

BYLAWS
OF
PINNACLE HOMEOWNERS ASSOCIATION, INC.

ARTICLE I
DEFINITIONS AND OFFICES

The words used in these Bylaws shall have the same meaning as set forth in those certain Declarations of Covenants, Conditions and Restriction established by Pinnacle Development Co., Inc. and Pinnacle Development II, Inc. (the "Developers") for Highland Lakes (Pinnacle) Subdivision (the "Subdivision"), recorded in the Fayette County Clerk's Office in Lexington, Kentucky, as amended from time to time (the "Restrictions") unless the context shall prohibit.

The principal office of the corporation shall be located at 3120 Wall Street, Suite 300, Lexington, Kentucky 40513. The corporation may have such other offices, either within or without the Commonwealth of Kentucky, as the business of the corporation may require from time to time.

ARTICLE II
MEMBERS

(A) MEMBERSHIP

The members of the corporation shall be every person or entity who is the owner of record of a fee simple or undivided interest in any lot subject to the Restrictions.

(B) ANNUAL MEETING

Annual meetings of the members shall be set by the board of directors so as to occur no earlier than 120 days and no later than 90 days before the close of the corporation's fiscal year each year at such time and place as designated in the notice thereof. The primary purpose of such meeting shall be to elect the directors for the upcoming year.

(C) SPECIAL MEETINGS

Special meetings of the members may be called by or at the request of the president, or by a majority of the directors in office. The person or persons authorized to call special meetings of the board of directors may fix any place, either within or without the Commonwealth of Kentucky, as the place for holding any special meeting of the members.

(D) NOTICE

Notice of any special meeting shall be given at least five (5) days prior thereto by written notice delivered personally or mailed or telegraphed to each member at his or her address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope so addressed, with first class postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. Any member may waive notice of any meeting. The attendance of a member at any meeting shall constitute a waiver of notice of such meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Any notice required hereunder shall state the time and place of the meeting. Neither the business to be transacted at, nor the purpose of, any annual, regular, or special meeting of the members need be specified in the notice or waiver of notice of such meeting.

(E) QUORUM

A majority of the members shall constitute a quorum for the transaction of business at any meeting of the members, provided that if less than a majority of the members are present at said meeting, a majority of the members present may adjourn the meeting from time to time without further notice.

(F) MANNER OF ACTING

The act of the majority of the members present at a meeting at which a quorum is present shall be the act of the members.

(G) INFORMAL ACTION

Any action required or permitted to be taken at a meeting of the Members, may be taken without a meeting if a consent, in writing, setting forth the action so taken shall be signed by all of the members and included in minutes or filed with the corporate records. Such consent shall have the same effect as a unanimous vote.

ARTICLE III
DIRECTORS

(A) GENERAL POWERS

The business and affairs of the corporation shall be managed by its board of directors, however, the board of directors shall consist of the initial directors named in the Articles of Incorporation until such time as the Developers have transferred title to eighty (80%) percent of the lots in the Subdivision.

The board of directors shall have the powers and duties necessary for administration of the affairs of the corporation and may do all such acts and things except as by law or pursuant to the provisions of the articles of incorporation and the Restrictions may not be delegated to the board of directors by the members. All of the powers and duties of the corporation shall be exercised exclusively by the board of directors acting on its own behalf or through its agents, contractors, or employees, the officers of the corporation elected by it, or any managing agent. Such powers and duties of the board of directors shall include, but shall not be limited to, the following:

