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**MASTER DEED AND DECLARATION OF
CONDOMINIUM PROPERTY REGIME OF
THE PATIO HOMES OF VALLEY FARMS - A CONDOMINIUM**

VALLEY FARMS PATIO HOMES, LLC, a Kentucky limited liability company (the "Developer"), declares this as its plan for ownership in condominium of certain fee simple property located in Valley Farms Subdivision in Jefferson County, Kentucky (this "Declaration").

WITNESSETH:

The Developer submits the following described property and improvements thereon to a condominium property regime (the "Regime") pursuant to Sections 381.805 through 381.910 of the Kentucky Revised Statutes (the "Kentucky Condominium Property Law"):

BEING Tract 1001 as shown on the Major Subdivision Plat for Valley Farms Subdivision recorded in Plat and Subdivision Book 50, Page 68, in the office of the Clerk of Jefferson County, Kentucky.

BEING the same property conveyed to VALLEY FARMS PATIO HOMES, LLC, a Kentucky limited liability company, by Deed dated April 15, 2005 of record in Deed Book 8605, Page 715, in the office of the Clerk of Jefferson County, Kentucky.

The Regime shall be known as "**THE PATIO HOMES OF VALLEY FARMS - A CONDOMINIUM.**" The term "Property" as used herein means the above described property and any additional property that may become subject to this Declaration pursuant to Section X hereof. The Developer makes the following declarations regarding divisions, limitations, restrictions, reservations, easements, covenants and conditions, hereby declaring that the property described above 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.

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

1. "Board" or "Board of Administration" shall mean the Board of Administration described in Section J of this Declaration.
2. "Common Elements" means:
 - (a) The Property in fee simple;
 - (b) The foundations, main walls, roofs, entrances, exits and communication ways;
 - (c) The grounds, landscaping, walkways, roadways;
 - (d) The installations for central services, including, without limitation, utility service lines;
 - (e) All other devices or installations existing for common use, and all other elements of the buildings rationally of common use or necessary to their existence, upkeep and safety; and
 - (f) All recreational facilities, including the pool, club-house and tennis court, if any.
3. "Common Expenses" means and includes all charges, costs and expenses incurred by the Council for and in connection with the administration and operation of the Regime, including, without limitation thereof: maintenance, repair, replacement and restoration (to the extent not covered by insurance) of the Common Elements [except to the extent any patio or balcony is required to be maintained by the Unit owners pursuant to Section A(8)], any additions and alterations thereto and all labor, services, materials, supplies and equipment therefor; liability for injury or damage to others arising out of or in connection with operation and use of the Regime; all premiums for hazard, liability and other insurance with respect to the

Regime and, with respect to the insurance required to be maintained by the Unit owners pursuant to Section N(1), up to \$1,000.00 of any deductible amount if the damage was not caused by the act or omission of that owner; all liabilities incurred in acquiring a Unit pursuant to judicial sale; interest on other debt incurred by the Council; all administrative, accounting, legal and managerial expenses; entry maintenance, central green maintenance, groundskeeping and landscaping (for items installed by Developer), maintenance, snow removal, and all charges for utilities not separately metered, including street lights, building security lights, water service, sewer service and garbage collection; provided, however, if the rate for any of the common utilities or garbage collection service is increased as a result of a particular owner's excessive use, the Board may collect such increase from that Unit owner. "Common Expenses" shall also include the costs incurred in replacing, or substantially repairing, major capital improvements of the Regime, including, but not limited to, roof replacement and road, driveway and parking lot resurfacing, and any special assessments deemed necessary by the Council or the Board. In addition, the term "Common Expenses" shall include all assessments payable to Valley Farms Residents Association, Inc. and to Valley Farms Recreational Association, Inc., by the Council of Co-Owners (on behalf of each Unit owner) as provided in the Master Declaration of Covenants, Conditions and Restrictions for Valley Farms Subdivision, of record in Deed Book 8979, Page 142, in the office of the Clerk of Jefferson County, Kentucky, as the same may be amended and/or restated, from time to time (the "Valley Farms Master Declaration"). All of the above shall constitute Common Expenses of the Regime for which each Unit owner shall be severally liable for their respective proportionate shares in accordance with their percentage of common interest. The Regime's Common Expense budget may include a reserve for capital expenditures.

4. "Council of Co-owners" or "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.

5. "Developer" means and includes Valley Farms Patio Homes, LLC and any entity to whom it may assign its rights as "Developer" hereunder, including but not limited to, the holder of a mortgage which, by exercising its rights under such mortgage, shall be deemed to have been assigned the "Developer's" rights hereunder for the purposes of this Declaration, any amendments thereto, the Bylaws and any other governing documents.

6. "Limited Common Elements" means those elements which are reserved for the use of a certain Unit or number of Units to the exclusion of other Units including but not limited to:

- (a) Interior unfinished surfaces of each Unit's perimeter walls, ceilings and floors;
- (b) Entrances and exits to each Unit including the sidewalk area immediately in front of each entrance and exit;
- (c) Utility service facilities serving a Unit or several Units;
- (d) Door and window frames for each Unit;
- (e) Patio or balcony, if any, for each Unit;
- (f) Grounds and landscaping located within a gated area, if any, behind each Unit; and
- (g) Attic area, if any, for each Unit.

