

BY-LAWS
OF
VILLAGE OF LAKE FOREST HOMEOWNERS' ASSOCIATION, INC.

A Corporation not for profit under the laws of
the State of New Hampshire

ARTICLE I

IDENTITY

These are the By-Laws of Village of Lake Forest Homeowners' Association, Inc., hereinafter called Association in these By-Laws, a corporation not for profit under the laws of the State of New Hampshire, the Articles of Association of which were or will be filed in the Office of the Secretary of State and in the office of the Town Clerk in Auburn, New Hampshire. The Association has been organized for the purpose of owning and operating certain real and personal property located in Auburn, New Hampshire, which real and personal property are to be owned by the Association and used in common by the members of Village of Lake Forest Homeowners' Association, Inc., which members shall all be property owners at Village of Lake Forest Subdivision. Such operation by the Association shall include the management of Village of Lake Forest Subdivision in keeping with the definitions, terms and conditions as set forth in the Declaration of Covenants, Easements, Restrictions, Charges and Liens (the "Declaration"), dated January 16, 1990, and recorded prior hereto in the Rockingham County Registry of Deeds and the enforcement of such terms and conditions.

A. The office of the Association shall be at the Village of Lake Forest Subdivision, Auburn, New Hampshire.

B. The fiscal year of the Association shall be the calendar year.

C. The seal of the Association shall bear the name of the corporation, the words "New Hampshire" and words "Corporation not for profit"; the year of incorporation, an impression of which is as follows:

D. The definitions of terms used herein shall be consistent with those terms set forth in The Declaration and Articles of Association.

ARTICLE II

MEMBERS' MEETING

2.01 Annual Meetings. The annual members' meetings shall be held at such location as shall be designated in the Notice of Meeting at Village of Lake Forest Subdivision, Auburn, New Hampshire, on the

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second Saturday in April of each year or any other Saturday or weekday evening within thirty (30) days of such day, for the purpose of electing directors and transacting any other business authorized to be transacted by the members.

2.02 Special Meetings. Special members' meetings shall be held whenever called by the President or by a majority of the Board of Directors, and must be called by such officers upon receipt of a written request from members entitled to cast one-third (1/3) of the votes of the entire membership.

2.03 Notice. Notice to all members' meetings stating the time and place and the object for which the meeting is called shall be given by the President or Secretary unless waived in writing by all of the members. Such notice shall be in writing to each member at his address as it appears on the books of the Association and shall be mailed not less than seven (7) days nor more than thirty (30) days prior to the date of the meeting. Proof of such mailing shall be given by the affidavit of the person giving the notice.

2.04 Quorum. A quorum at members' meetings shall consist of persons entitled to cast at least one-third (1/3) of the votes out of the then existing total number of record lots or units in the Subdivision. The acts approved by a majority of the votes present at a meeting at which a quorum is present shall constitute the acts of the members, except when approval by a greater number of members is required by the Articles of Association, or these By-Laws.

2.05 Voting.

(a) General. In any meeting of members the voting rights of the owners of a lot or unit shall be determined by the Association's Articles of Association, provided, however, the owners of each lot or unit shall collectively be entitled to one vote.

(b) Form of Ownership. If a lot or unit is owned by one person, his right to vote shall be established by the record title to same. Since an owner may be more than one person, if only one of such persons is present at a meeting of the Association, that person shall be entitled to cast the votes appertaining to that lot or unit. But if more than one of such persons is present, the vote shall be cast only in accordance with their unanimous agreement unless expressly provided otherwise, and such consent shall be conclusively presumed if any one of them purports to cast the vote without protest being made forthwith by any of the others to the person presiding over the meeting. Since a person need not be a natural person, the word "person" shall be deemed for the purposes of this paragraph to include, without limitation, any natural person having authority to execute deeds on behalf of any person, excluding natural persons, which is, either alone or in conjunction with another person or persons, an owner.