- (1) Unless such obligations are assumed by any municipal or governmental agency having jurisdiction thereof, the operation, care, upkeep, and maintenance of the streets, the common areas, crosswalks, storm drains, basins, fences and entrances as are shown on the plats of lots in the Subdivision (the "Common Area(s)");
- (2) Determination of the common expenses required for the affairs of the corporation, including, without limitation, operation and maintenance of the Common Area (the "Common Expenses");
- (3) Collection of the common charges to defray Common Expenses from the Members;
- (4) Employment and dismissal of the personnel necessary for the maintenance and operation of the Common Area;
- (5) Adoption and amendment of rules and regulations covering the details of the operation and use of the Common Area;
- (6) Opening of bank accounts on behalf of the corporation and designating the signatories required therefor;
- (7) Obtaining insurance for the Common Area including, without limitation, any insurance required by the Restrictions;
- (8) Making of repairs, additions, and improvements to or alterations of the Common Area, and repairs to and restoration of the Common Area, including after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings;
- (9) Enforcing the remedies available against Owner for violation of the provisions of the Restrictions;
- (10) Controlling the use of all Common Area (consistent with the provisions of the Restrictions);and
- (11) Taking all other necessary and proper actions for the prudent management of the corporation and fulfillment of the terms and provisions of the Restrictions.

(B) MANAGING AGENT AND MANAGER

The board of directors may employ either or both a managing agent and a manager for the corporation, at a compensation established by the board of directors, to perform such duties and services as the board of directors shall authorize, including, but not limited to, the duties listed in subsections of Article III(A) of these bylaws. The board of directors may delegate to the manager or managing agent all of the powers granted to the board of directors by these bylaws other than the powers set forth in subsections (2), (5), (6), and (9) of section III(A) of these bylaws. Any management agreement must be terminable by the council for cause upon not more than 30 days' written notice, and the term of any such agreement must not exceed one year, renewable by agreement of the parties for successive one-year periods.

(C) NUMBER, TENURE, AND QUALIFICATIONS

The number of directors of the corporation shall be three (3), but may be increased or decreased by amendment of this bylaw. The board of directors shall be elected at the first annual meeting of Members after the Developer has transferred title to eighty (80%) percent of the lots in the entire Highland Lakes (a/k/a "Pinnacle") residential development. The initial directors listed on the Articles of Incorporation of Pinnacle Homeowners Association, Inc. shall serve as directors until such time.

Each director shall serve as a director until the earlier of (1) the next annual meeting of members and until his successor has been elected and qualified; or (2) he is removed by a majority of the members, with or without cause.

(D) VACANCIES

Should a vacancy occur on the board before completion of a term, such vacancy may be filled by the affirmative vote of a majority of the remaining board of directors, though less than a quorum.

(E) ANNUAL MEETING

The annual meeting of the board of directors shall be held without notice other than this bylaw immediately after the annual meeting of members to elect officers of the corporation for the upcoming year and to address any other business as may properly come before the board. The board of directors may provide, by resolution, the time and place, either within or without the Commonwealth of Kentucky, for the holding of additional regular meetings without other notice than such resolution.

(F) SPECIAL MEETINGS

Special meetings of the board of directors may be called by or at the request of the president, or by a majority of the directors in office. The person or persons authorized to call special meetings

of the board of directors may fix any place, either within or without the Commonwealth of Kentucky, as the place for holding any special meeting of the board of directors called by them.

(G) NOTICE

Notice of any special meeting shall be given at least five (5) days prior thereto by written notice delivered personally or mailed or telegraphed to each director at his business address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope so addressed, with first class postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. Any director may waive notice of any meeting. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Any notice required hereunder shall state the time and place of the meeting. Neither the business to be transacted at, nor the purpose of, any annual, regular, or special meeting of the board of directors need be specified in the notice or waiver of notice of such meeting.

(H) QUORUM

A majority of the board of directors shall constitute a quorum for the transaction of business at any meeting of the board of directors, provided that if less than a majority of the directors are present at said meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

(I) MANNER OF ACTING

The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors.

(J) COMPENSATION

No director shall receive compensation for his services as director; however, any expenses incurred by any director by reason of his duties or responsibilities as such may be paid by the corporation; provided, that nothing contained herein shall be construed to preclude any director from serving the corporation in any other capacity and receiving compensation therefor.