7. "Plans" means the plans of the Regime recorded or to be recorded under Section B of this Declaration.

8. "Unit" or "Condominium Unit" means the enclosed space occupying part of the building and having direct access to the Common Elements. The location and extent of each Unit are as shown on the plans of the Regime recorded with this 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, hot water heater, telephone lines, cable television wires, window panes, doors (including storm, screen and other doors, if any), windows, mail box, paper holder, and other equipment located within or connected to a Unit for the sole purpose of serving that Unit exclusively, are a part of the Unit and the maintenance, repair and replacement thereof shall be the responsibility of the Unit owner, except to the extent that the master policy carried by the Council covers repair or replacement. The lower vertical boundary of each Unit is a horizontal plane (or planes), the elevation of which coincides with the elevation of the upper surface of the unfinished surface of the floor or subfloor of the Unit, extended to intersect the lateral or perimeter boundaries thereof. The upper vertical boundary of each Unit is a horizontal plane (or planes), the elevation of which coincides with the elevation of the lower surface of the unfinished ceiling of the Unit, extended to intersect the lateral or perimeter boundaries thereof. The lateral or perimeter boundaries of each Unit are vertical planes which coincide with the unexposed surfaces of the perimeter walls of the Unit, to include the perimeter drywall, plenums, windows and doors thereof, extended to intersect the upper and lower vertical boundaries of the Unit. Mechanical equipment and appurtenances located within any Unit and designated to serve only that Unit, such as appliances, range hoods, electrical receptacles and outlets, air conditioning compressors and other air conditioning apparatus, fixtures and the like, shall be considered part of the Unit as shall all decorated interior surfaces of

all interior structural walls, floors and ceilings consisting of, inter alia and as appropriate, wallpaper, paint, plaster, carpeting and tiles. All pipes, wires, conduits or other public utility lines or installations constituting a part of the overall system designed for the service of one or more than one particular Unit, and any structural members or portion of any Unit or building, and any other property of any other kind, including fixtures and appliances within any Unit, which are not removable without jeopardizing the soundness, safety or usefulness of the remainder of the building, shall be deemed to be part of the General Common Elements and shall not be a part of any Unit. The Unit owner shall also (a) repair, maintain and keep in good order and condition any patio or balcony of the Unit, and (b) maintain and keep in a neat and attractive condition all grounds and landscaping located within any gated or fenced patio area as well as all landscaping planted by such Unit owner within grounds comprising a Limited Common Element.

9. "Eligible Mortgagee" means a holder of a *bona fide* first mortgage on any Unit and for whom the Council has received the notice and request pursuant to Section BB.

10. "Eligible Insurer" means an agency which guarantees, insures or purchases a first mortgage loan held by an Eligible Mortgagee on a Unit for which the Council has received the notice and request pursuant to Section BB.

B. Description of Units. Currently, the Regime is anticipated to have 48 Units; provided, however, the exact number of the Units may be increased or decreased as development of the Regime occurs; in addition, additional Units may be added to the Regime if the Regime is expanded by the addition of other property pursuant to Section X. The owners of each Unit shall have a common right to share with the other owners in the Common Elements of the Regime in accordance with each Unit's percentage of common interest, representing the square footage of

the Unit in relation to the total square footage of all Units of the Regime. The Regime will be developed in more than one phase. Currently, the Developer plans for the initial phase to consist of 16 Units. The proposed Units and Common Elements for the initial phase are shown on plans of the Regime recorded herewith in the office of the Clerk of Jefferson County, Kentucky in Condominium Ownership Book 121 Pages 13 through 17, inclusive, which Plans shall be amended from time to time as construction of additional Units in the Regime are completed. The Developer reserves the exclusive right to amend this Declaration and the Plans for the purpose of showing all completed Units "as built," without necessity of any Unit owner or other interest holder joining in the amendments; and further reserves the exclusive right to alter the contemplated square footage of the Units in order to comply with Kentucky Horizontal Property Law relating to percentage ownership based on square footage of each Unit. The Plans and any amendments thereto are incorporated herein by this reference.

C. Common Interest. Each Unit shall have appurtenant thereto (i) an undivided percentage of common interest in the Common Elements, (ii) the same percentage interest in all common profits and Common Expenses of the Regime; and (iii) the same percentage interest for all other purposes including voting. The proposed undivided percentage of common interest for each Unit is shown on Exhibit A attached hereto and made a part hereof by this reference. Until such time as the Regime is fully completed and final plans of all Units have been recorded showing the Regime as ultimately built, Developer shall have the right to determine each Unit's percentage of common interest based on the estimated square footage planned, from time to time, for the Regime, and such estimate shall be applicable for all purposes herein until final percentages are actually determined.

Recognizing that the square footage of unbuilt Units may be altered as completion of Units progresses (as authorized in Section B above), Developer hereby reserves the exclusive right to amend this Declaration to show any alteration in square footage of a particular Unit or Units or to reflect the elimination of a Unit or Units, without the necessity of any Unit owner or other interest holder joining in the amendments; and as a result thereof and in compliance with Kentucky Horizontal Property Law, to adjust the percentage of common interest of all Units so that each Unit's percentage is based on its actual square footage as relates to the total square footage of all Units of the Regime as built.