2.06 Proxies. The votes appertaining to any lot or unit may be cast pursuant to a proxy or proxies duly executed by or on behalf of the owner, or, in cases where the owner is more than one person, by or on behalf of all such persons. No such proxy shall be revocable except by actual notice to the person presiding over the meeting, by the owner or by any of such persons, that it be revoked. Any proxy shall be void if it is not dated, if it purports to be revocable without notice as aforesaid, or if the signature of any of those executing the same has not been duly witnessed. The proxy of any person shall be void if not signed by a person having authority, at the time of the execution thereof, to execute deeds on behalf of that person. A proxy shall terminate upon the adjournment of the first meeting held on or after the date of that proxy.

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

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

- (a) Election of chairman of the meeting.
- (b) Calling of the roll and certifying of proxies.
- (c) Proof of notice of meeting or waiver of notice.
- (d) Reading and disposal of any unapproved minutes.
- (e) Reports of officers.
- (f) Reports of committees.
- (g) Election of inspectors of elections.
- (h) Election of directors.
- (i) Unfinished business.
- (j) New business.
- (k) Adjournment.

2.09 Proviso. Until Declarant no longer owns any lots or units in Village of Lake Forest Subdivision, or until the Declarant by written notice to the Board of Directors of the Association, relinquishes voting control, whichever event shall first occur, the proceedings of all meetings of members of the Association shall have no effect unless approved by the Board of Directors by a majority vote.

ARTICLE III

DIRECTORS

3.01 Membership. The affairs of the Association shall be managed by a board of not less than three (3) nor more than five (5) directors, the exact number to be determined at the time of election.

3.02 Manner of Election. Election of Directors shall be conducted in the following manner:

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

(b) Nominating Committee. A nominating committee of three (3) members may be appointed by the Board of Directors not less than thirty (30) days prior to the annual members' meeting. The committee shall nominate one person for each director then serving. Nominations for additional directorships created at the meeting shall be made from the floor, and other nominations may be made from the floor.

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

(d) Vacancies. Except as to vacancies created by removal of Directors by members, vacancies in the Board of Directors occurring between annual meetings of members shall be filled by the remaining Directors.

(e) Removal. Any Director may be removed by concurrence of two-thirds (2/3) of the votes of the entire membership at a special meeting for the members called for that purpose. The vacancy in the Board of Directors so created shall be filled by the members of the Association at the same meeting.

(f) Proviso. Until Declarant no longer owns any lots or units in Village of Lake Forest Subdivision, or until Declarant by written notice to the Board of Directors of the Association, relinquishes voting control, whichever event shall first occur, the Declarant shall have the right to appoint all members of the Board of Directors.

3.03 Term. The term of each director's service shall be the calendar year following his election and subsequently until his successor is duly elected and qualified or until he is removed in the manner elsewhere provided.

3.04 Organizational Meeting. The organization meeting of a newly-elected Board of Directors shall be held within ten (10) days of their election at such place and times as shall be fixed by the

Directors at the meeting at which they were elected, and no further notice of the organization meeting shall be necessary.

3.05 Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the Directors. Notice of regular meetings shall be given to each Director, personally or by mail, telephone or telegraph, at least five (5) days to the day named for such meeting.

3.06 Special Meetings. Special meetings of the Directors may be called by the President and must be called by the Secretary at the written request of one third (1/3) of the Directors. Not less than five (5) days notice of the meeting shall be given personally or by mail, telephone or telegraph, which notice shall state the time, place and purpose of the meeting.

3.07 Waiver of Notice. Any Director may waive notice of a meeting before or after the meeting and such waiver shall be deemed equivalent to the giving of notice.

3.08 Quorum. A quorum at Directors' meetings shall consist of a majority of the entire Board of Directors. The acts approved by a majority of those present at a meeting at which a quorum is present shall constitute the acts of the Board of Directors, except when approval by a greater number of Directors as required by the Articles of Association, or these By-Laws.

3.09 Adjournment. If at any meeting of the Board of Directors there be less than a quorum present, the majority of those present may adjourn the meeting from time to time until a quorum is present. At any adjourned meeting any business that might have been transacted at the meeting as originally called may be transacted without further notice.

