

**EXHIBIT A TO
DECLARATION OF RESTRICTIONS,
EASEMENTS, AND CONDITIONS FOR
WATSON FARM**

**BY-LAWS OF
WATSON FARM HOMEOWNERS ASSOCIATION
WITH RULES AND REGULATIONS**

BY- LAWS
OF
WATSON FARM HOMEOWNERS ASSOCIATION

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BY-LAWS
OF
WATSON FARM HOMEOWNERS ASSOCIATION

ARTICLE I

Applicability, Definitions, and Compliance

1.1 **Applicability.** These By-Laws shall apply to WATSON FARM HOMEOWNERS ASSOCIATION (hereinafter sometimes called the "Association"), to the Members thereof as hereinafter defined, and to the property in the Town of South Kingstown, County of Washington, State of Rhode Island, known as the WATSON FARM SUBDIVISION (sometimes referred herein to as "Watson Farm"). These By-Laws provide for the governance of Watson Farm pursuant to the Declaration of Restrictions, Easements and Conditions for Watson Farm.

1.2 **Definitions.** Insofar as the terms used in these By-Laws are defined in the said Declaration, they shall have the same meaning provided for therein, unless otherwise state or unless the context demands otherwise, or if not defined therein, the meanings specified for such term in the Condominium Act. The following terms when used herein shall have the meanings set forth below:

(a) The term "Member" as used in these By-Laws shall mean and include the Lot Owner of a Lot, his heirs, devisees, personal representatives and successors in title. Initially, the Declarant, being the sole owner of all the Lots, shall be the sole Class A Member and the sole Class B Member. Thereafter, any person on becoming a Lot Owner, shall automatically become a Class A Member of the Association and be subject to these By-Laws, and such Membership shall terminate without any formal action whenever such person ceases to own a Lot, but such termination shall not relieve or release any such former Lot Owner or Member from any liability or obligations incurred under or in any way connected with the Subdivision during the period of such ownership and membership, or impair any rights or remedies which the Board of Directors of the Association or others may have against such former Lot Owner and Member arising out of or in any way connected with such ownership and membership and the covenants and obligations incident thereof.

(b) The term "Membership" in the Association as used in these By-Laws shall be limited to Lot Owners of Lots in Subdivision, provided that whenever title to a Lot is vested in two (2) or more persons, whether as Tenants by the Entirety,

Joint Tenants, Tenants in Common or otherwise, such co-Owners shall be entitled jointly to only the vote hereinafter defined for each Lot so owned by them at any meeting, whether annual or special, at which Members are entitled to vote as hereinafter provided.

1.3 Compliance. These By-Laws, to the extent permitted by law, shall apply automatically to all Lot Owners and to all tenants and all persons controlling, occupying or using a Lot.

ARTICLE II

The Association

2.1 Composition. The Association is hereby organized as a nonprofit corporation under the laws of the State of Rhode Island. The Members and the Membership of the Association shall consist of those persons as defined in Section 1.2 of these By-Laws.

2.2 Purpose. The purpose of the Association is to be the Association to which reference is made in the Declaration of Restrictions, Easements and Conditions for Watson Farm as filed, or to be filed in the Land Evidence Records of the Town of South Kingstown, County of Washington, State of Rhode Island, and to provide an entity for the furtherance of the interests of the Lot Owners. The Association shall have the responsibility of administering, establishing the means and methods of collecting assessments and charges, arranging for the management of the Association and performing all other acts that may be required or permitted to be performed by the Association pursuant to the Declaration. Except as to those matters which the Act specifically requires to be performed by the vote of the Association, the foregoing responsibilities shall be performed by the Board of Directors as more particularly set forth in these By-Laws.

2.3 Principal Office. The principal office of the Association shall be located initially at 1080 Kingstown Road, Peace Dale, Rhode Island 02883 but thereafter may be located at such other suitable and convenient place or places as are permitted by law and designated by the Board of Directors.

ARTICLE III

Meeting of Members

3.1 Place of Meetings. All meetings of the Members of the Association, both annual and special, shall be held at the principal office of the Association, or at such other suitable

and convenient places as may be permitted by law, fixed by the Board of Directors, and designated in the notices of such meetings.

3.2 Annual Meetings.

(a) The first annual meeting of Members shall be held on the first (1st) Saturday of December, 1994, or such earlier date as may be determined by the Declarant. Subsequent annual meetings shall be held on the first (1st) Saturday of December in each succeeding year, or at such other time (not more than sixty (60) days before or after such date) as may be designated by the board of Directors. At each annual meeting, there shall be elected a Board of Directors in accordance with the provisions of Article IV of these By-Laws. The Members may also transact such other business as may properly come before the meeting.

(b) The Secretary shall hand deliver or mail notice of annual meetings to each Member of the Association (regardless of whether he is entitled to vote at such meeting) directed to his last known post office address as shown on the records of the Association, by United States mail, first-class, with postage prepaid. Such notice shall be hand delivered or mailed not less than ten (10) days nor more than sixty (60) days before the date of such meeting, and shall state the date, time and place of the meeting and the items on the agenda, including the general nature of any proposed amendment to the Declaration or By-Laws, any budget changes, and any proposal to remove a Director or Officer/ The mailing of such notice as in this subsection provided shall be deemed notice duly served.

3.3 Special Meetings. Special meetings may be called by the President and the President shall call a special meeting of the Association if so directed by resolution of the Board of Directors or upon a petition signed and presented to the Secretary by Lot Owners of not less than twenty (20%) percent of the Lot Owners. The notice of any special meeting shall state the time, place, and purpose thereof. Such meeting shall be held within forty-five (45) days after receipt by the President of said resolution or petition, unless the Declaration or the By-Laws require otherwise. No business shall be transacted at a special meeting except as stated in the notice.

3.4 Adjournment of Meetings. If at any meeting of the Association a quorum is not present, Lot Owners entitled to cast a majority of the votes represented at such meeting may adjourn the meeting to a time not less than five (5) days nor more than thirty (30) days after the time for which the original meeting was called. At such adjourned meeting at which a quorum is present, any business which might have been

transacted at the meeting originally called may be transacted. If a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting, or if for any reason a new date is fixed for the adjourned meeting after adjournment, a notice of the time and place of the adjourned meeting shall be given to members in the manner prescribed for regular meetings.

3.5 List of Members. The Secretary shall compile and keep up to date at the principal office of the Association, or such place as shall be from time to time designated by the Board of Directors, a complete list of Members and their last known post office addresses as shown on the records of the Association. Such list shall also show opposite each Member's name the number or other appropriate designation of the Lot owned by him. Such list shall be open to inspection by Members and other persons lawfully entitled to inspect the same at all reasonable times during regular business hours.

3.6 Voting. The Association shall have two (2) classes of Membership, Class A and Class B as follows:

(a) Class A. Class A Members shall be all Owners of Lots, with the exception of the Class B Members, if any. Class A Members shall be entitled on all issues to one (1) vote for each Lot in which they hold the interest required for Membership by Article V of the Declaration; there shall be only one (1) vote per Lot; provided, however, no vote shall be cast or counted for any Lot not subject to assessment. When more than one person or entity holds such interest in any Lot, the vote for such Lot shall be exercised as those persons or entities themselves determined and advised to the Secretary of the Association prior to any meeting. In the absence of such advice, the Lot's vote shall be suspended in the event more than one person or entity seeks to exercise it.

Any Owner of Lots which are leased may, in the lease or other written instrument, assign the voting right appurtenant to that Lot to the lessee, provided that a copy of such instrument is received by the Secretary prior to any meeting.

(b) Class B. Class B Members shall be the Declarant, and any successor(s) of Declarant who take title for the purpose of development and sale. The Class B Members shall originally be entitled to eighty-nine (89) votes; this number shall be decreased by one (1) vote for each Class A vote outstanding at any one time. The Class B Membership shall terminate and become converted to Class A Membership upon the happening of the earlier of the following:

- (i) When the total outstanding Class A votes equal or exceed eighty (80); or
- (ii) On January 1, 2001; or
- (iii) When, in its discretion, the Declarant so determines and executes and records, in the Land Evidence Records of the Town of South Kingstown, an instrument stating such determination.