D. Easements; Reservations; Parking Spaces. The Units and Common Elements shall have and be subject to the following easements:

1. An easement exists for any maintenance, repair and replacement of any and all pipes, wires, conduits, or other utility lines running through or around any Unit (including those common facilities located above a suspended ceiling), which facilities serve more than that Unit and are part of the Common Elements.
2. An easement exists for ingress and egress for the maintenance, repair and replacement of any load bearing wall located within a Unit.
3. If any part of the Common Elements encroaches upon any Unit or Limited Common Element, an easement shall exist for the encroachment, the maintenance, repair and replacement thereof, so long as it continues. If any building of this Regime shall be partially or totally destroyed and then rebuilt, minor encroachments on any parts of the Common Elements due to reconstruction shall be permitted, and easements shall exist for the encroachments.
4. An easement exists for ingress, egress and maintenance in favor of any public utility providing utility service to the Regime and the Units.

5. An easement exists in favor of the Council of Co-owners, exercisable by the Board of Administration and its agents, to enter any Unit and any Limited Common Element from time to time during reasonable hours, as may be necessary for the operation of the Regime (including the right to inspect the Unit, Common Elements and the Limited Common Elements), or in the event of emergency, for necessary action to prevent damage to any part of the Regime.

6. Existing easements of record affecting the Regime.

7. The Council may grant utility easements under, through, or over the Common Elements which are reasonably necessary to the ongoing operation and development of the Regime.

8. The parking areas are a part of the Common Elements for use by all Unit owners in common. A Unit owner's use and possession of such parking spaces shall be subject to such reasonable rules and regulations as the Board determines including the right to designate such parking spaces as visitor parking spaces.

9. Each Unit owner has a right of ingress and egress to and from his or her Unit. Such right is perpetual and appurtenant to the ownership of his or her Unit.

E. Alteration and Transfer of Interests. The Common Elements, Limited Common Elements and easements appurtenant to each Unit shall have a permanent character and shall not be altered without the consent of the Board of Administration and the Unit owner affected (except where such authority is retained herein by the Developer), and must be expressed in a recorded amendment to this Declaration if the square footage of the Unit is modified. The Common Elements, Limited 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

the Unit even though such easements are not expressly mentioned or described in the conveyance or other instrument.

F. Partition. The 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 Kentucky Condominium Property Law.

G. Restrictions. The Units and the Common Elements shall be subject to the following restrictions, which restrictions shall be permanent:

1. Each Unit shall be used only for single-family residential purposes and shall be subject to such limitations and conditions as may be contained herein, in the Bylaws of the Council of Co-owners, or any Regime rules and regulations which may be adopted from time to time by the Board of Administration of the Council as to the use and appearance of the Units, the Common Elements and the Limited Common Elements.

2. Any alteration in the Common Elements or Limited Common Elements desired by a Unit owner is prohibited unless approved in advance by the Board of Administration of the Council of Co-owners to ensure that the alteration is not harmful to the appearance, safety and environmental well-being of the Regime and its occupants. The Board of Administration of the Council of Co-owners may require such information as it deems reasonable to satisfy said concerns and may deny or modify such proposed alteration as it sees fit and may impose conditions upon any approval given. If the alteration approved results in increasing the living space of a Unit the Board of Administration of the Council of Co-owners is authorized and directed to amend this Declaration and the Regime's recorded floor plans to include the additional square footage as a part of the Unit, amending the percentage of common interest for

all Unit owners in light of the change, and increase such Unit owner's monthly Common Expense charge to reflect the increased square footage.

3. No Unit may be leased by the Unit owner except with the approval of the Board, which approval may contain such terms, conditions, requirements and restrictions as the Board may deem reasonably necessary and appropriate to protect and preserve the character and integrity of the Regime; provided, however, the foregoing shall not be applicable with respect to any Unit owned by the Developer or an affiliate of the Developer. Any Unit owner desiring to lease a Unit shall notify the Board in writing in accordance with such procedures as may be established by the Board, as the same may be amended and modified from time to time, and as are set forth in the Bylaws of the Council or the rules and regulations of the Regime.

4. There shall be no partition of any Unit without the prior written approval of the majority of the Board of Administration. If such approval is granted, such subdividing shall not alter or diminish the voting rights or the percentage of interest in the Common Elements previously allocated to the Unit undergoing such subdividing.

5. Violation of this Declaration, the Bylaws or any rules adopted by the Board, may be remedied by the Board, or its agent, by the imposition of reasonable fines or by legal action for damages, injunctive relief, restraining order, or specific performance. In addition, an aggrieved Unit owner may maintain a legal action for similar relief. A Unit owner in accepting ownership of a Unit agrees to become subject to this enforcement in the event of violation.