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

3.11 Presiding Officer. The presiding officer of Directors' meetings shall be the Chairman of the Board if such an officer has been elected; and if none, the President shall preside. In the absence of the presiding officer the Directors present shall designate one of their number to preside.

3.12 Fees. Directors' fees, if any, shall be determined by members.

ARTICLE IV

POWERS AND DUTIES OF
THE BOARD OF DIRECTORS

All of the powers and duties of the Association existing under the Articles of Association and these By-Laws shall be exercised exclusively by the Board of Directors, its agents, contractors or employees, subject only to approval by owners where such approval is specifically required.

ARTICLE V

OFFICERS

5.01 Executive Officers. The executive officers of the Association shall be a President, who shall be a director, a Treasurer, and a Secretary, all of whom shall be elected annually by the Board of Directors and who may be peremptorily removed by majority vote of the Directors at any meeting. Any person may hold two (2) or more offices except that the President shall not also be the Secretary. The Board of Directors, from time to time, shall elect such other officers and designate their powers and duties as the Board shall find to be required to manage the affairs of the Association.

5.02 President. The President shall be the chief executive officer of the Association. He shall have all of the powers and duties usually vested in the office of the president of an association, including but not limited to the power to appoint committees from among the members from time to time as he, in his discretion, may determine appropriate to assist in the conduct of the affairs of the Association.

5.03 Secretary. The Secretary shall keep the minutes of all proceedings of the Directors and the members. He shall attend to the giving and serving of all notices to the members and directors and other notices required by law. He shall have custody of the seal of the Association and affix it to instruments requiring a seal when duly signed. He shall keep the records of the Association, except those of the Treasurer, and shall perform all other duties incident to the office of Secretary of an association and as may be required by the Directors or the President. The Assistant Secretary shall perform the duties of the Secretary when the Secretary is absent.

5.04 Treasurer. The Treasurer shall have the custody of all property of the Association, including funds, securities and evidences of indebtedness. He shall keep the books of the Association in accordance with good accounting practices; and he shall perform all other duties incident to the office of Treasurer.

5.05 Compensation. The compensation of any employees of the Association shall be fixed by the Directors. The provision that directors' fees shall be determined by members shall not preclude the

Board of Directors from employing a Director as an employee of the Association.

ARTICLE VI

FISCAL MANAGEMENT

The provisions for fiscal management of the Association set forth in the Articles of Association shall be supplemented by the following provisions.

6.01 Accounts. The receipts and expenditures of the Association shall be created and charged to accounts under the following classification as shall be appropriate, all of which expenditures shall be common expenses:

(a) Current Expenses. Current expenses which shall include all receipts and expenditures within the year for which the budget is made, including a reasonable allowance for contingencies and operating funds, except expenditures chargeable to reserves, to additional improvements or to operations. The balance of this fund at the end of each year shall be applied to reduce the assessments for current expense for the succeeding year.

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

(c) Reserve - Replacement. Reserve for replacement, which shall include funds for repair or replacement required because of damage, depreciation or obsolescence.

6.02 Budget. The Board of Directors shall, by majority vote, adopt a budget for each calendar year. There shall be separate sub-budgets for owners of lot/units on (1) Wood Hill and Lake Forest Drives and (2) Massabesic Drive covering projected costs of maintenance, repair, replacement and operation of street lighting, roads, and other facilities designed for these individual sections. The balance of budget items shall be assessed equally to all owners. Following conveyance of the last Lot/Unit by Declarant, the budget shall not exceed one hundred thirty percent (130%) of the previous year's budget, unless approved by owners entitled to cast not less than sixty-seven percent (67%) of the votes of the entire membership of the Association. The budget shall include the estimated funds required to defray the assessments and to provide and maintain funds for the foregoing accounts and reserves according to good accounting practices as follows:

- (a) Current expense.
- (b) Reserve for deferred maintenance.
- (c) Reserve for replacement.

(d) Operation. Operation, the amount of which may be to provide a working fund or to meet losses.

