# BYLAWS

# OF

# HARDCASTLE FARMS SUBDIVISION, INC.

## ARTICLE I

MEMBERS (OWNERS)

Section One. Members. Every person or entity who is an owner (the "Owner") of any lot which is included in the plan of Hardcastle Farms Subdivision, Inc.as of record in Plat Book 43, Page 175 & 176, in the office of the Clerk of the Warren County Court, Kentucky, (a "Lot") shall be a Member of the Hardcastle Farms Subdivision, Inc.(the "Association"). Membership is mandatory and shall be appurtenant to and may not be separated from ownership of any Lot.

Section Two. Classes of Membership. The Association shall have two classes of memberships:

(a) Class A. Class A Members shall be all Owners, except for H&A Development, LLC, (the "Developer") prior to termination of its Class B membership. If, however, the Developer owns one or more Lots upon or after termination of its Class B membership, then Developer shall become a Class A Member with respect to such Lot or Lots.

(b) Class B. The Class B membership shall be the Developer, its successors and assigns. The Class B membership shall cease and be converted to Class A Membership upon the happening of either of the following events, whatever occurs earlier: (i) when the total votes outstanding in the Class A Membership equal the total votes outstanding in the Class B Membership, (ii) when, in its discretion, the Developer so determines.

Section Three. Succession. The membership of each Owner shall terminate when he ceases to be an Owner, and upon the sale, transfer or other disposition of his ownership interest in a Lot, his membership in the Association shall automatically be transferred to the new Owner succeeding to such ownership interest.

Section Four. Regular Meetings. The first regular annual meeting of Owners may be held, subject to the terms hereof, on any date, at the option of the Board (the "First Meeting"), provided, however, that the First Meeting shall be held not more than one hundred twenty days after the Developer has sold and delivered its deed for at least ten (10) Lots. In any event, the First Meeting shall be held not less than one (1) year following the date of recording the Declaration of Restrictive Covenants for Hardcastle Farms Subdivision, Inc. (the "Covenants"). Subsequent to the First meeting, there shall be a regular annual meeting of Owners within thirty (30) days after the end of each fiscal year of the Association. All such meetings of Owners shall be held at such place in Warren County, Kentucky, and at such time as specified in the written notice of such meeting which shall be delivered to all Owners at least ten (10) days prior to the date of such meeting.

Section Five. Special Meetings. Special meetings of all Owners may be called by the President or by a majority of the members of the Board, or by Owners having at least three-fifths (3/5) of the votes entitled to be cast at such meeting. Said special meetings shall be called by delivering written notice to all Owners not less than ten (10) days prior to the date of said meeting, stating the date, time and place of said special meeting and the matters to be considered.

Section Six. Delivery of Notice of Meetings. Notices of meetings may be delivered either personally or by mail to an Owner at the address given to the Board by said Owner for such purposes. If by mail, Notice shall be given to Class A Members at the street address of the home, if occupied by Owner(s), if the home is under construction and not occupied, the notice shall be given to the record address of the Lot Owner as listed on the Warren County Property Valuation Administrator's web-site. Notice shall be by U.S. Mail postage-prepaid. Notice shall be given to Class B Member, H&A Development, LLC, by Notice sent U.S. Mail postage-prepaid and by Certified Mail Return Receipt Request to ATTN: Kelly Arnold 1685 Pleasant Hill Road Bowling Green, Kentucky 42103.

Section Seven. Voting. The Association shall have two (2) classes of voting membership:

a. Class A: Class A member shall be all Owners with the exception of the Developer and shall be entitled to one vote for each Lot owned. If more than one person is the Owner of a Lot, the vote for such Lot shall be exercised as the Owners determine among themselves, but in no event shall more than one vote be cast with respect to any Lot. The vote for each Lot must be cast as a unit; and fractional votes shall not be allowed. In the event that joint owners are unable to agree among themselves, then they shall lose their vote.

b. Class B: The Class B member shall be the Developer which shall be entitled to three (3) votes for each Lot owned by the Developer, and Developer shall be deemed to be the owner of three (3) Lots for every whole acre for which a subdivision into Lots has not yet occurred. Class B membership shall cease and converted to Class A membership on the happening of either of the following events, whichever occurs earlier:
    i. When the total votes outstanding in the Class A member equal or exceed the total votes outstanding in the Class B membership
    ii. Whenever, in its discretion, the Developer so determines.

Section Eight. Communicating with Hardcastle Farms Subdivision Inc.

Members may communicate with Hardcastle Farms Sbdivision Inc at an address designated by the board of directors. Hardcastle Farms Board of Directors shall reply within 30 days.