H. Council of Co-owners. The administration of the Regime shall be vested in a Council of Co-owners consisting of all the Unit owners of the Regime. 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 its ownership of such Unit ceases for any reason, at which time its membership in the Council shall automatically cease. Notwithstanding the foregoing, the administration of the Regime, including the adoption and amendment of Bylaws, adoption of rules, assessment of Common Expenses and all other matters relating to the administration of the Regime, shall be vested exclusively in the Developer until (i) 120 days from the date at least 95% of the Units of the Regime (as the same may be expanded from time to time by the Developer pursuant to Section X hereof) have been conveyed, or (ii) the Developer elects to surrender this power to the Unit owners, or (iii) December 31, 2020, whichever first occurs. Until that time, the Developer shall constitute the Council of Co-owners and the Board of Administration, and shall possess the irrevocable proxy of the Unit owners to operate and administer the Regime during this time, which proxy each Unit owner automatically grants upon acceptance of a deed to a Unit. All Unit owners, by acceptance of a deed to a Unit, agree to this administration of the Regime by the Developer.

I. 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 rules adopted by the Board of Administration. Specifically (but not exclusively) the Council shall, except as expressly provided in Section A(8):

1. Maintain, repair and replace all improvements in the Common Elements and the Limited Common Elements which may be required by law to be maintained, repaired and replaced upon, adjoining, in connection with, or for the use of any part of the Regime.

2. Keep all Common Elements, including Limited 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.

3. Repair, maintain and keep all Common Elements and Limited Common Elements of the Regime in good order and condition; maintain and keep said land and all adjacent land between any 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 the same as may be necessary and repair and make good all defects in the Common Elements and Limited Common Elements of the Regime required in this instrument to be repaired by the Council. Any plantings installed by a Unit owner must be first approved by the Board, which approval may be arbitrarily withheld. If such approval is granted to a Unit owner, then such Unit owner shall be responsible for the maintenance and replacement of such plantings to the Board's satisfaction.

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

5. Through its Board of Administration, determine annually the estimated Common Expenses of the Regime and make and collect the assessment of each Unit owner on a monthly, quarterly or annual basis as determined by the Board of Administration. To the extent there are insufficient funds in the Common Expense Fund (as described in Section Q of this Declaration), the Board of Administration may either increase the assessment for Common Expenses or levy a special assessment for Common Expenses against the Unit owners.

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

7. Regulate the use of the Common Elements and Limited Common Elements.

8. Maintain books and records as required by the Condominium Law and the Bylaws. Upon the reasonable request of any Unit owner, Eligible Mortgagee or Eligible Insurer, the Council shall make available for inspection all books, records and financial statements of the Council. Upon the reasonable request of any Eligible Mortgagee or Eligible Insurer, the Council shall prepare and furnish within a reasonable time a financial statement of the Council for the immediately preceding fiscal year. Such financial statement will be audited by an independent certified public accountant if the requesting party agrees to bear the cost of the audit.

J. Board of Administration. Administration of the Regime shall be conducted for the Council by a Board of Administration (the Developer during the period outlined in Section H) 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 managing agent or administrator (which may include the Developer or an affiliate of the Developer) employed for that purpose by the Board so long as such contract does not exceed one (1) year in duration and is cancellable by the Board upon thirty (30) 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 the assessment monthly or quarterly from each Unit owner based on the particular Unit's percentage of common interest. Notwithstanding the foregoing, the Council may make adjustments to the amount of such assessments proportioned upon a consideration of a combination of floor area, the number of occupants, demand on public utilities and accessibility to Limited Common Elements. Each Unit owner shall contribute to the

Common Expenses as so determined by the Board. Where no such determination is formally made for any year, the calculations utilized for the previous twelve months shall remain in effect until such oversight is corrected. Notwithstanding the foregoing, the assessments for Common Expenses for any Unit owned by the Developer shall not begin with respect to that Unit until such Unit is initially sold by the Developer.

K. Waiver of Use of Common Elements. No Unit owner shall be released from liability for contribution to the Common Expenses by waiver of the use or enjoyment of any of the Common Elements or by abandonment of the owner's Unit.

L. Unpaid Common Expenses. Unpaid Common Expenses shall constitute a lien on the Unit of the delinquent Unit owner, prior to all other liens except (i) liens for taxes and assessments lawfully imposed by governmental authorities against such Unit and (ii) the lien of a first mortgage. In the event a Unit owner shall fail to pay its share of Common Expenses when due, and if such amounts remain unpaid for a period of thirty (30) days following the due date therefor, the unpaid amount shall bear interest from the due date thereof until paid at a fixed rate of eighteen percent (18%) per annum or the highest rate permitted by law, whichever is less. The Board may assess a "late charge" of one and one half percent (1.5%) of the unpaid amount and, if such share remains unpaid for a period of thirty (30) days following the due date, together with any late charge thereon, the Board may declare the entire share of Common Expenses of that Unit owner for the next succeeding full twelve calendar months immediately due and payable, without further notice or demand, and proceed to collect the same. The lien for unpaid Common Expenses may be enforced by suit by the Council or the Board, the Board's administrator or agent, acting on behalf of the Council, in like manner as a mortgage of real property, provided that thirty days' prior written notice of intent to sue to enforce the lien shall be

mailed, postage prepaid to all persons having an interest in such Unit (including any mortgagees) as shown on the Council's record of ownership. The Council shall have the power to bid on such Unit at judicial sale or pay for and accept a deed in lieu of foreclosure; and to acquire, hold, lease, mortgage and convey such Unit. Suit to recover a money judgment for unpaid Common Expenses, including attorneys' fees, shall be maintainable without judicial lien enforcement and without waiving the right to enforce the lien securing same. Without in any manner limiting its rights aforesaid, the Council or the Board, the Board's administrator or agent, acting on behalf of the Council, may also file a lien for unpaid Common Expenses in the manner provided by the laws of the Commonwealth of Kentucky for mechanics, materialmen or laborers. No mortgagee shall be required to collect any unpaid Common Expenses. Failure to pay Common Expenses shall not constitute a default under any mortgage unless otherwise stated in the mortgage. Unpaid Common Expenses, together with interests, costs and attorney's fees are the personal obligation of the person who was the owner of such Unit at the time the Common Expenses fell due. The personal obligation for unpaid Common Expenses shall not pass to the successors in title or interest, unless expressly assumed by them, or required under applicable law.