(e) Contingencies. Until the Declarant no longer owns any lots or units in Village of Lake Forest Subdivision, or until the Declarant by written notice to the Board of Directors of the Association, shall relinquish voting control, whichever event shall first occur, the Board of Directors may omit from the budget all allowances for contingencies and reserves.

(f) Copies. Copies of the budget and proposed assessments shall be transmitted to each member on or before December 31, preceding the year for which the budget is made. If the budget is amended subsequently, a copy of the amended budget shall be furnished to each member.

6.03 Assessments. Assessments against the owners for their shares of the common expense items of the budget shall be made for the calendar year annually in advance on or before December 31 preceding the year for which the assessments are made. Such assessments shall be due in twelve equal installments on the first day of each month of the year for which the assessments are made or, at the option of the Board, quarterly in advance. If an annual assessment is not made as required, an assessment shall be presumed to have been made in the amount of the last prior assessment and monthly installments on such assessments shall be due upon each installment payment date until changed by an amended assessment. In the event the annual assessment proves to be insufficient, the budget and assessments may be proposed for amendment at any time by the Board of Directors, subject to approval by the owners as previously set forth. The unpaid assessment for the remaining portion of the calendar year for which the amended assessment is made shall be due upon the date of the assessment. The first assessment shall be determined by the Board of Directors of the Association.

6.04 Assessment Formula. Until such time as all lots and units in the subdivision have been established, the owner(s) of each lot or unit shall be responsible for a 1/74 fractional share of the common expenses, the Town of Auburn having approved the development of a total of seventy-four (74) units in the Subdivision at the time of the recording of the Declaration; except that, the assessments for the separate sub-budgets described in Section 6.02 above shall be computed by dividing the number 1 by the total number of lots/units in each particular section of the Subdivision. At such time as the Town has granted any additional approvals and all lots and units have been established in accordance with said approvals, the denominator of 74 shall be adjusted upward or downward to reflect such final number of lots and units. In the event members desire to change the allocation formula to reflect a more equitable allocation of costs among members, [e.g. based on type (improved or unimproved) or size of the lot/unit], such formula may be amended in the manner provided for in Article VII.

6.05 Default. In the event of non-payment of an assessment by any Owner after a period of thirty (30) days from the due date, such owner shall be considered in default and may be charged a late fee of fifteen (15) percent of the amount due, together with interest at an annual rate of eighteen (18) percent.

6.06 Lien for Assessments. The total regular assessment of each owner of a lot/unit for the common expenses or any emergency assessment levied pursuant to these By-Laws is hereby declared to be a lien levied against the lot/unit of such owner as provided in the Declaration of Covenants, Restrictions, Easements, Charges and Liens for the Village of Lake Forest Home Owners' Association, recorded herewith in the Rockingham County Registry of Deeds. With respect to regular assessments, the lien shall be in effect upon January 1 of each fiscal year of the Subdivision and, as to emergency or special assessments, on the first day of the next month which begins more than seven (7) days after delivery to the owner of notice of such assessments. In any case where an assessment against an owner is payable in installments, upon a default by such owner in the payment of any single installment, which continues for ten (10) days after written notice of such default has been sent to the owner, the maturity of the remaining total of the unpaid installments of such assessments may be accelerated, at the option of the Board of Directors, and the then balance owing may be declared due and payable in full by the service of notice to such effect upon the defaulting owner by the Board of Directors. The lien assessments shall include interests, costs and attorneys' fees, and the lien for contribution may be foreclosed in the manner provided by the laws of the State of New Hampshire for the foreclosure of power of sale mortgages or by suit brought in the name of the Board of Directors, acting on behalf of the Association. During the pendency of such proceedings or suit, the owner shall be required to pay a reasonable rental for the lot/unit for any period prior to sale pursuant to any judgment or order of any court having jurisdiction for such sale. Suits to recover a money judgment for unpaid assessments shall be maintainable without foreclosing or waiving the lien securing the same, and foreclosure shall be available without bringing suit to recover a money judgment.