(K) COMMITTEES

The board of directors shall have authority to establish such committees as it may consider necessary or convenient for the conduct of its business. The board of directors may establish an executive committee in accordance with and subject to the restrictions set out in the statutes of the Commonwealth of Kentucky.

(L) INFORMAL ACTION

Any action required or permitted to be taken at a meeting of the board of directors, or any action which may be taken at a meeting of the board of directors or of a committee, may be taken without a meeting if a consent, in writing, setting forth the action so taken shall be signed by all of the directors, or all members of the committee, as the case may be, and included in minutes or filed with the corporate records. Such consent shall have the same effect as a unanimous vote.

ARTICLE IV
OFFICERS

(A) CLASSES

The officers of the corporation shall be a president, a vice president, a secretary, a treasurer, and such other officers whose duties may be fixed from time to time by the board of directors and who are to be elected in accordance with the provisions of this article.

(B) ELECTION AND TERM OF OFFICE

Each officer shall hold office until his successor shall have been duly elected and shall have qualified or until his death or until he shall resign or shall have been removed in the manner hereinafter provided. After the initial election of officers at the corporation's organizational meeting, the officers of the corporation shall be elected every year by the board of directors at the annual meeting. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as shall be convenient. Vacancies may be filled or new offices created and filled at any meeting of the board of directors. No officer shall be elected or appointed to serve a term of office exceeding three years.

(C) REMOVAL

Any officer elected or appointed by the board of directors may be removed by the board of directors, with or without cause, whenever in its judgment the best interest of the corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

(D) VACANCIES

A vacancy in any office because of death, resignation, removal, disqualification, or otherwise may be filled by the board of directors for the unexpired portion of the term.

(E) PRESIDENT

The president shall be the chief executive officer of the corporation and shall in general supervise and control all of the day-to-day business and affairs of the corporation. The president shall perform all duties incident to the office of president and such other duties as may be prescribed by the board of directors from time to time.

(F) VICE PRESIDENT

In the absence of the president or in the event of his inability or refusal to act, the vice president shall perform the duties of the president and, when so acting, shall have all of the powers and be subject to all of the restrictions upon the president. Any vice president shall perform such other duties as from time to time may be assigned by the president or by the board of directors.

(G) SECRETARY

The secretary shall (1) keep the minutes of the members' and the board of directors' meetings in one or more books provided for that purpose; (2) see that all notices are duly given in accordance with the provisions of these bylaws or as required by law; (3) be custodian of the corporate records; and (4) in general, perform all duties incident to the office of secretary and such other duties as from time to time may be assigned by the president or by the board of directors.

(H) TREASURER

If required by the board of directors, the treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the board of directors shall determine. The treasurer shall (1) have charge and custody of and be responsible for all funds and securities of the corporation; receive and give receipts for moneys due and payable to the corporation from any source whatsoever and deposit all such moneys in the name of the corporation in such banks, trust companies, or other depositories as shall be selected in accordance with the provisions of these bylaws; and (2) in general, perform all duties incident to the office of treasurer and such other duties as from time to time may be assigned by the president or by the board of directors.

ARTICLE V
CONTRACTS, LOANS, CHECKS, AND DEPOSITS

(A) CONTRACTS

The board of directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instruments in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances.

(B) LOANS

No loans shall be contracted on behalf of the corporation, and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the board of directors. Such authority may be general or confined to specific instances.

(C) CHECKS, DRAFTS, ORDERS, ETC.

All checks, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the corporation shall be signed by such officer or officers, agent or agents, of the corporation and in such manner as shall from time to time be determined by resolution of the board of directors.

(D) DEPOSITS

All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies, or other depositories as the board of directors may select.

(E) GIFTS

Any director or officer may accept on behalf of the corporation any contribution, gift, bequest, or devise for the general purposes of or for any special purpose of the corporation.

(F) CHARITABLE CONTRIBUTIONS

No officer shall make charitable contributions in the name of, from the funds of, or on behalf of the corporation without prior authorization by the board of directors.