M. Acquisition at Judicial Sale. Where the mortgagee of a first mortgage of record or other purchaser of any Unit acquires ownership of such 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 such acquisition of title, except where such lien rights may be asserted against surplus proceeds of the judicial sale. Any such sale or transfer pursuant to a foreclosure shall not relieve the purchaser or transferee of a Unit from liability for, nor the Unit so sold or transferred from the lien of, any Common Expenses thereafter becoming due.

N. Insurance. The Board of Administration shall carry (i) a master policy of fire and extended coverage, vandalism, malicious mischief insurance, (ii) comprehensive general public liability insurance in a combined single limit amount of not less than \$2,000,000, and (iii) if required by law, workmen's compensation insurance (referred to in this Declaration as "master policy"), with respect to the Regime and the Council's administration thereof in accordance with the following provisions:

1. 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 be responsible for obtaining fire and extended insurance coverage at their own expense upon their Unit interiors and equipment, trade fixtures and personal property and, in addition, shall be responsible for obtaining comprehensive general public liability insurance covering liability for injury to person or damage to property of others 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 a combined single limit amount as may from time to time be determined by the Board of Administration, but in no event less than One Million Dollars (\$1,000,000.00). The Board and the 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, and agents of the Unit owners or the Council, as the case may be.

2. All buildings, improvements, personal property and other Common Elements and Limited Common Elements of the Regime shall be insured against fire, earthquake and other perils covered by a standard extended coverage endorsement, in an amount equal to the maximum insurable replacement value thereof, or at least eighty percent thereof, as determined from time to time by the Board. The Council, acting through the Board, 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.

3. The Board 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 solely because of their ownership interests in the Common Elements), to another Unit owner.

4. The Board is authorized to procure errors and omission insurance protecting its members from individual liability arising out of their Board activities and to procure fidelity bond coverage for persons or entities handling Council funds.

5. All premiums upon insurance purchased by the Council shall be Common Expenses; provided, however, if the rate of insurance is increased as a result of a particular owner's use of the Unit, then that Unit owner shall pay to the Council within ten days after the Council delivers to that Unit owner a certified statement from the Council's insurance carrier stating that the rate increase was caused solely by an activity of that Unit owner a sum equal to the difference between the original premium and the increased premium.

6. Proceeds of all insurance policies owned by the Council shall be received by the Board 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 because of property

damage shall be applied to repair and reconstruction of the damaged property, except as may otherwise be permitted by Section O of this Declaration.

7. Each Unit owner shall be deemed to appoint the Board as its true and lawful attorney in fact to act in connection with all matters concerning the maintenance of the master policy. Without limitation on the generality of the foregoing, the Board as said attorney 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 the same 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 in regard to such matters. The Board shall not be responsible for procurement or maintenance of any insurance covering the contents or 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.

O. Reconstruction. Where casualty or destruction, partial or total, of one or more buildings occurs, whether arising from events covered by insurance or not, the determination as to reconstruction shall be governed by the Kentucky Horizontal Property Law, more particularly Section 381.890 of the Kentucky Revised Statutes, as may be amended or supplemented from time to time. As provided in KRS 381.890, the Board of Administration of the Council of Co-owners shall have the right to elect not to reconstruct a building or buildings in the Regime if two-thirds or more of the Units in such building or buildings are destroyed provided that the owner or owners of such Units receive an amount equal to the fair market value of their Unit at the time immediately prior to such casualty, such value to be determined by the average fair

market value of three appraisers, one selected by the Board, one selected by the Unit owner, and the third selected by the other two appraisers, all of whom must have had at least five years of experience in appraising real estate in Jefferson County, Kentucky. Each party shall pay the costs of their own appraiser and the cost of the third appraiser shall be shared equally. Thereafter, the percentage of common interest of the remaining owners of Units in the Regime shall be recalculated without reference to those Units that are not reconstructed.

Notwithstanding the foregoing, (1) any restoration or repair of the Regime after a partial condemnation or damage due to an insurable hazard shall be substantially in accordance with the Declaration and the original plans and specifications unless the approval of the Eligible Mortgagees of Units to which at least 51% of the votes of Units subject to mortgages held by such Eligible Mortgagee are allocated, is obtained; (2) any election to terminate the Regime after substantial destruction or a substantial taking in condemnation of the Property requires the approval of the Eligible Mortgagee on Units to which at least 51% of the votes of Units subject to mortgages held by such Eligible Mortgagees are allocated; and (3) unless the formula for reallocation of interests in the Common Elements after a partial condemnation or partial destruction of the condominium project is fixed in advance by the Declaration or by applicable law, no reallocation of interests in the Common Elements resulting from a partial condemnation or partial destruction of the condominium project may be effected without the approval of the Eligible Mortgagees on Units to which at least 51% of the votes of Units subject to mortgages held by such Eligible Mortgagee are allocated.