From and after the happening of these events, whichever occurs earlier, the Class B Members shall be deemed to be Class A Members entitled to one (1) vote for each Lot in which the interest required for membership under Section 1 hereof is held. At such time, the Declarant shall call a meeting as provided in the By-Laws for special meetings to advise the membership of the termination of Class B status.

(c) Quorum. Unless otherwise provided in this Declaration, or the By-Laws, the presence, in person or by proxy, at any meeting of Members, entitled to cast twenty (20%) percent of the voting power of each Class shall constitute a quorum at such meeting of the Association. In the event a quorum is not present, another meeting may be called, and the presence in person or by proxy, at such meeting of members entitled to cast ten (10%) percent of the Class A voting power shall constitute a quorum at such meeting.

(d) Multiple Owner. Where the ownership of a Lot is in More than one person, then:

- (i) The person who shall be entitled to cast the vote of such Lot shall be the person named in a certificate executed by all of the owners of such Lot and filed with the Secretary; such certificate shall be valid until revoked by a subsequent certificate similarly executed;
- (ii) In the absence of such named person from the meeting, the person who shall be entitled to cast the vote of such Lot shall be the person owning such Lot who is present;
- (iii) If more than one person owning such Lot is present, then such vote shall be cast only in accordance with their unanimous agreement. There shall be deemed to be unanimous agreement if any one of the multiple owners casts the vote allocated to

that Lot without protest being made promptly to the person presiding over the meeting by any of the other owners of the Lot;

- (iv) The vote of the Lot shall be suspended in the event more than one Owner of the Lot seeks to exercise it.

Except where a greater number is required by the Declaration or the By-Laws, a Majority Vote is required to adopt decisions at any meeting of the Association. If the Declarant owns or holds title to one or more Lots, the Declarant shall have the right at any such meeting of the Association to cast any and all of the votes to which such Lot or Lots are entitled.

No Lot Owner may vote at any meeting of the Association or be elected to or serve on the Board of Directors if payment of the assessment on his Lot is delinquent more than thirty (30) days and the amount necessary to bring his account current has not been paid at the time of such meeting or election. There shall be no cumulative voting.

"Majority Vote" means fifty-one (51%) percent of the total vote present and entitled to vote at any meeting in person or by proxy.

No votes allocated to a Lot owned by the Association may be cast.

3.7 Proxies. Votes may be cast in person or by proxy. Proxies must be duly executed in writing, shall be witnessed and dated, shall be valid only for the particular meeting designated therein, and must be filed with the Secretary before the time appointed for each meeting in the notice thereof. If a Lot is owned by more than one person, each such Lot Owner may vote or register protest to the casting of votes by the other Lot Owners through a duly executed proxy. A Lot Owner may not revoke a proxy given pursuant to this section except by actual notice of revocation to the person presiding over a meeting of the Association. A proxy is void if it is not dated or purports to be revocable without notice. Except with respect to proxies in favor of a holder of a mortgage on the Lot, a proxy terminates one year after its date, unless it specifies a shorter term.

3.8 Quorum.

(a) Except as set forth below, the presence in person or by proxy of twenty (20%) percent or more of the Lot

Owners at the commencement of a meeting shall constitute a quorum at all meetings of the Association.

(b) If a meeting is adjourned pursuant to Section 3.4 above, the quorum at such second meeting shall be deemed present throughout any meeting of the Association if ten (10%) percent of the Lot Owners are present in person or by proxy at the beginning of the meeting.

(c) The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, provided that any action taken shall be approved by at least a majority of the Members required to constitute a quorum.

3.9 Waiver of Notice. Waiver of notice of meeting of the Members shall be deemed the equivalent of proper notice. Any Member may, in writing, waive notice of any meeting of the Members, either before or after such meeting. Attendance at a meeting by a Member, whether in person or by proxy, shall be deemed waived by such Member of notice of the time, date, and place thereof, unless such Member specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting shall also be deemed waiver of notice of all business transacted thereat unless objection to the calling or convening of the meeting, of which proper notice was not given, is raised before the business is put to a vote.

3.10 Action Without a Meeting. Any action which may be taken by the vote of Members at a regular or special meeting, except the election of Board Members, may be taken without a meeting as and to the extent permitted by Rhode Island law.

3.11 Conduct of Meetings. The President shall preside over all meetings of the Association and the Secretary shall keep the minutes of the meeting and record in a book all resolutions adopted at the meeting as well as a record of all transactions occurring thereat. The President may appoint a person to serve as parliamentarian at any meeting of the Association. The then current edition of Robert's Rules of Order shall govern the conduct of all meetings of the Association when not in conflict with the Declaration or these By-Laws. All votes shall be tallied by tellers appointed by the President.

ARTICLE IV

Board of Directors

4.1 Number and Qualification. The affairs of the Association shall be governed by a Board of Directors. Prior

to the termination of the Class B Membership, the Board of Directors shall be composed of three (3) natural persons who shall be appointed by the Declarant, unless the Declarant sooner permits the election of one or more Class A members to the Board of Directors by written instrument recorded in the Land Evidence Records of the Town of South Kingstown, stating such determination and election.

It is the intent of this Article that the right to elect the members of the Board of Directors shall pass from the Declarant (Class B member) to the Class A members at such time as the Class B membership terminates. After the termination of the Class B Membership, the Board of Directors shall be composed of three (3) natural persons elected by the Class A Members.

All members of the Board of Directors shall be Lot Owners or designees of the Declarant.

4.2 Delegation of Powers; Managing Agent. The Board of Directors may employ for the Association a "Managing Agent" at a compensation established by the Board of Directors. The Managing Agent shall perform such duties and services as the Board of Directors shall authorize, including, but not limited to, all of the duties listed in the Declaration and these By-Laws; provided, however, where a Managing Agent does not have the power to act under the Declaration or these By-Laws, such duties shall be performed as advisory to the Board of Directors.

(a) Exceptions of Powers. The Board of Directors may delegate to the Managing Agent all of the powers granted to the Board of Directors by the Declaration and these By-Laws other than the following powers:

- (i) To adopt the annual budget, any amendment thereto or to assess any Common Expenses;
- (ii) To adopt, repeal or amend Rules and Regulations;
- (iii) To designate signatories on Association bank accounts;
- (iv) To borrow money on behalf of the Association; and
- (v) To acquire and mortgage Lots or property of any kind.

(b) Contract. Any contract with the Managing Agent must provide that it may be terminated with cause on thirty

(30) days' written notice and without cause and without penalty or any termination fee on not more than sixty (60) days' written notice. The term of any such contract may not exceed three (3) years. The Managing Agent shall be a bona fide business enterprise which manages common interest residential communities. Such firm or its principals shall have a minimum of two years experience in real estate community management and shall employ persons possessing a high level of competence in the technical skills necessary to proper management of the Association. The Managing Agent must be able to advise the Board of Directors regarding the administrative operation of the Association and shall employ personnel knowledgeable in the areas of residential community insurance, accounting, contract negotiation, labor relations and association regulation.

(c) Standards of Performance. The Board of Directors shall impose appropriate standards of performance upon a Managing Agent. Unless a Managing Agent is instructed otherwise by the Board of Directors:

- (i) The accrual method of accounting shall be employed and expenses required by these By-Laws to be charged to more than one but less than all Lot Owners shall be accounted for separately;
- (ii) Two or more persons shall be responsible for handling cash to maintain adequate financial control procedures;
- (iii) Cash accounts of the Association shall not be commingled with any other accounts;
- (iv) No remuneration shall be accepted by the Managing Agent from vendors, independent contractors or others providing goods or services to the Association whether in the form of commissions, finders' fees, service fees or otherwise; any discounts received shall benefit only the Association;
- (v) Any financial or other interest which the Managing Agent may have in any firm providing goods or services to the Association shall be disclosed promptly to the Board of Directors; and
- (vi) A monthly financial report shall be prepared for the Association containing:

- (1) An "income statement" reflecting all income and expense activity for the preceding month on an accrual basis;
- (2) An "account activity statement" reflecting all receipt and disbursement activity for the preceding month on a cash basis;
- (3) An "account status report" reflecting the status of all accounts in an "actual" versus "projected" (budget) format;
- (4) A "balance sheet" reflecting the financial condition of the Association on an unaudited basis;
- (5) A "budget report" reflecting any actual or pending obligations which are in excess of budgeted amounts by an amount exceeding the operating reserves or ten (10%) percent of a major budget category (as distinct from a specific line item in an expanded chart of accounts); and
- (6) A "delinquency report" listing all Lot Owners who are delinquent in paying assessments and describing the status of any actions to collect such assessments.

