The unpaid assessment for the remaining portion of the calendar year during which the special assessment is made shall be due upon the dates on which the regular assessment is due, and the special assessment shall be paid in equal payments on the payment dates of the annual assessment during the remainder of that calendar year. The first payment of a monthly installment by a unit owner shall be due on the date of delivery of his deed, and shall be equal to that proportion of the installment payment for the month in which delivery of his deed occurs as the period between the date of delivery of his deed and the last day of that month bears to the number of days in that month. The next payment of a monthly installment shall be due on the first monthly installment payment date falling after the date of delivery of his deed.

VI. 5. Reserve Payments. The Board of Directors shall have the power to require a purchaser of a unit, at or prior to delivery to the purchaser of the deed to his unit, to make to the Board a reserve payment in an amount of up to \$100.00. All such reserve payments shall be used by the Board as a working capital fund for the initial months of operation of the project, and shall be credited to an account under the classification of "Current Expenses." As provided in Section VI. 2(a) hereof, any amounts paid by unit owners as reserve payments that are not used during the first fiscal year of the Council shall be applied to reduce the assessment for current expenses for the succeeding year.

VI. 6. Acceleration of Assessment Installments upon Default. If a unit owner shall be in default in the payment of

an installment upon an assessment, the Board of Directors may accelerate the remaining installments of the assessment upon notice to the unit owner, and then the unpaid balance of the assessment shall become due upon the date stated in the notice, but not less than ten (10) days after delivery of the notice to the unit owner, or not less than twenty (20) days after the mailing of such notice to him by registered or certified mail, whichever shall first occur.

VI. 7. Depository. The depository of the Council shall be such bank or banks or federally-insured savings and loan association as shall be designated from time to time by the Board of Directors and in which the moneys of the Council shall be deposited. Withdrawal of moneys from such accounts shall be only be checks or other withdrawal orders signed by such person as are authorized by the Board of Directors.

VI. 8. Audit. A financial statement by a C.P.A. shall be made annually, and a copy of the statement shall be furnished to each member not later than May 1st of the following year.

VI. 9. Fidelity Bonds. Fidelity bonds shall be required by the Board of Directors from all persons handling or responsible for Council funds. The amount of such bonds shall be determined by the Directors, but shall be not less than \$25,000.00. The premiums of such bonds shall be paid by the Council.

VI. 10. Rights of Mortgagees. The holders of first mortgages on any units shall have the right to examine the books and records of the Council and to require the Board of Directors of the Council to furnish them with annual reports and other financial data.

VI. 11. Proviso. Every provision contained in this Article VI shall be subject to the following proviso: Until such time as the special meeting of the membership required by Section III. 16 hereof is held, the initial Board of Directors shall be solely and entirely responsible for the fiscal affairs of the Council, and may prepare a budget in such form and manner as it deems advisable; may omit from such budget allowances for contingencies and reserves; may make assessments against the unit owners in such amount as the Board deems advisable; and may amend such assessments at any time it deems advisable.

#### ARTICLE VII

##### Parliamentary Rules

VII. 1. Roberts' Rules of Order (latest edition) shall govern the conduct of the Council meetings when not in conflict with the Master Deed or these Bylaws.

#### ARTICLE VIII



Amendments

VIII. 1. These Bylaws may be altered, amended or repealed in the following manner:

(a) Notice of Amendment to Bylaws. Notice of the subject matter of the proposed amendment shall be included in the notice of any meeting at which a proposed amendment is considered.

(b) Approval. A resolution adopting a proposed amendment may be proposed by either the Board of Directors or by the members of the Council. Directors and members not present in person or by proxy at the meetings considering the amendment may express their approval in writing, providing such approval is delivered to the secretary at or prior to the meeting. Except as elsewhere provided, such approvals must be by at least sixty (60%) percent of the entire membership of the Board of Directors and by not less than sixty (60%) percent of the votes of the entire membership of the Council. Until the election of Directors at the special meeting of the membership required by Section III. 16 hereof, all Directors must approve an amendment.

(c) Prohibitions. No amendment shall discriminate against any unit owner or against any unit or class or group of units unless the unit owners so affected shall consent. No amendment shall change any unit or the share in the common elements appurtenant to it, or increase the owner's share of the common expenses, or change the voting rights of members, unless the record owner of the unit concerned shall join in the execution of the amendment, and the prior written approval of all holders of first mortgages on all units shall have been obtained.

(d) Repeal. The repeal of these Bylaws in their entirety and their replacement by new Bylaws shall be accomplished in the same manner as provided by this Section VIII for the amendment of these Bylaws.

ARTICLE IX

Dissolution

IX. 1. Vote by Membership. The Council may dissolve and wind up its affairs at any time upon the appropriate action by the Board of Directors and the members in the manner provided in Chapter 273 and Chapter 381 of the Kentucky Revised Statutes, as amended.

ARTICLE X

Miscellaneous

X. 1. Invalidity. The invalidity of any part of these

Bylaws shall not impair or affect in any manner the validity, enforceability or effect of the remainder of these Bylaws.

X. 2. Waiver. No restriction, condition, obligation or provision contained in these Bylaws shall be deemed to have been abrogated or waived by reason of any failure to enforce same, irrespective of the number of violations or breaches thereof which may occur.

X. 3. Captions. The captions herein are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of these Bylaws or the intent of any provision hereof.

X. 4. Gender. The use of the masculine gender in these Bylaws shall be deemed to include the feminine and neuter genders, and the use of the singular shall be deemed to include the plural, whenever the context so requires.

X. 5. Notices. Except as otherwise required herein, all notices to the Council and the Board of Directors shall be delivered personally or sent by registered or certified mail in care of the manager or managing agent; all notices to any unit owner shall be delivered personally or sent by registered or certified mail to the unit or to such other address as may have been designated by him in writing from time to time to the Board of Directors; and all notices to mortgagees of units shall be delivered personally or sent by registered or certified mail to their respective addresses as designated by them in writing from time to time to the Board of Directors. All notices sent by mail shall be deemed to have been given when mailed.

The foregoing Bylaws and the attached Rules and Regulations were adopted as the Bylaws and Rules and Regulations of Richmond Square Townhouse Condominiums Council of Co-Owners, Inc. at the first meeting of the Board of Directors, on May 22, 1987.

*Charles Bausch, Jr.*  
CHARLES BAUSCH, JR., Secretary

APPROVED:

*James E. Howard*  
JAMES E. HOWARD, President

STATE OF KENTUCKY  
COUNTY OF FAYETTE

SCT.

I, DONALD W. BLEVINS, CLERK OF SAID COUNTY COURT HEREBY CERTIFY THAT THE FOREGOING INSTRUMENT HAS BEEN DULY RECORDED IN DEED BOOK 1442 PAGE 145 IN MY SAID OFFICE.

DONALD W. BLEVINS, CLERK  
BY *Donald W. Blevins*  
STATE OF KENTUCKY  
COUNTY OF FAYETTE

SCT. D.C.

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