P. Alteration of Regime. Restoration or replacement of the Regime (unless resulting from casualty destruction), or construction of any additional buildings (other than those initially contemplated in the Regime), or material alterations or additions to any building of the Regime,

shall be undertaken by the Council or any Co-owners only after unanimous approval by the Board of Administration, who shall have the authority to amend this Declaration, with written consent of the holders of all liens on Units affected and in accordance with the plans and specifications approved in writing by the Board. Promptly upon completion of such restoration, alteration or replacement, the Board of Administration shall duly record an amendment to this Declaration together with a complete set of floor plans of the Units of the Regime as so altered, certified "as built" by a registered architect or engineer.

Q. Common Expense Fund. The Board shall establish and pay into a common expense fund (the "Common Expense Fund") all Common Expense collections from the Unit owners, assessed for and attributable to current expenses and shall pay from the Common Expense Fund all current Common Expenses of the Regime. Notwithstanding the foregoing, until administration of the Regime is passed to the Council as provided in Article H, the Common Expense Fund shall maintain a balance equal to at least two months' estimated Common Expenses of the Regime.

R. Capital Replacement Fund. The Board of Administration shall establish a capital replacement fund (the "Capital Replacement Fund") and pay into same from time to time 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 the Capital Replacement 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 T of this

Declaration, approved by the Board. Capital Replacement Fund balances available for investment may be invested by the Board in interest bearing securities and/or savings accounts, so long as such investment is issued by an instrumentality of the United States or insured under a program secured by the full faith and credit of the United States.

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

1. The proportionate interest of each Unit owner in the Common Expense Fund and Capital Replacement 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.

2. If the Regime shall be terminated or waived, any part of the Funds remaining after full payment of Common Expenses and costs of termination shall be distributed evenly to the then existing Unit owners in accordance with their respective percentages of common interest.

3. The Developer shall be responsible for the maintenance cost of the Regime, incurred over and above amounts payable to the Common Expense Fund by the Unit owners, until control of the Regime is transferred from the Developer as above provided in Section H hereof; provided, however, the Developer shall be entitled to recoup any such accumulated funded deficit of the Council, now or hereafter existing, and whether funded in cash or in kind, from any excess amounts in the Common Expense Fund collected prior to such transfer. After control of the Regime is transferred from the Developer as provided in Section H,

the Developer shall be liable for assessment for Common Expenses on Units owned by the Developer, if and when occupied.

T. Incurrence and Retirement of Indebtedness. The Council of Co-owners, acting by unanimous vote of the Board, may borrow money from time to time for the following purposes:

1. To cover any budgetary deficit for operational expenses, so long as such loan can be repaid within twenty-four (24) months from anticipated Common Expense income not needed for ongoing operations.

2. To pay costs of reconstruction, major repair, replacement or alteration of the Common Elements incurred under Section O (to the extent not covered by insurance proceeds) and Section P of this Declaration. When it is necessary to effect such a loan, the Council, acting through the Board, may pledge, as security therefor, its rights to receive that part of the Common Expense income that is necessary to amortize the payoff of the loan.

U. Voting and Voting Percentages. Subject to Section H, 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 more than fifty percent of the percentage of common interest. Any specified percentage of Unit owners means the owners of Units to which are appurtenant such percentage of the common interest. With respect to any Unit where the owner consists of more than one person or entity, the vote for such Unit shall be exercised as such persons or entities determine among themselves, but in no event shall more than one vote be cast for each Unit. Owners shall be entitled to vote at meetings of the Council of Co-owners either in person or by written proxy.

V. Eminent Domain. The following provisions shall control upon any taking by eminent domain:

1. If there is a taking of an entire Unit by eminent domain, the Unit owner and the Unit owner's mortgagee(s), as their interests may appear, shall be entitled to receive the award for such Unit taking and, after acceptance thereof, the Unit owner, the Unit owner's mortgagee(s) and other interest holder shall be divested of all interest in the Regime. If any condemnation award shall become payable to any owner whose Unit is not wholly taken by eminent domain, then such award shall be paid by the condemning authority to the Council of Co-owners on behalf of such owner. In that event, the Council shall rebuild the Unit to the extent necessary to make it habitable and remit the balance of the condemnation proceeds, if any, to the owner thereof and the Unit owner's mortgagee(s), as their interests may appear.

2. If there is any taking of any portion of the Regime other than any Unit, the condemnation proceeds relative to such taking shall be paid to the Council. The affirmative vote of more than 75% of the Unit owners shall determine whether to rebuild, repair or replace the portion of the Regime so taken or to take such other action as they deem appropriate. If no such affirmative vote is obtained, such condemnation proceeds may be remitted to the Unit owners in accordance with their respective percentages of common interest, or retained by the Board to cover Common Expenses or to fund the Capital Replacement Fund.

3. If the Regime continues after taking by eminent domain, then the remaining portion of the Regime shall be re-surveyed and this Declaration amended accordingly by the Board, and, if any Unit shall have been taken, then the amended Declaration shall reflect such taking and shall proportionately readjust the percentage of common interest of the remaining Unit owners based upon a total percentage of common interest of 100%.