ARTICLE VI
BOOKS AND RECORDS

The corporation shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of its members and board of directors, and shall keep at the principal office a record giving the names and addresses of the directors entitled to vote. All books and records of the corporation may be inspected by any director, or his agent or attorney, for any proper purpose at any reasonable time.

ARTICLE VII
FISCAL YEAR

The fiscal year of the corporation shall be the calendar year.


ARTICLE VIII
WAIVER OF NOTICE

Whenever any notice whatever is required to be given under the provisions of these bylaws, or under the provisions of the articles of incorporation, or under the provisions of the corporation laws of the Commonwealth of Kentucky, waiver thereof in writing, signed by the person, or persons, entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

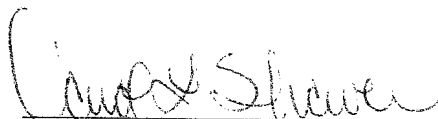
ARTICLE IX
AMENDMENT OF BYLAWS

These bylaws may be amended, altered, changed, added to, or repealed by the affirmative vote of a majority of the board of directors if notice of the proposed amendment, alteration, change, addition, or repeal be contained in the notice of the meeting to the board of directors. Notwithstanding the above, the members may amend, alter, change, add to, or repeal these bylaws at any time.

IN WITNESS WHEREOF, the undersigned Directors of Pinnacle Homeowners Association, Inc. have adopted these Bylaws as of the 18 day of June, 1998.



TIMOTHY L. HAYMAKER



CAROL L. SHAVER



JOE E. COONS

**PROPOSED RESOLUTION
FOR PINNACLE HOMEOWNERS ASSOCIATION, INC.
TO AMEND ITS BY-LAWS**

WHEREAS, a meeting of the Board of Directors of Pinnacle Homeowners Association, Inc. ("Association") was held on the 27th day of October, 2008, pursuant to Article III, of the By-Laws of the Association;

WHEREAS, a quorum of such Board of Directors was present as required by Article III, of the By-Laws;

WHEREAS, the Board of Directors voted to amend the By-Laws pursuant to Article IX of the By-Laws;

NOW THEREFORE, BE IT RESOLVED THAT:

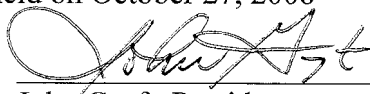
A. Article III(A) of the "General Powers" of "Directors" is amended to add section (12), which shall read as follows:

(12) Assessing late charges, costs and expenses incurred and reasonable attorneys' fees against any Owner in enforcing said remedies and/or collecting any common charges, expenses, etc. owed by said Owner to the Association by virtue of the Articles of Incorporation, these By-Laws or the Restrictions applicable to said Owner and his/her lot(s). Failure to timely pay such assessments, late charges, costs, expenses and/or attorneys' shall result in suspension of that Owner's right to vote as a member of the Association. Any suspension of an Owner's right to vote shall be immediately reinstated upon payment in full of all charges, assessments, late fees, fines and sanctions.

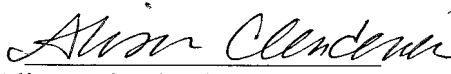
(13) All assessments, late charges, costs and expenses incurred and reasonable attorneys' fees assessed against an Owner or his/her lot shall constitute a lien against said lot starting on due date of such charge, assessment or late fee until the date of full payment. The sale, transfer or conveyance of any lot by an Owner shall not terminate or satisfy any lien under these By-Laws, whether recorded or not, unless all amounts constituting said lien, including any attorneys' fees and costs, are paid in full. The Association may seek to enforce its lien through foreclosure or proceed directly against said Owner for said amounts due and owing.

The undersigned, as President and Secretary of the Pinnacle Homeowners Association, Inc. do hereby certify that the foregoing amendments to the By-Laws of Pinnacle Homeowners Association, Inc. were duly adopted at the Meeting of the Board of Directors held on October 27, 2008

Witness:



John Groft, President



Alison Clendenden, Secretary