(d) Employment of Managing Agent. Until the termination of Class B Membership, the Board of Directors may not employ a Managing Agent for a term exceeding one (1) year. The Association and the Board of Directors may use "self-management" at any time.

(e) Self-Management. If there is no acting Managing Agent, the Board of Directors shall delegate to one of its Members the authority to act on behalf of the Board of Directors on all matters relating to the duties of the Managing Agent or Manager, if any, which might arise between meetings of the Board of Directors.

4.3 Election and Term of Office.

(a) At the annual meetings of the Association, subject to Section 4.1 of the By-Laws, the election of Members of the Board of Directors shall be held. The term of office of any Board of Directors' Member to be elected (except as set

forth in Sections 4.4 and 4.5 hereof) shall be fixed at three (3) years, commencing January 1st of each year; provided, however, the initial term of the Directors elected by the Class A Members shall be one (1) year, two (2) and three (3) years. The Members of the Board of Directors shall hold office until the earlier to occur of the election of their respective successors or their death, adjudication of incompetency, removal, or resignation. A Board of Directors' Member may serve an unlimited number of terms and may succeed himself.

(b) Persons qualified to be members of the Board of Directors may be nominated for election only as follows:

- (i) Any Lot Owner may submit to the Secretary at least thirty (30) days before the meeting at which the election is to be held a nominating petition signed by the Lot Owners owning at least three (3) Lots and a statement that the person nominated is willing to serve on the Board of Directors. The Secretary shall mail or hand deliver the submitted items to every Lot Owner along with the notice of such meeting;
- (ii) Nominations may be submitted from the floor at the meeting at which the election is held for each vacancy on the Board of Directors for which no more than one person has been nominated by petition.

(c) In all elections for Board of Directors Members, each Lot Owner shall be entitled to cast for each vacancy to be filled at such election the number of votes allocated to the Lot. Those candidates for election receiving the greatest number of votes cast in such elections shall be elected, and, if the Board of Directors Members are being elected to unequal terms, the candidates receiving the highest number of votes shall be elected to the longest term.

4.4 Removal or Resignation of Members of the Board of Directors.

(a) Except with respect to Members appointed by Declarant, at any regular or special meeting of the Association duly called and subject to the notice requirements set forth in subsection (b) below, any one or more of the Members of the Board of Directors may be removed with or without cause by Lot Owners entitled to a majority of all votes in the Association. A successor may then and there be elected to fill the vacancy thus created for the remainder of the term of the Member being replaced. In case of multiple vacancies, the person receiving

the greatest number of votes shall be elected for the longest term.

(b) Any Lot Owner proposing removal of a Board of Directors Member shall give notice thereof to the Secretary. Any Member whose removal has been proposed by a Lot Owner shall be given at least twenty (20) days' notice by the Secretary of the time, place and purpose of the meeting and shall be given an opportunity to be heard at the meeting.

(c) A Member of the Board of Directors may resign at any time and shall be deemed to have resigned upon transfer of title to his Lot, if, as a result of such transfer, such Member of the Board of Directors has no ownership interest in any Lot.

(d) Declarant shall have the right to remove and replace any or all Members appointed by the Declarant at any time and from time to time.

4.5 Vacancies. Vacancies in the Board of Directors caused by reason, excluding the removal of a Director by vote of the Association, shall be filled by a vote of the majority of the remaining Directors, even though less than a quorum, at any meeting of the Board. Each person so elected shall serve the unexpired portion of the vacated term.

4.6 Organizational Meeting. The first meeting of the board of Directors following each annual meeting of the Association (hereinafter referred to as the "Organizational Meeting") shall be held within ten (10) days thereafter at such time and place fixed by the President (even if he is the outgoing President) at the meeting at which such Board of Directors shall have been elected. No notice shall be necessary to the newly elected Members of the Board of Directors in order legally to constitute such meeting, providing a majority of the whole Board of Directors shall be present at such meeting.

4.7 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 Members, but such meetings shall be held at least once every two (2) months. Notice of regular meetings of the Board of Directors shall be given to each member, by mail or telegraph, and posted at a prominent place within the General Common Area at least five (5) days prior to the day named for such meeting.

4.8 Special Meetings. Special meetings of the Board of Directors may be called by the President on at least three (3) days' notice to each Member, given by mail or telegraph, and by posting a notice at a prominent place within the General Common Area which notice shall state the time, place and purpose of

the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice on the written request of at least two (2) Members of the Board of Directors.

4.9 Waiver of Notice. Any Member at any time, in writing, waiver notice of any meeting of the Board of Directors, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Member at any meeting of the Board of Directors shall constitute a waiver of notice by him of the time, place and purpose of the Board of Directors, no notice shall be required and any business may be transacted at such meeting.

4.10 Quorum of the Board of Directors. At all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business and the votes of a majority of the Directors present at a meeting at which a quorum is present shall constitute the decision of the Board of Directors. If at any meeting of the Board of Directors there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time. At any reconvened meeting at which a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice. One or more Members of the Board of Directors may participate in and be counted for quorum purposes at any meeting by means of conference telephone or similar communication equipment pursuant to which all persons participating in the meeting can hear each other.

4.11 Compensation. No Member of the Board of Directors shall receive any compensation from the Association for acting as such, but may be reimbursed for any reasonable expenses incurred in the performance of his duties.

4.12 Conduct of Meetings. The President shall preside over all meetings of the Board of Directors and the Secretary shall keep a minute book of the Board of Directors' meetings, recording therein all resolutions adopted by the Board of Directors and a record of all transactions and proceedings occurring at such meetings. Such minute records shall be kept at the office of the Association and may be examined, at any time by any Member who may make copies of any provisions. The Secretary shall, upon request of such member, for a reasonable charge, supply such Member with copies of such minutes as such Member shall designate certified by such Secretary as being true and correct. The then current edition of Robert's Rules of Order shall govern the conduct of the meetings of the Board of Directors when not in conflict with the Declaration or these By-Laws. All meetings of the Board of Directors shall be open to all Members, but Members other than Directors may not

participate in any decision or deliberation unless expressly so authorized by a majority of the Directors present at such meeting.

The Board may, with approval of a majority of a quorum, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved, and orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session.

4.13 Action Without Meeting. Any action by the Board of Directors required or permitted to be taken at any meeting may be taken without a meeting if all of the Members of the Board of Directors shall individually or collectively consent in writing to such action. Any such written consent shall be filed with the minutes of the proceedings of the Board of Directors. An explanation of the action taken shall be posted at a prominent place within the General Common Area within three (3) days after the written consents of all the Board Members have been obtained.

4.14 Validity of Contracts With Interested Board of Directors Members. No contract or other transaction between the Association and one or more of its Board of Directors Members or between the Association and any corporation, firm, or association in which one or more of the Board of Directors Members of the Association are directors or officers, or are financially interested, shall be void or voidable because such Board of Directors Member or Members are present at any meeting of the Board of Directors which authorized or approved the contract or transaction or because his or their votes are counted, if the circumstances specified in either of the following subparagraphs exists:

(a) The fact that a Board of Directors Member is also such a director or officer or has such financial interest is disclosed or known to the Board of Directors and is noted in the minutes thereof, and the Board of Directors authorizes, approves or ratifies the contract or transaction in good faith by a vote sufficient for the purpose without counting the vote or votes of such Board of Directors Member or Members; or

(b) The contract or transaction is made in good faith and is not unconscionable to the Association at the time it is authorized, approved or ratified.