W. Amendment of Declaration. Any amendment will be filed for recording in the Jefferson County, Kentucky Clerk's Office.

1. Voting Power of the Council. This Declaration may be amended only by a vote of seventy-five percent (75%) of the voting power of the Council; provided, however, that Developer may amend this Declaration from time to time, recording amended floor plans of Units, when completed, in accordance with KRS 381.830(1)(b), KRS 381.835(2), and Sections B and C of this Declaration, without the necessity for any Unit owners or other interest holders joining in, said persons agreeing and consenting to such amendments in accepting conveyance of a Unit.

2. Approval of Eligible Mortgagees. The approval of Eligible Mortgagees holding first mortgages on Units to which at least fifty-one percent (51%) of the votes of Units subject to such mortgages appertain shall be required for any material amendment to the Declaration or Bylaws made after the date this Declaration is filed for record in the Jefferson County, Kentucky Clerk's office, or the addition of any material provision thereto after such date, which establishes, provides for, governs or regulates any of the following: (i) voting; (ii) assessments, assessment liens or subordination of such liens; (iii) reserves for maintenance, repair and replacement of the Common Elements; (iv) insurance or fidelity bonds; (v) rights to use the Common Elements; (vi) responsibility for maintenance and repair of the several portions of the Property; (vii) expansion or contraction of the Property or the addition or annexation of property thereto or the withdrawal of property therefrom, unless the expansion, addition or annexation is in accordance with Article X hereof; (viii) redefinition of the boundaries of any Unit (except that when boundaries of only adjoining Units are involved, or a Unit is being subdivided, then only those Unit owners and the Eligible Mortgagees holding first mortgages in such Unit or Units must approve such action); (ix) reallocation of interests in the Common Elements or Limited Common Elements (except that when Limited Common Elements are

reallocated by agreement between Unit owners, only those Unit owners and only the Eligible Mortgagees holding first mortgages on such Units must approve such action); (x) convertibility of Units into Common Elements or of Common Elements into Units; (xi) leasing of Units; (xii) imposition of any right of first refusal or similar restriction on the right of a Unit owner to sell, transfer, or otherwise convey his or her Unit; (xiii) establishment of self-management by the Council where professional management has previously been required by any Eligible Mortgagee or Eligible Insurer; or (xiv) provisions that expressly benefit Eligible Mortgagees or Eligible Insurers. Notwithstanding the foregoing, the approval of Eligible Mortgagees shall not apply to any amendment to this Declaration or the Bylaws in connection with the termination of the Regime pursuant to Article O hereof or to an expansion, addition or annexation in accordance with Article X hereof or to a reallocation of interests in the Common Elements which occurs pursuant to such an expansion, addition or annexation.

3. Approval of Eligible Insurers. The approval of all Eligible Insurers is required for any of the following which occur after the date this Declaration is filed for record in the Jefferson County, Kentucky Clerk's office: (i) annexation of additional property to the Property (provided that approval will not be withheld if the property to be annexed or added substantially conforms to expansion of the Condominium in accordance with Article X hereof); (ii) the merger or consolidation of the Condominium with any other common interest community or the merger or consolidation of the Council with any other entity; (iii) dedication of Common Elements; (iv) any amendment to the Articles, the Bylaws or this Declaration; or (v) the dissolution of the Council.

X. Expansion of Regime. Until January 1, 2025, Developer may, with the prior written consent of any Eligible Mortgagee or Eligible Insurer and without the consent of any

other owner of a Unit or other interest holder in any Unit, expand the Regime to include other property, at which time all of such additional property designated by Developer shall become a part of the Regime covered by the provisions of this Declaration; provided that all improvements shall be substantially completed before such property is added to the existing Regime. Any such future improvements to the Regime shall be consistent with initial improvements in terms of quality of construction. Upon such expansion, Developer shall have the right to amend this Declaration to include such property as part of the Regime and shall also have the right to readjust the percentage of common interest of each Unit so as to reflect the addition of those Units added to the Regime as a result of the addition of such property to the Regime. Liens arising in connection with the Developer's ownership of, and construction of improvements upon, the property to be added to the Regime shall not adversely affect the rights of existing Unit owners, or the priority of first mortgages on Units in the existing condominium property. All taxes and other assessments relating to such property, covering any period prior to the addition of the property, shall be paid or otherwise satisfactorily provided for by the Developer.

Y. Incorporation of Council of Co-owners. The Council of Co-owners may (but shall not be required to) incorporate itself as a non-stock, non-profit corporation, with the membership and voting rights in the corporation being the same as membership and voting rights already established for the Council.

Z. Interest of Unit Owner in Valley Farms Residents Association, Inc., Valley Farms Recreational Association, Inc., or Common Areas of Valley Farms Subdivision. Except as expressly provided in the Valley Farms Master Declaration, no Unit Owner or any other person or entity shall, by virtue of any ownership of Unit or Units, membership in the Council or residence in the Regime, be entitled to (i) any membership or other right, title and interest in

Valley Farms Residents Association, Inc., (ii) any membership or other right, title and interest in Valley Farms Recreational Association, Inc., or (iii) any right of enjoyment in or use of the "Valley Farms Common Area" or "Common Area" (as such terms are defined in the Valley Farms Master Declaration).