## ARTICLE II

Board of Directors

Section One. Number, Election and Tenure of Office. The Board of Directors of the Association (referred to herein as the "Board") shall initially consists of only three (3) members, Kelly Arnold and John F. Huggins (the only two members of H&A Development, LLC, the "Developer") and Kristine Arnold. After ten (10) Lots have been sold, and after an Annual Meeting is held, The Board of Directors of the Association (referred to herein as the "Board") shall consist of five (5) members (herein referred to as "Directors" or "members of the Board"), three of whom shall be appointed by the Developer. The initial Board consisting of Kelly Arnold, John F. Huggins and Kristine Arnold shall serve until the first annual meeting held after ten (10) Lots are sold. Thereafter, the "Full Board" of Five (5) Members shall consist of three members appointed by the Developer and those members shall hold office at the pleasure of the Developer. The other two (2) members of the Full Board shall be elected by the greatest number of votes cast either in person or by proxy at the meeting and shall hold office until the next annual meeting. After Class B members are converted to Class A members, all five (5) Directors shall be class A Members.

Section Two. Qualification. Except for members of the Interim Board, and Directors appointed by the Developer, each Director shall be an Owner. If a Director shall cease to meet such qualifications during his terms, he shall thereupon cease to be a Director and his place on the Board shall be deemed vacant.

Section Three. Vacancies. Any vacancy occurring in the Board shall be filled by majority vote of the remaining members thereof. Any Director so elected to fill a vacancy shall hold office for a term equal to the unexpired term of the Director which he succeeds. In the event the Developer does not desire to appoint a Director, the Board shall, by majority vote, fill such vacancy for a term of one (1) year at a time.

Section Four. Meetings. A regular annual meeting of the Board shall be held within twenty (20) days following the regular annual meeting of Owners. Special meetings of the Board shall be held upon a call by the President or by a majority of the Board on not less than forty-eight (48) hours' notice in writing to each Director, delivered personally or by mail or telegram. Any Director may waive notice of a meeting or consent to the holding of a meeting without notice, or consent to any notice proposed to be taken by the Board without a meeting. A Director's attendant at a meeting shall constitute his waive of notice of said meeting.

Section Five. Removal. Any Director may be removed from office for cause by the vote of three-fifths (3/5) of the total vote of the Owners.

Section Six. Compensation. Directors shall receive no compensation for their services as Directors, unless expressly provided for in resolution duly adopted by the Owners.

Section Seven. Quorum. Three (3) Directors shall constitute a quorum.

Section Eight. Powers and Duties. The Board shall have the following powers and duties:

a. To elect and remove the Officers of the Association as hereinafter provided;
b. To administer the affairs of the Association, including the purchasing of casualty and liability insurance covering the Association, the Board and Officers;
c. To formulate policies for the administration, management and operating of the Association;
d. To adopt rules and regulations, with written notice thereof to all Owners, governing the administration, management and operation of the Association;
e. To provide for the maintenance and repair of the entrance ways and common area, and landscape easements, and other expenses authorized by the Covenants and payments therefor, and to approve payment vouchers or to delegate such approval to the officers;
f. To provide for the designation, hiring and removal of employees and other personnel, including accountants and attorneys, and to engage or contract for the services of others, and to make purchases for the maintenance, repair, replacement, administration, management and operation of the entrance ways, streets, bridges and street lights and other expenses authorized by the Covenants;
g. To appoint committees of the Board and to delegate to such committees the Boards authority to carry out certain duties of the Board;
h. To determine the fiscal year of the Association and to change said fiscal year from time to time as the Board deems advisable.
i. To estimate the amount of the annual budget, establish the maximum Annual Assessment, and to provide the manner of assessing and collecting from the Owners their respective shares of such estimated expenses, as hereinafter provided;
j. Unless otherwise provided herein or in the Covenant, to comply with the instructions of a majority of the Owners, as expressed in a resolution duly adopted at any annual or spring meeting of the Owners.

Section Nine. Non-Delegation. Nothing in this Article or elsewhere in these bylaws shall be considered to grant to the Board, the Association or to the Officers of the Association any powers or duties which, by law, have been delegated to the Owners.

## ARTICLE III

### Officers

Section One. Designation. At each regular annual meeting, the Directors present at said meeting shall elect the following Officers of the Association by a majority vote:

a. A President, who shall be a Director and who shall preside over the meetings of the Board and of the Owners, and who shall be the chief executive officer of the Association;
b. A Secretary, who shall keep the minutes of all meetings of the Board and of the Owners, and who shall perform all the duties incident to the office of Secretary.

c. A Treasurer, (whom may also be the Secretary) who shall be responsible for financial records and books of account and the manner in which such records and books are kept and recorded; and
d. Such additional Officers as the Board shall see fit to elect.