4.15 Inclusion of Interested Board of Directors Members in the Quorum. Any Board of Directors Member holding such director or officer position or having such financial interest in another corporation, firm or association may be counted in

determining the essence of a quorum at a meeting of the Board of Directors or a committee thereof which authorizes, approves or ratifies a contract or transaction of the type described in Section 4.14 hereof.

4.16 Powers. The Board of Directors shall have and exercise all lawful powers and duties necessary for the proper conduct and administration of the affairs of the Association and the operation and maintenance of a first-class subdivision project, and may do or cause to be done all such other lawful acts and things as are not by law or by the Declaration directed or required to be done or exercised by Members or Lot Owners, or by others. These powers and duties shall include, but not be limited to, the following:

(a) The operations, maintenance, renewal and protection of the General Common Area and Special Properties Area and general supervision and surveillance of all of the property of the Association.

(b) The adoption of an annual budget and any amendment thereto and the assessment of Common Expenses.

(c) By majority vote of the Board of Directors, to adjust or increase the amount of any annual assessment and monthly installments, and to levy and collect in addition thereto, special assessments in such amounts as the Board of Directors may deem proper, whenever the Board of Directors is of the opinion that it is necessary to do so in order to meet increased operating or maintenance costs, or additional capital expenses, or because of emergencies; provided, however, that all such increased or special assessments shall be made or levied against such Lot Owners and the Lot owned by them respectively, equally or as provided in the Declaration.

(d) To use and expend any sums collected from such assessments or levies for the operation, maintenance, renewal and protection of the General Common Area and of the Association Property, as herein provided and contemplated.

(e) To require all officers and employees of the Association handling or responsible for funds of the Association, or funds in its possession or under its control, to furnish adequate fidelity bonds, in form, penalties and with corporate surety satisfactory to the Board of Directors. The premiums on such bonds shall be paid by the Association as part of the Common Expenses.

(f) To pay all taxes and assessments levied or assessed against any property of the Association, exclusive of any taxes or assessments levied against any Lot or otherwise properly chargeable to the Lot Owners thereof.

(g) To employ and dismiss such clerks, stenographers, workmen, janitors, gardeners, watchmen and other personnel, and to purchase or arrange for such services, machinery, equipment, tools, material and supplies as in the opinion of the Board of Directors may from time to time be necessary for the proper operation and maintenance of the Association, except the portions thereof required to be maintained by Lot Owners.

(h) To enter or cause to be entered upon any Lot in any building when deemed necessary for or in connection with the operation, maintenance, repair, renewal or protection of any General Common Areas and Facilities or to prevent damage to the General Common Area, or to any Lot or Lots, or in emergencies, provided that such entry and work shall be done with as little inconvenience as possible to the Lot Owners and occupants of such lots. Each Lot Owner shall be deemed to have expressly granted such rights of entry by accepting and recording the deed to his Lot.

(i) To collect delinquent levies or assessments made by the Association through the Board of Directors against any Lot and the respective Lot Owners thereof, together with such costs and expenses incurred in connection therewith, including, but not limited to court costs and attorneys' fees, whether by suit or otherwise, to abate nuisances, and enforce observations of the Rules and Regulations that may be adopted from time to time, by injunction or such other legal action or means as the Board of Directors acting with the advice of legal counsel may deem necessary or appropriate.

(j) To employ or retain legal counsel, engineers and accountants and to fix their compensation whenever such professional advice or services may be deemed necessary by the Board of Directors for any proper purposes of the Association, including, but not limited to, those hereinbefore or hereinafter referred to in these By-Laws.

(k) To cause such operating accounts, and escrow and other accounts, if any, to be established and opened as the Board of Directors may deem appropriate from time to time and as may be consistent with good accounting practices.

(l) To cause a complete audit of the books and accounts of the Association to be made by a public accountant or certified public accountant at the end of each fiscal year, and at such other time or times as may be deemed necessary. The Board of Directors shall also prepare at the end of each fiscal year and furnish to the Lot Owners a report of the business and affairs of the Association, showing its transactions and reflecting fully and accurately its financial condition.

(m) To make and enforce compliance with such reasonable Rules and Regulations relative to the operation, use and occupancy of the Lots and General Common Area and to amend the same from time to time as the Board of Directors shall deem necessary or appropriate, which Rules and Regulations when approved by appropriate resolutions, shall be binding on the Lot Owners, their successors in title, and assigns. A copy of such Rules and Regulations and copies of any amendments thereof shall be delivered or mailed to each Lot Owner promptly upon the adoption thereof. The initial Rules and Regulations, which shall be effective until so amended by the Board of Directors, are set forth in Schedule A attached hereto.

(n) The Board of Directors may borrow funds for any authorized purpose, including, but not limited to, the purchase of Lots, under the provisions contained in the Declaration and these By-Laws or for the payment of Common Expenses.

(o) All agreements, contracts, deeds, mortgages, leases, checks and other instruments shall be executed by such officers or Member or Members of the Board of Directors as may be authorized by the Board of Directors.

(p) The Board of Directors shall be required to obtain and maintain, to the extent obtainable, the casualty, liability and other forms of insurance in connection with the General Common Area and any property of the Association, the Lot Owners, the Association and its Members, directors, officers, employees, agents and managers as more fully provided in the Declaration.

(q) To cause to be repaired, reconstructed, restored or replaced the General Common Area or any portion thereof damaged, destroyed, or taken by condemnation to the extent that insurance proceeds, condemnation awards and other amounts actually received by the Association are sufficient for the purpose in accordance with the Declaration.

(r) To carry out, or cause to be carried out, any other obligations of the Association set forth in the Declaration and the By-Laws as they may be amended from time to time.

4.17 Limited Liability of the Board of Directors. The Board of Directors, and its Members in their capacity as Members, officers and employees:

(a) Shall not be liable for the failure of any service to be obtained by the Board of Directors and paid for by the Association, or for injury or damage to persons or property caused by the General Common Area or by another Lot Owner or person on the property, or resulting from electricity,

gas, water, rain, dust or sand which may leak or flow from the outside or from any part of a building, or from any of its pipes, drains, conduits, appliances, or equipment, or from any other place unless in each such instance such injury or damage has been caused by the willful misconduct or gross negligence of the Association or the Board of Directors;

(b) Shall not be liable to the Lot Owners as a result of the performance of the Board of Directors Members' duties for any mistake of judgment, negligence or otherwise, except for the Board of Directors Members' own willful misconduct or gross negligence;

(c) Shall have no personal liability in contract to a Lot Owner or any other person or entity under any agreement, check, contract, deed, lease, mortgage, instrument or transaction entered into by them on behalf of the Board of Directors or the Association in the performance of the Board of Directors Members' duties;

(d) Shall not be liable to a Lot Owner, or such Lot Owner's tenants, employees, agents, customers, or guests for loss or damage caused by theft of or damage to personal property left by such Lot Owner or his tenants, employees, agents, customers or guests in a Lot, or in or on the General Common Area, except for the Board of Directors Members' own willful misconduct or gross negligence;

(e) Shall have no personal liability in tort to a Lot Owner or any other person or entity, direct or imputed, by virtue of acts performed by or for them, except for the Board of Directors Members' own willful misconduct or gross negligence in the performance of their duties; and

(f) Shall have no personal liability arising out of the use, misuse or condition of the General Common Area or Lots, or which might in any other way be assessed against or imputed to the Board of Directors Members as a result of or by virtue of their performance of their duties, except for the Board of Directors Members' own willful misconduct or gross negligence.

4.18 Indemnification. Each member of the Board of Directors in his capacity as a Board of Directors' member, officer or both, shall be indemnified by the Association against all expenses and liabilities, including attorneys' fees, reasonably incurred by or imposed upon him in connection with any proceeding in which he may become involved by reason of his being or having been a member and/or officer of the Board of Directors, or any settlement of any such proceeding, whether or not he is a Board of Directors member, officer of both, at the time such expenses are incurred, except in such

cases wherein such Board of Directors member and/or officer is adjudged guilty of willful misconduct or gross negligence in the performance of his duties; provided that, in the event of a settlement, this indemnification shall apply only if and when the Board of Directors (with the affected member abstaining if he is then a Board of Directors member) approves such settlement and reimbursement as being in the best interests of the Association. The indemnification by the Lot Owners set forth in this Section 4.17 shall be paid by the Association on behalf of the Lot Owners and shall constitute a Common Expense and shall be assessed and collectible as such. Such right of indemnification shall not be deemed exclusive of any other rights to which such Board of Directors member and/or officer may be entitled as a matter of law or agreement or by vote of the Lot Owners or otherwise.