AA. Consent of Mortgage Holders. Joining in this instrument is Integra Bank National Association ("Integra"), the holder of a mortgage on the Property, dated April 15, 2005, of record in Mortgage Book 9321, Page 541, in the office of the Clerk of Jefferson County, Kentucky, to indicate its consent to the terms of this Declaration, the Developer agreeing that the lien rights of Integra are hereby transferred to the individual Units of the Regime hereby established or to be established, together with the development rights vested in Developer pursuant to this Declaration.

BB. Notice to Eligible Mortgagees and Eligible Insurers. Upon written request to the Council identifying the name and address of the Eligible Mortgagee, the Eligible Insurer and of the Unit owner or address, such Eligible Mortgagee and Eligible Insurer will be entitled to timely written notice of:

1. Any proposed amendment of the condominium instruments effecting a change in (i) the boundaries of any Unit or the exclusive easement rights appertaining thereto, (ii) the interests in the Common Elements appertaining to any Unit or the liability for Common Expenses appertaining thereto, (iii) the number of votes in the Council appertaining to any Unit or (iv) the purposes to which any Unit or the Common Elements are restricted;

2. Any proposed termination of the Regime;

3. Any condemnation loss or any casualty loss which affects a material portion of the Regime or which affects any Unit on which there is a first mortgage held, insured or guaranteed by such Eligible Mortgagee or Eligible Insurer;

4. Any delinquency in the payment of assessments or charges owed by an owner of a Unit subject to the mortgage of such Eligible Mortgagee or Eligible Insurer, where such delinquency has continued for a period of 60 days; and

5. Any lapse, cancellation or material modification of any insurance policy maintained by the Council.

CC. Termination. The Regime may be terminated by any method permitted by Kentucky law or, except as otherwise provided herein (including without limitation, as provided in Article V), by (i) the vote of at least seventy-five percent (75%) of the voting power of the Association (which must include the Developer if the Developer owns any Units), or (ii) the approval of Eligible Mortgagees holding first mortgages on Units to which at least sixty-seven percent (67%) of the votes of Units subject to such mortgages appertain.

DD. Right of First Refusal. The owner of any Unit may transfer his or her Unit free of any right of first refusal on the part of the Council or the Developer.

WITNESS the signature of the Developer and Integra as of July 30, 2007 but actually on the dates set forth below.

DEVELOPER:

VALLEY FARMS PATIO HOMES, LLC
a Kentucky limited liability company

BY: DKCD, INC., a Kentucky corporation,
Manager

By 
Donald J. Cook

Title: President

Date: July 30, 2007

STATE OF KENTUCKY)
 (
COUNTY OF JEFFERSON)

The foregoing instrument was acknowledged before me on JULY 30, 2007, by Donald J. Cook, President of DKCD, Inc., a Kentucky corporation, Manager of Valley Farms Patio Homes, LLC, a Kentucky limited liability company, on behalf of the company.


Notary Public

My commission expires: JULY 12, 2011

INTEGRA BANK NATIONAL ASSOCIATION

By Lori A Smith
Title: VICE PRESIDENT
Date: August 1, 2007

STATE OF KENTUCKY)
(
COUNTY OF JEFFERSON)

The foregoing instrument was acknowledged before me this 1st AUGUST, 2007, by LORI A SMITH, VICE PRESIDENT of Integra Bank National Association, a national banking association, on behalf of the association.

Sharon Kanna Mann
Notary Public

My commission expires: JULY 12, 2011

This instrument prepared by:
Timothy W. Martin
FROST BROWN TODD LLC
400 West Market Street, Suite 3200
Louisville, Kentucky 40202-3363

Timothy W Martin

EXHIBIT A

Undivided Percentage of Common Interest for Each Unit *

<u>Unit # - Building #</u>	<u>Square Footage</u>	<u>Percentage of Common Interest</u>
Unit 5236, Building 5	2,558	6.25%
Unit 5238, Building 5	2,558	6.25%
Unit 5240, Building 5	2,558	6.25%
Unit 5242, Building 5	2,558	6.25%
Unit 5244, Building 6	2,558	6.25%
Unit 5246, Building 6	2,558	6.25%
Unit 5248, Building 6	2,558	6.25%
Unit 5250, Building 6	2,558	6.25%
Unit 5241, Building 7	2,558	6.25%
Unit 5243, Building 7	2,558	6.25%
Unit 5245, Building 7	2,558	6.25%
Unit 5247, Building 7	2,558	6.25%
Unit 5221, Building 8	2,558	6.25%
Unit 5223, Building 8	2,558	6.25%
Unit 5225, Building 8	2,558	6.25%
Unit 5227, Building 8	2,558	6.25%
TOTALS	40,928	100.00%

* The Square Footage for each Unit does not include the garage area shown on the Plans.

Document No.: DN2007125718
 Lodged By: FROST BROWN TODD
 Recorded On: 08/02/2007 02:51:33
 Total Fees: 100.00
 Transfer Tax: .00
 County Clerk: BOBBIE HOLSCLOW-JEFF CO KY
 Deputy Clerk: SHESCH