6.07 Assessments for Emergencies. Assessments for common expenses for emergencies that cannot be paid from the annual assessments for common expenses shall be made only after notice of the need for such expenditures is given to the unit owners concerned. After such notice and upon approval in writing by persons entitled to cast more than one-half of the votes of the unit owners concerned, the assessment shall become effective and shall be due after thirty (30) days notice in such manner as the Board of Directors of the Association may require in the notice of assessment.

6.08 Depository. The depository of the Association shall be such bank or banks and/or such savings and loan association of savings and loan associations as shall be designated from time to time by the Directors and in which the monies of the Association shall be deposited. Withdrawal of monies from such accounts shall be only by checks signed by such persons as are authorized by the Directors.

6.09 Audit. At the Annual Meeting of the Association, the members present shall determine by a majority vote whether an audit of the accounts of the Association for the year shall be made by a Certified Public Accountant, a Public Accountant, or by an auditing committee consisting of not less than three members of the Association none of which shall be Board members. The cost of the audit shall be paid by the Association.

6.10 Fidelity Bonds. Fidelity Bonds may, at the option of the Board of Directors, be required from all officers and employees of the Association and from any contractor handling or responsible for the Association funds but shall be at least the amount of the total of two (2) monthly assessments against members for common expenses. The premiums on such bonds shall be paid by the Association.

ARTICLE VII

AMENDMENTS

These By-Laws may be amended in the following manner:

7.01 Notice. Notice of the subject matter of a proposed amendment shall be included in the notice of any meeting at which a proposed amendment is considered.

7.02 Resolution. A Resolution adopting a proposed amendment may be proposed by either the Board of Directors of the Association or by the members of the Association. Directors and members not present in person or by proxy at the meeting considering the amendment may express their approval in writing, provided such approval is delivered to the Secretary at or prior to the meeting. Except as elsewhere provided, such approvals must be by:

(a) not less than seventy-five percent (75%) of the entire membership of the Board of Directors and not less than seventy-five percent (75%) of the votes of the entire membership of the Association;

(b) until the first election of directors, by all of the directors; or

(c) until the Declarant no longer owns any lots or units in Village of Lake Forest Subdivision or until the Declarant, by written notice to the Board of Directors of the Association, shall relinquish voting control, whichever event shall first occur, by the Declarant.

7.03 Amendment by Declarant. Notwithstanding anything to the contrary contained herein, the Declarant shall have the right to amend these By-Laws until the Declarant no longer owns any lots or units in Village of Lake Forest Subdivision or until the Declarant, by written notice to the Board of Directors of the Association, relinquishes voting control, whichever event shall first occur.

7.04 Proviso. Except as otherwise provided herein, no amendment shall discriminate against any owner or class of owners unless the owners so affected shall consent. No amendment shall be made that is in conflict with the Articles of Association.

ARTICLE VIII

RESALE RIGHTS OF PURCHASERS

8.01 In the event of any resale of a lot, parcel, unit or interest in subdivided lands by any person other than the Declarant, the prospective purchaser shall have a right to obtain from the Association, prior to the contract date of disposition, the following:

(a) a statement of any capital expenditures and major maintenance expenditures anticipated by the Association within the current or succeeding two (2) fiscal years;

(b) a statement of the status and amount of any reserve for the major maintenance or replacement fund and any portion of such fund ear-marked for any specified project by the Board of Directors;

(c) a copy of the income statement and balance sheet of the Association for the last fiscal year for which such statement is available;

(d) a statement of the status of any pending suits or judgments in which the Association is a party defendant;

(e) a statement setting forth what insurance coverage is provided by the Association and what additional insurance coverage would normally be secured by each individual property owner; and

(f) a statement that any improvements or alterations made to the lot, parcel, unit or interest by the prior property owner are not known to be in violation of any restrictions and covenants imposed upon the subdivided lands.

8.02 The principal officer of the Association, or such other officer or officers as the instruments creating such Association may specify, shall furnish the statements prescribed by paragraph 8.01 upon the written request of any prospective purchaser within ten (10) days of the receipt of such request.

VILLAGE OF LAKE FOREST
HOMEOWNERS' ASSOCIATION, INC.

By: *Dana Wood*
Dana Wood, President