4.19 Hearing Procedure. The Board shall not impose a fine, suspend voting, or infringe upon any other rights of a Member or other occupant for violations of rules unless and until the following procedure is followed:

(a) Demand. Written demand to cease and desist from an alleged violation shall be served upon the violator specifying:

- (i) the alleged violation;
- (ii) the action required to abate the violation; and
- (iii) a time period, not less than ten (10) days, during which the violation may be abated without further sanction, if such violation is a continuing one, or a statement that any further violation of the same rule may result in the imposition of a sanction after notice of hearing if the violation is not continuing.

(b) Notice. At any time within twelve (12) months of such demand, if the violation continues past the period allowed in the demand for abatement without penalty or if the same rule is subsequently violated, the Board or its delegate shall serve the violator with written notice of a hearing to be held by the Board in executive session. The notice shall contain:

- (i) the nature of the alleged violation;
- (ii) the time and place of the hearing, which time shall not be less than ten (10) days from the giving of the notice;

(iii) an invitation to attend the hearing and produce any statement, evidence, and witness on his or her behalf; and

(iv) the proposed sanction to be imposed.

(c) Hearing. The hearing shall be held in executive session pursuant to this notice affording the Member a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of notice and the invitation to be heard shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed.

ARTICLE V

Officers

5.1 Officers. The officers of the Association shall be a President, a Vice President, a Secretary and a Treasurer. The Board of Directors may appoint such other officers as in their judgment are necessary. The President and Vice President shall be Lot Owners or the designated representative of a corporation, partnership or other legal entity which is a Lot Owner, or a designated representative of the Developer, and may or may not be members of the Board of Directors. Any other officer may, but need not, be a Lot Owner or a member of the Board of Directors. Not more than two (2) offices may be held by the same person.

5.2 Election. The officers of the Association shall be elected annually by the Board of Directors at the organizational meeting of each new Board of Directors and shall hold office until their successors are elected or appointed by the Board of Directors and qualify. A vacancy in any office arising because of death, resignation, renewal or otherwise may be filled by the Board of Directors for the unexpired portion of the term.

5.3 Removal. Each officer shall hold office at the pleasure of the Board of Directors and may be removed with or without cause, and his successor elected at any annual, or at any special meeting of the Board of Directors called for such purpose, upon the affirmative vote of a majority of the members of the Board of Directors.

5.4 President.

(a) The President shall be the Chief Executive Officer of the Association and shall preside at all meetings of the Members and of the Board of Directors, provided, however, that unless he be a member of the Board of Directors, he shall have no vote at the meetings of said Board of Directors. He shall have the general powers and duties usually vested in the office of the President, including, but not limited to, the power to appoint committees from among the Members from time to time as he may deem appropriate to assist in the conduct of the affairs of the Association.

(b) The President shall execute and seal deeds, contracts and other instruments, in the name and on behalf of the Association, except when such documents are required or permitted by law to be otherwise executed, and except when the signing and execution thereof shall be delegated by the Board of Directors to another officer or agent of the Association.

5.5 Vice President. The Vice President shall take the place of the President and perform the duties of the President whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint a member of the Board of Directors to act in the place of the President, on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed by the Board of Directors or by the President.

5.6 Secretary.

(a) The Secretary shall attend all meetings of the Board of Directors and all meetings of the Members and record all votes and the minutes of all meetings and proceedings in a minute book to be kept for that purpose and shall perform like duties for the Committees when required. He shall have charge of the minute book, and such records and papers as the Board of Directors shall direct, and perform all duties incident to the office of Secretary, including the sending out of notices of meetings of the Members, Board of Directors and Committees, and such other duties as may be described by these By-Laws, by the Board of Directors and by the President.

(b) In the absence or disability of the Secretary, a Clerk or Secretary pro tem shall be appointed by the Board of Directors to perform the duties and exercise the powers of the Secretary, and shall perform such duties as may be prescribed by the Board of Directors.

5.7 Treasurer.

(a) The Treasurer shall have responsibility for the Association funds and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Association, and shall deposit all monies, checks, and other valuable effects in the name and to the credit of the Association in such depositories as may from time to time be designated by the Board of Directors.

(b) The Treasurer shall disburse the funds of the Association as may from time to time be ordered by the Board of Directors, making proper vouchers for such disbursements, and shall render to the President and the Board of Directors, at the regular meetings of the Board of Directors, or whenever they or either of them so require, an account of his transactions as Treasurer and of the financial condition of the Association.

5.8 Resignation. Any officer may resign at any time by giving written notice to the Board of Directors, the President, or the Secretary.

5.9 Agreements, Contracts, Deeds, Leases, Checks. All agreements, contracts, deeds, leases, checks, and other instruments of the Association shall be executed by at least two (2) officers or by such other person or persons as may be designated by resolution of the Board of Directors.

ARTICLE VI

Budget Procedure, Assessment and Collection

6.1 Fiscal Year. The fiscal year of the Association shall be January 1st through December 31st unless otherwise determined by the Board of Directors.

6.2 Preparation and Approval of Budget.

(a) At least sixty (60) days before the beginning of each fiscal year, the Board of Directors shall adopt a budget for the Association containing an estimate of the total amount considered necessary to pay the cost of maintenance, management, operation, repair and replacement of the Area of Common Responsibility, and the cost of wages, materials, insurance premiums, services, supplies and other expenses that may be declared to be Common Expenses by the Declaration or a resolution of the Association and which will be required during the ensuing fiscal year for the administration, operation, maintenance and repair of the Area of Common Responsibility and the Association and the rendering to the Owners of all related

services. Such budget shall also include such reasonable amounts as the board of Directors considers necessary to provide working capital, a general operating reserve and reserves for contingencies and replacements.

(b) Within thirty (30) days after adoption of the proposed budget, the Board of Directors shall send to each Lot Owner a summary of the budget in a reasonably itemized form which sets forth the amount of the Common Expenses and any special assessment payable by each Owner. Such budget shall constitute the basis for determining each Lot Owner's assessment for the Common Expenses of the Association.

(c) The Board of Directors shall also, within thirty (30) days after the adoption of any proposed budget, set a date for a meeting of the Lot Owners to consider ratification of the proposed budget to be held not less than fifteen (15) nor more than thirty (30) days after the mailing of the summary. Unless at that meeting a majority of all the Owners of each Class entitled to vote rejects the budget, the budget is ratified, whether or not a quorum is present. In the event the proposed budget is rejected, the periodic budget last ratified by the Owners shall be continued until such time as the Owners ratify a subsequent budget proposed by the Board of Directors. The total amount of such budget shall be assessed against all of the Lots and the respective Owners thereof, in equal amounts as to the general assessments.

(d) The Board of Directors shall make reasonable efforts to meet the deadlines set forth above, but compliance with such deadlines shall not be a condition precedent to the effectiveness of any budget.

6.3 Assessment and Payment of Common Expenses. Subject to the provision of subsection 6.2(a) hereof, the total amount of the estimated funds required from assessments for the operation of the Association set forth in the budget adopted by the Board of Directors shall be assessed against each Owner in equal amounts, except for Special Assessments which shall be assessed against each Owner and shall be a lien against such Owner's Lot as provided in Section 7.8 of the Declaration. Assessments shall be paid in a single annual payment, unless the Board specifies otherwise, in which case on or before the first day of each fiscal year, and the first day of each of the succeeding eleven months in such fiscal year, each Owner shall be obligated to pay to the Board of Directors or the Managing Agent (as determined by the Board of Directors), one-twelfth (1/12th) of such assessment. Within ninety (90) days after the end of each fiscal year, the Board of Directors shall supply to all Owners, and to each mortgagee requesting the same, an itemized accounting of the Common Expenses for such fiscal year actually incurred and paid, together with a tabulation of the

amounts collected pursuant to the budget adopted by the Board of Directors for such fiscal year, and showing the net amount over or short of the actual expenditures plus reserves. Any amount accumulated in excess of the amount required for actual expenses and reserves shall, at the discretion of the Board of Directors, be placed in reserve accounts, be placed in a special account to be expended solely for the general welfare of the Owners, or be credited to each Owner's installments due under the current fiscal year's budget, until exhausted. Any net shortage shall be assessed promptly against the Owners after such notice of a proposed additional budget and ratification thereof as provided in Section 6.2 hereof, and shall be payable either: (1) in full with payment of the next assessment due; or (2) in not more than six (6) equal monthly installments, as the Board of Directors may determine.