Section Two. Powers. The respective Officers shall have the general powers usually vested in such Officers; provided that the Board may delegate any specific powers to any other Officer or impose such limitations or restrictions upon the powers of any Officer as the Board may see fit.

Section Three. Term of Office. Each Officer shall hold office for the term of one (1) year and until his successor shall have been appointed or elected and qualified.

Section Four. Vacancies. Vacancies in any office shall be filled by the Board by a majority vote of the remaining members thereof at a special meeting of said Board. Any officer so elected to fill a vacancy shall hold office for a term equal to the unexpired term of the Officer he succeeds. Any Officer may be removed for cause at any time by voting of three-fifths (3/5) of the total members of the Board at a special meeting thereof.

Section Five. Compensation. The Officers shall receive no compensation for their services as Officers.

## ARTICLE IV

### Assessments

Section One. Annual Budget. The Board shall cause to be prepared an estimated annual budget for each fiscal year of the Association. Based upon its budget projections, the Board shall establish the applicable Annual Assessment. Such budget shall take into account the estimated expenses and cash requirements for the year, including but not limited to, salaries, wages, payroll taxes, legal and accounting fees, working capital fund, supplies, materials, parts, services, maintenance, repairs, replacements, landscaping, insurance, fuel, power, and all other expenses for carrying out the duties of the Association. To the extent that the assessments and other cash income collected from the Owners during the preceding year shall be more or less than the expenditures for such preceding year, the surplus or deficit, as the case may be, shall also be taken into account. The annual budget shall provide for a reserve for contingencies for the year and a reserve for replacements in reasonable amounts as determined by the Board.

Section Two. Assessments. The estimated annual budget for each fiscal year shall be approved by the Board and copies thereof shall be furnished by the Board to each Owner, not later than thirty (30) days prior to the beginning of such year. Each Owner shall pay as his respective annual assessment of the common expenses, his proportionate share of expenses for such year as shown by the annual budget, such amount shall be due on the 31st day of January each year. The proportionate share for each Owner shall be established by the Board for each Lot owned (excluding Developer). In the vent that the Board shall not approve an estimated annual budget or shall fail to determine new assessments for any year, or shall be delayed in doing so, each Owner shall continue to pay the amount of his respective assessment as last determined. Each Owner shall pay his assessment on or before the date it is due to the Association or as may be otherwise directed by the Board.

Section Three. Partial Year or Month. For the first fiscal year and thereafter until the First Board is elected, the annual budget and Lot assessments shall be approved by the Interim Board. If such First fiscal year or any succeeding fiscal year shall be less than a full year, then the assessments for each Owner shall be adjusted in the number of months and days in such period covered by such budget. Commencing with the date of delivery of a deed to a Lot from Developer, each Owner shall pay his assessment for the following month or fraction of a month.

Section Four. Annual Report. Within ninety (90) days after the end of each fiscal year covered by an annual budget, or as soon thereafter as shall be practicable, the Board shall cause to be furnished to each Owner a statement for such year so ended, showing the receipts and expenditures and such other information as the Board may deem desirable.

Section Five. Supplemental Budget. In the event that during the course of any year, it shall appear to the Board that the assessments, determined in accordance with the estimated annual budget for such year, are insufficient or inadequate to cover the estimated expenses for the remainder of such year, then the Board shall prepare and approve a supplemental budget covering the estimated deficiency for the remainder of such year, copies of which supplemental budget shall be furnished to each Owner, and thereupon a supplemental assessment shall be made to each Owner for his proportionate share of such supplemental budget. Such supplemental assessment shall be payable as specified therein.

Section Six. Records and Statement of Account. The Board shall cause to be kept detailed and accurate records in chronological order of the receipts and expenditures of the Association, specifying and itemizing the expenses incurred. Payment vouchers may be approved in such a manner as the Board may determine.

## ARTICLE V

### Amendments

These Bylaws may be amended or modified from time to time by action or approval of the vote of majority of the Owners casting votes as described in Article I, Section Seven hereof.

H&A Development, LLC

By:________________________________
Kelly Arnold, Manager and Initial Board Member

By:________________________________
John F. Huggins, Assistant Manager and
Second Initial Board Member

By:________________________________
Kristine Arnold, a non-member,
non-manager, Initial Board Member