6.4 Reserves. The Board of Directors shall build up and maintain reasonable reserves for working capital, operations, contingencies and replacements. Extraordinary expenditures not originally included in the annual budget which may become necessary during the year shall be charged first against such reserves. If the reserves are inadequate for any reason, including nonpayment of any Owner's assessment, the Board of Directors may at any time levy a further assessment, which shall be assessed against the Owners equally and which may be payable in a lump sum or in installments as the Board of Directors may determine.

6.5 Further Assessments. The Board of Directors shall serve notice of any such further assessment on Lot Owners pursuant to Sections 6.3 or 6.4 and shall hold a meeting of Owners to consider ratification of the proposed assessment as provided in Section 6.2 hereof or otherwise as permitted or required by the Declaration. Such further assessment shall become effective with the next payment which is due more than ten (10) days after the ratification of such further assessment. All Owners so notified shall be obligated to pay the adjusted amount or, if such further assessment is not payable in installments, the amount of such assessment. Such assessment shall be a lien as of the effective date as set forth in Section 6.3 hereof.

6.6 Initial Capital Payment.

(a) Upon taking office, the first Board of Directors elected or designated pursuant to these By-Laws shall determine the budget, as defined in this Section, for the period commencing thirty (30) days after such election and ending on the last day of the fiscal year in which such election occurs. Assessments shall be levied and become a lien against the Owners during such period as provided in Section 6.3 hereof.

(b) The Declarant, as the agent of the Board of Directors, will collect from each initial purchaser at the time of settlement an "initial capital payment" in the amount of TWO HUNDRED AND NO/100 (\$200.00) DOLLARS. The Declarant will deliver the funds so collected to the Board of Directors to provide the necessary working capital for the Association and for reserves. Such funds may be used for certain prepaid items, initial equipment, supplies, organizational costs and other start-up costs, and for such other purposes as the Board of Directors may determine and ONE HUNDRED AND NO/100 (\$100.00) DOLLARS of the funds shall be allocated to the reserves for the purposes set forth in Section 6.4 hereof.

6.7 Effect of Failure to Prepare or Adopt Budget. The failure or delay of the Board of Directors to prepare or adopt a budget for any fiscal year shall not constitute a waiver or release in any manner of an Owner's obligation to pay his allocable share of the Common Expenses as herein provided whenever the same shall be determined and, in the absence of any annual budget or adjusted budget, each Owner shall continue to pay each installment at the rate established for the previous fiscal year until notice of the monthly payment which is due more than ten (10) days after such new annual or adjusted budget shall have been delivered.

6.8 Accounts. All sums collected by the Board of Directors with respect to assessments against the Owners or from any other source may be commingled into a single fund or held for each Owner.

6.9 Payment of Common Expenses. Each Owner shall pay the General Assessments and Special Assessments, assessed by the Board of Directors pursuant to the provisions of Article VI hereof. No Lot Owner may be exempted from liability for the assessment of Common Expenses by waiver of the use or enjoyment of any of the General Common Area or by abandonment of his Lot. No Lot Owner shall be liable for the payment of any part of the Common Expenses assessed against his Lot subsequent to the date of recordation of a conveyance by him in fee of such Lot. Prior to or at the time of any such conveyance, all liens, unpaid charges and assessments shall be paid in full and discharged. The purchaser of a Lot shall be jointly and severally liable with the selling Lot Owner for all unpaid assessments against the latter, without prejudice to the purchaser's right to recover from the selling Owner amounts paid by the purchaser therefor; provided, however, that any such purchaser shall be entitled to a statement setting forth the amount of the unpaid assessments against the selling Owner within five (5) business days following a written request therefor to the Board of Directors or Managing Agent and such purchaser shall not be liable for, nor shall the Lot conveyed

be subject to a lien for, any unpaid assessments in excess of the amount therein set forth; and provided, further, that each first mortgagee who comes into possession of a Lot by virtue of foreclosure or by deed of assignment in lieu of foreclosure, or any purchaser at a foreclosure sale, shall take the Lot free of any claims for unpaid assessments or charges against such Lot which accrue prior to the time such mortgagee comes into possession thereof, except for claims for a pro rata share of such assessments or charges resulting from a pro rata reallocation of such assessments or charges to all Lots including the mortgaged Lot.

6.10 Collection of Assessments. The Board of Directors, or the Managing Agent at the request of the Board of Directors, shall take prompt action to collect any assessments due from any Owner which remain unpaid for more than thirty (30) days from the due date for payment thereof. Any assessment, or installment thereof, not paid within ten (10) days after due shall accrue a late charge in the amount of TWENTY-FIVE AND NO/100 (\$25.00) DOLLARS, or such other amount as may be established from time to time by the Board of Directors.

6.11 Statement of Common Expenses. The Board of Directors shall promptly provide any Owner, contract purchaser or mortgagee so requesting the same in writing with a written statement of all unpaid assessments for Common Expenses and any other assessments due from such Lot Owner. The Board of Directors may impose a reasonable charge for the preparation of such statement to cover the cost of preparation.

6.12 Collection of Assessments and Liens. All sums assessed for the share of the Common Expenses or any other assessment chargeable to a Lot or fines imposed against an Owner shall be a debt of the Lot Owner at the time assessed and shall be collectable as such as provided by Section 7.9 of the Declaration.

6.13 Obligations.

(a) Each Lot Owner shall perform promptly and at his own risk, cost and expense, all maintenance and repair work with respect to each Lot owned by him and shall maintain his Lot in good order and condition, and each Lot Owner shall be liable for damages, liabilities, costs, detriments and expenses, including attorney's fees, caused by or arising out of his failure to perform promptly any such maintenance and repair work.

(b) Each Lot Owner shall be obligated to reimburse the Association for any expenditures incurred by it in repairing or replacing any part or parts of the General Common Area damaged solely by his negligence, or by the negligence of

his tenants, agents, or guests, promptly upon receipt of the statements therefor from the Association.

6.14 Default. In the event an Owner shall fail to pay any assessment levied against him and any Lot owned by him as provided in Section 6.12, or shall fail to reimburse the Association for any maintenance or repair work performed by it as provided in Section 6.13, within thirty (30) days after the same shall become due and payable and a statement showing the amounts due on account of either or both of said items, as the case may be, shall have been mailed by the Secretary to such Owner by United States mail, first class, with postage prepaid, directed to such Owner at his last known post office address as the same appears on the records of the Association, then and in either or both of such events, the Association, acting by and through its Board of Directors, shall be entitled to proceed to foreclose the lien created on such Lot in the same manner as provided in Section 6.12 for the foreclosures of liens for delinquent assessments, or to proceed with a legal action to collect the sum due. Nothing herein contained shall be deemed to impair the right of the Association to proceed personally against any such delinquent Lot Owner for the recovery of a personal judgment against him, or for such other relief, legal or equitable, as may be deemed appropriate.

6.15 Acceleration of Assessment Installments Upon Default. If an Owner shall be in default in the payment of an installment upon an assessment, the Board of Directors may accelerate the remaining installments of the assessment upon notice thereof to the Owner, and thereupon the unpaid balance of the assessment, together with interest, shall become due upon the date stated in the notice, but not less than ten (10) days after delivery thereof to the Lot Owner, or not less than twenty (20) days after the mailing of such notice to him by registered or certified mail, whichever shall first occur.

6.16 Assessments for Emergencies. Assessments for expenses for emergencies which cannot be paid from the annual assessments for Common Expenses shall be made only after notice of the need therefor to the Owners concerned. After such notice of a proposed additional budget and ratification thereof as provided in Section 6.2 hereof, the assessment shall become effective, and it shall be due after thirty (30) days' notice thereof in such manner as the Board of Directors may require.

6.17 Interest and Cost of Collection. Any past due assessment for Common Expenses or installment thereof, or any other amount due to the Association from a Lot Owner, shall bear interest at the rate of eighteen (18%) percent per annum or at such other rate set by the Board of Directors. The cost of collection including a reasonable attorney's fee, shall also be the obligation of an Owner.

ARTICLE VII

Maintenance, Repair and Replacement or Reconstruction

7.1 By the Association. The Association shall be responsible for the maintenance, repair and replacement (unless, if in the opinion of not less than eighty (80%) percent of the Board of Directors such expense was necessitated by the negligence, misuse or neglect of an Owner) of all of the General Common Area as defined herein or in the Declaration, the cost of which shall be charged to all Lot Owners as a common expense; provided, however, that each Lot Owner shall perform normal maintenance on any portion of the General Common Area which the Board of Directors, pursuant to the Rules and Regulations, has given him permission to utilize, including without limitation the items enumerated in Section 7.2.

7.2 By the Owner.

(a) Each Owner shall keep his Lot in good order, condition and repair and in a clean and sanitary condition, and shall do all mowing, cutting, landscaping and painting which may at any time be necessary to maintain the good appearance and condition of his Lot. In addition, each Owner shall be responsible for all damage to all other Lot or to the General Common Area resulting from his failure or negligence to make any of the repairs required by this Section. Each Owner shall perform his responsibility in such manner as shall not unreasonably disturb or interfere with the other Owners. Each Owner shall promptly report to the Board of Directors or the Managing Agent any defect or need for repairs for which the Association is responsible.

(b) Any Owner permitted by the Board of Directors to use a specific portion of the General Common Area is responsible for the maintenance and care of such portion and shall use such portion in a safe and sanitary manner.

7.3 Additions, Alterations or Improvements by the Board of Directors. Whenever in the judgment of the Board of Directors the General Common Area shall require additions, alterations or improvements costing in excess of TWO THOUSAND AND NO/100 (\$2,000.00) DOLLARS during any period of twelve (12) consecutive months, the making of such additions, alterations or improvements shall be included in a proposed budget and the procedure set forth in Section 6.2 shall be followed in order to allow the Owners an opportunity to reject the proposed expenditure. Any additions, alterations or improvements costing TWO THOUSAND AND NO/100 (\$2,000.00) DOLLARS or less during any period of twelve (12) consecutive months may be made

by the Board of Directors without approval of the Owners and the cost thereof shall constitute a Common Expense. The TWO THOUSAND AND NO/100 (\$2,000.00) DOLLAR limitation shall be increased annually by the percentage equal to the percentage increase in the annual budget of the Association.

ARTICLE VIII

Compliance and Default

8.1 Relief. Each Owner shall be governed by, and shall comply with, all of the terms of the Declaration and By-Laws as any of the same may be amended from time to time. A default by an Owner shall entitle the Association, acting through its Board of Directors or through the Managing Agent, to the following relief:

(a) Additional Liability. Each Owner shall be liable for the expense of all maintenance, repair or replacement rendered necessary by his act, neglect or carelessness or the act, neglect or carelessness of any member of his family or his employees, agents or licensees, but only to the extent that such expense is not covered by the proceeds of insurance carried by the Board of Directors. Such liability shall include any increase in casualty insurance rates occasioned by use, misuse, occupancy or abandonment of any Lot or its appurtenances. Nothing contained herein, however, shall be construed as modifying any waiver by any insurance company of its rights of subrogation.

(b) Costs and Attorneys' Fees. In any proceedings arising out of any alleged default by an Owner, the prevailing party shall be entitled to recover the costs of such proceeding and such reasonable attorneys' fees as may be determined by the court.

(c) No Waiver of Rights. The failure of the Association, the Board of Directors or of an Owner to enforce any right, provision, covenant or condition which may be granted by the Declaration shall not constitute a waiver of the right of the Association, the Board of Directors or the Owner to enforce such right, provision, covenant or condition in the future. All rights, remedies and privileges granted to the Association, the Board of Directors or any Owner pursuant to any term, provision, covenant or condition of the Declaration shall be deemed to be cumulative and the exercise of any one or more thereof shall not be deemed to constitute an election of remedies, nor shall it preclude the party exercising the same from exercising such other privileges as may be granted to such party by the Declaration or at law or in equity.

(d) Interest. In the event of a default by any Owner in paying any sum assessed against his Lot other than for common expenses which continues for a period in excess of thirty (30) days, interest at a rate of eighteen (18.00%) percent per annum or such interest rate imposed in the discretion of the Board of Directors shall be due and payable on the principal amount unpaid from the date due until paid.

(e) Abating and Enjoining Violations by Owners. The violation of any of the Rules and Regulations adopted by the board of Directors, the breach of any provision of the Declaration or By-Laws shall give the Board of Directors the right, in addition to any other rights set forth in these By-Laws:

- (i) To enter the Lot in which, or as to which, such violation or breach exists and summarily to abate and remove, at the expense of the defaulting Owner, any structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions hereof, and the Board of Directors shall not thereby be deemed guilty in any manner of trespass; or
- (ii) To enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach.

(f) Legal Proceedings. Failure to comply with any of the terms of the Declaration, Association By-Laws, and the Rules and Regulations shall be grounds for relief, including without limitation, an action to recover any sums due for money damages, injunctive relief, foreclosure of the lien for payment of all assessments, any other relief provided for in these By-Laws or any combination thereof and any other relief afforded by a court of competent jurisdiction, all of which relief may be sought by the Association, the Board of Directors, the Managing Agent or, if appropriate, by an aggrieved Owner and shall not constitute an election of remedies.

(g) Fines. The Board of Directors may levy reasonable fines against Lot Owners for violations of the Rules and Regulations, the Declaration or the Association By-Laws. No fine may be levied for more than ten (10.00%) percent of such Owner's annual assessment for any one violation; but each day a violation continues, after notice is given to the Owner, is a separate violation. If an Owner requests in writing a hearing before the fine is imposed, the imposition of the fine shall be suspended until the hearing is held. Fines are special assessments and shall be collectible as such.

ARTICLE IX

Insurance

9.1 Power of Attorney. The association is hereby irrevocably appointed as attorney-in-fact for each Owner and for each holder of a mortgage or other lien upon a Lot and for each Owner of any other interest in the Properties for the purpose of purchasing and maintaining insurance as set forth in Article VI of the Declaration, including: the collection and appropriate disposition of the proceeds thereof; the negotiation of losses and execution of releases of liability; the execution of all documents; and the performance of all other acts necessary to accomplish such purpose.

ARTICLE X

Amendments

10.1 Amendments to By-Laws. The provision of these By-Laws may be amended unilaterally at any time and from time to time by Declarant until the termination of the Class B Membership and thereafter only by vote of two-thirds (2/3), cast in person or by proxy, of the Class A Members present at a meeting duly held in accordance with the provisions of these By-Laws.

ARTICLE XI

General Provisions

11.1 Seal. The form of the seal of the Association shall contain the name of the Association and the State of Rhode Island.

11.2 Severability. The provisions of these By-Laws shall be deemed independent and severable and the invalidity, partial invalidity or unenforceability of any provision or portion hereof shall not affect the validity or enforceability of any other provision or portion thereof unless the deletion of such invalid or unenforceable provision shall destroy the uniform plan for development and operation of Subdivision which the Declaration (including the Plats and Plans) and these By-Laws are intended to create.

11.3 Conflicts. The Declaration shall control in the event of any conflict between the provisions thereof and the provision of these By-Laws. The Declaration and these By-Laws shall control in the case of any conflict between the

provisions thereof and the provisions of the Rules and Regulations.

11.4 Notices. All notices, demands, bills, statements, or other communications required or permitted under these By-Laws shall be in writing and shall be deemed to have been duly given if personally delivered or sent by United States mail, postage prepaid or if notification is of a default or lien, sent by registered or certified mail, return receipt requested, postage prepaid: (a) if to an Owner, at the single address which the Owner shall designate in writing and file with the Secretary or, if no such address is designated, at the address of the Lot of such Owner; or (b) if to the Association, the Board of Directors or to the Managing Agent, at the principal office of the Association or at such other address as shall be designated by notice in writing to the Owners pursuant to this Section. If a Lot is owned by more than one person, each person who so designates a single address in writing to the Secretary shall be entitled to receive all notices hereunder.

11.5 Headings. The headings preceding the various sections of these By-Laws and the Table of Contents are intended solely for the convenience of readers of the By-Laws and in no way define, limit or describe the scope of these By-Laws or the intent of any provision thereof.

11.6 Gender. The use of the masculine gender in these By-Laws shall be deemed to include the feminine and neuter genders, and the use of the singular shall be deemed to include the plural, and vice versa, whenever the context so requires.

11.7 Construction. These By-Laws are intended to comply with all of the applicable provisions of the General Laws of the State of Rhode Island and shall be so interpreted and applied.

WATSON FARM HOMEOWNERS ASSOCIATION

Rules and Regulations

General

1. In addition to the provisions of the Declaration, including, without limitation, Articles I, II, IV, and X of the Declaration, the following Rules and Regulations ("Regulations"), together with such additional Rules and Regulations as may hereafter be adopted by the Board of Directors, shall govern the use of the properties comprising Watson Farm and the conduct of all residents thereof.

2. Wherever in these Regulations reference is made to "Owners," such term shall apply to the owner of any Lot, to his family, tenants whether or not in residence, servants, employees, agents, visitors and to any guests, invitees or licensees of such Owner, his family or tenant of such Owner. Wherever in these Regulations reference is made to the "Association," such reference shall include the Association and any Managing Agent when the Managing Agent is acting on behalf of the Association.

3. The Association reserves the right to alter, amend, modify, repeal or revoke these Regulations and any consent or approval given hereunder at any time by resolution of the Association or the Board of Directors.

4. Nothing in these Rules and Regulations shall be considered to prohibit the Declarant from using the easements and rights retained by it to construct Watson Farm and sell lots and improvements.

Restrictions on Use

5. No part of a Lot shall be used for any purpose other than residential housing for a single family, their servants and guests.

6. No exterior of any building on any lot or the windows or doors thereof or the lighting that would affect the exterior appearance shall be painted, decorated or changed by any Owner in any manner without prior written consent of the Association.

7. No Owner shall make or permit any objectionable odor or noxious or offensive activity that will disturb or annoy the occupants of any other Lot or do or permit anything to be done therein which will interfere with the rights, comfort or convenience of other Owners, their tenants, or guests.

8. Each Owner shall keep his Lot and porches or patios in a good state of preservation and cleanliness and shall keep his lawn mowed and shall remove any unsightly brush or weeds.

9. No Owner or occupant of a Lot shall make or permit any disturbing noises to be made on the Lot or on the General Common Area by himself, his family, friends, tenants, servants, or other invitees; nor do or permit anything to be done by such persons that would interfere with the rights, comforts, or conveniences of other Owners or occupants. No Owner or occupant shall play or allow to be played any musical instrument, radio, television, stereo, tape recorder, or the like on the properties between the hours of 11:00 p.m. and the following 8:00 a.m. if the same shall disturb or annoy other Owners.

Pet Rules

10. Section 2.12 of the Declaration provides for certain restrictions governing the maintenance, keeping, boarding and/or raising of animals, livestock, poultry or reptiles and by this reference is included herein.

11. An authorized pet may be maintained in a Lot so long as it is not a nuisance. Actions which will constitute a nuisance include, but are not limited to, abnormal or unreasonable crying, barking, scratching or unhygienic offensiveness.

12. Pet Owners are fully responsible for personal injuries and/or property damage caused by their pets.

13. Except in designated pet exercise areas, pets must be leashed; leashes may not exceed six feet in length.

14. Owners of pets walked upon the General Common Area must promptly clean up their pet's droppings in all areas outside any authorized pet exercise areas.

Parking and Storage

15. Should an employee of the Association at the request of an Owner, move, handle or store any articles in storage areas or remove any articles therefrom or handle, move, park or drive any automobile placed in the parking areas, then, and in every such case, such employee shall be deemed the agent of the Owner. The Association shall not be liable for any loss, damage or expense that may be suffered or sustained in connection therewith.

16. All Owners shall observe and abide by all parking and traffic regulations as posted by the Association or by municipal authorities. Vehicles parked in violation of any such regulations may be towed away at the Owner's sole risk and expense.

17. Parking so as to block sidewalks or driveways shall not be permitted. If any vehicle owned or operated by an Owner, any member of his family, tenants, guests, invitees or licensees shall be illegally parked or abandoned on the Properties, the Association shall be held harmless by such Owner for any and all damages or losses that may ensue, and any and all rights in connection therewith that the Owner or driver may have under the provisions of state or local laws and ordinances are hereby expressly waived. The Owner shall indemnify the Association against any liability which may be imposed on the Association as a result of such illegal parking or abandonment and any consequences thereof.

18. The Owner shall not cause or permit the blowing of any horn from any vehicle in which his guests, family, tenants, invitees, or employees shall be occupants, approaching or upon the Properties, except as may be necessary for the safe operation thereof.

Recreational Facilities

19. All persons using any of the recreational facilities do so at their own risk and sole responsibility. The Association does not assume responsibility for any occurrence, accident or injury in connection with such use. No Owner shall make any claim against the Association, its servants, agents, or employees, for or on account of any loss or damage to life, limb or property sustained as a result of or in connection with any such use of any of the recreational facilities. Each Owner shall hold the Association harmless from any and all liabilities and any action of whatsoever nature by any tenants, guests, invitees or licensees of such Owner growing out of the use of the recreational facilities, except where such loss, injury or damage can be clearly proved to have resulted from and been proximately caused by the gross negligence of the Association or its agents, servants or employees in the operation, care or maintenance of such facilities.

20. Any damage to recreational facilities, General Common Area or equipment caused by an Owner or such Owner's pets shall be repaired at the expense of the Owners.

Suspension of Right to Use Recreational Facilities

21. In addition to all other rights which the Board of Directors has for nonpayment of assessments, the Board of Directors shall have the right to bar the use of an Owner of any of the recreational facilities for failure to make payment of any assessments or fees due as provided for in the By-Laws of the Association.

Association

22. All charges and assessments imposed by the Association are due and payable on the first day of the month, unless otherwise specified. Payment shall be made to the Treasurer, or if so designated, at a Managing Agent's office by check or money order, payable to Watson Farm Homeowners Association. Cash will not be accepted.

23. Complaints regarding the management of the Association or regarding actions of other Owners shall be made in writing to the Board of Directors or the Managing Agent. No Owner shall direct, supervise or in any manner attempt to assert control over or request favors or any employee of the Association or any Managing Agent.

Miscellaneous

24. The owner of each lot upon which an individual septic disposal system (ISDS) has been installed, shall be required to pump out the septic tank of such ISDS, at least once every three (3) years, and furnish proof of such to the Homeowners' Association and to the Conservation Commission of the Town of South Kingstown.

25. All persons shall be properly attired when appearing in the General Common Area.

26. Neither the Board of Directors, the Association, nor any Owner or the Declarant shall be considered a bailee of any personal property stored on the General Common Area (including property located in storage areas on the General Common Area), whether or not exclusive possession of the particular area is given to an Owner for storage purposes, and shall not be responsible for the security of such personal property or for any loss or damage thereto, whether or not due to negligence, except to the extent covered by insurance in excess of any applicable deductible.

**EXHIBIT B TO
DECLARATION OF RESTRICTIONS,
EASEMENTS, AND CONDITIONS FOR
WATSON FARM**

Additional Property

That certain land situated in the Town of South Kingstown,
County of Washington, State of Rhode Island and described and
bounded as follows:

Bounded northerly by Route 138, easterly by Rose Hill
Road, southerly by Saugatucket Road, and westerly by
Route 108.