

BYLAWS

OF

SHERWOOD ESTATES HOMEOWNER ASSOCIATION, INC.

A Nonprofit Corporation

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ARTICLE I
Name and Principal Office

Section 1.1. The name of the Corporation is “Sherwood Estates Homeowner Association, Inc.” Its principal office shall be at 94 Harvest Lane in Williston, Vermont, or at such other place as may be determined by the Board of Directors from time to time.

ARTICLE II
Purposes

Section 2.1 The Association exists: to promote the health and welfare of the residents of the “Sherwood Estates” residential development in the Town of Colchester, Vermont; to acquire, own, build, manage, operate, maintain and care for those portions of the Development which are dedicated for community and recreational use; to enforce and administer covenants, easements, restrictions and agreements applicable to the Development, including, in particular, those set forth in the Declaration and/or these Bylaws. It shall have the power and authority to engage in any activity which is not unlawful.

ARTICLE III
Definitions

Section 3.1 The following words, when used in these Bylaws shall, unless the context otherwise prohibits, have the meanings set forth below:

- (a) “Act”: Uniform Common Interest Ownership Act, Title 27A of the Vermont Statutes Annotated.
- (b) “Association”: Sherwood Estates Homeowner Association, Inc., a Vermont nonprofit Corporation.
- (c) “Bylaws”: These Bylaws as amended from time to time.
- (d) “Common Areas”: Those portions of the Development, or rights or interests therein, that are conveyed to and/or owned by the Association for the benefit and enjoyment of the Members of the Association, and their family, guests, invitees, and/or tenants.
- (e) “Common Facilities”: Any structure, system, amenity, improvement or item of personal property dedicated solely to the use and enjoyment of any one or more specific Units.

(f) "Declaration": The Declaration of Covenants, Easements, Restrictions, and Liens for Sherwood Estates, A Planned Community, Colchester, Vermont, encumbering the Development, dated June _____, 2005, as amended from time to time.

(g) "Developer" or "Declarant": Sherwood Development Corporation, a Vermont corporation, and its successors and assigns.

(h) "Development": The land and premises subject to the Declaration referred to as Sherwood Estates.

(i) "Executive Board": The Board of Directors referenced in the statute referred to interchangeably herein.

(j) "Member": The record owner(s) of a Unit.

(k) "Plans": The plans are entitled "Sherwood Forest Subdivision Plat" by O'Leary-Burke Civil Associates, PLC, dated January 8, 2004, last revised October 23, 2004, and recorded in Map Slide 376 of the Town of Colchester Land Records, and "Sherwood Forest Subdivision Plan" by O'Leary-Burke Civil Associates, PLC, dated April 23, 2003, last revised August 30, 2004, and recorded in Map Slide _____ of said Land Records.

(l) "Rules": The provisions, covenants and limitations contained in the Declaration or adopted from time to time by the Executive Board of the Association governing the use and occupancy of the Units and Common Areas and Common Facilities, and governing the behavior and obligations of the Unit Owners.

(m) "Statute": The Vermont Nonprofit Corporation Act (Chapter 19 of Title 11 of the Vermont Statutes Annotated).

(n) "Unit": A physical portion of the Common Interest Community designated for separate ownership or occupancy, the boundaries of which are described in the Section 4.3 of the Declaration. In Sherwood Estates, each Unit consists of a Lot as shown on the Plan and any improvements on that Lot.

(o) "Unit Owner": The Declarant or other person who owns a Unit. Unit Owner does not include a person having an interest in the Unit solely as security for an obligation. The Declarant is the initial owner of any Unit created by the Declaration.

ARTICLE IV Applicability

Section 4.1 Each Unit Owner shall be bound by and subject to these Bylaws and to the Rules issued by the Association governing the conduct of its Members, immediately upon such Unit Owner's acceptance of the delivery of an instrument transferring to such Unit Owner any interest in a Unit in the Development.

ARTICLE V
Use of Common Areas and Common Facilities

Section 5.1 Any reference to the Common Areas of the project shall pertain only to the duration of time when such areas are owned by the Association.

Section 5.2 Except as otherwise indicated in the state or local permits, Declaration or Plans, the use and enjoyment of the Common Areas and Common Facilities shall be limited to Unit Owners, members of their families residing in their household, and their invitees and guests, provided, however, a Unit Owner who leases or permits another to occupy his or her Unit may assign to such lessee or occupant the right to use and enjoy the Common Areas and Common Facilities subject to the same restrictions and limitations as the Unit Owner. Each Unit Owner, and such family members, invitees, guests, lessees and occupants shall comply with the provisions of the Declaration, these Bylaws and the Rules adopted by the Association with respect to the use and enjoyment of the Common Areas and Common Facilities, and their right to use the Common Areas and Common Facilities is subject to suspension as provided in the Declaration or in these Bylaws.

ARTICLE VI
Membership and Voting Rights

Section 6.1 Membership. Membership in the Association shall be as follows:

(a) Each Unit Owner shall be a Member of the Association whether such ownership is joint, in common or by the entirety.

(b) Each Unit Owner shall file with the Secretary of the Association a copy of the executed instrument by which such Member has acquired an interest in a Unit. Until such filing is made, such Unit Owner shall not be entitled to notice of, or to vote at, any meeting of the Association, but failure or neglect to make such filing shall not limit or reduce the Unit Owner's obligations under these Bylaws and/or the Declaration.

(c) On each matter upon which the Members of the Association are entitled to vote, each Unit Owner shall be entitled to one (1) vote for each Unit owned by such Owner. When a Unit Owner consists of more than one individual or entity, the Unit Owner shall designate a single individual to cast the vote of such Unit Owner.

ARTICLE VII
Meetings of the Members

Section 7.1 Quorum. The quorum for the transaction of business at a meeting of Members shall be twenty-five percent (25%) of the votes entitled to be cast, except to the extent a larger quorum is required by the Act, by Statute, by the Declaration, or by the Articles of the Association or by these Bylaws. If, however, such quorum shall not be present or represented at any meeting of the Association, a majority of the Members entitled to vote there at, present in person or represented by written proxy, shall have the power to adjourn the meeting. At least five (5) days written notice of such adjourned meeting shall be given to all Members. At such adjourned meeting any business may be transacted which might have been transacted at the meeting

originally called.

Section 7.2 Vote Required to Transact Business. When a quorum is present at any meeting of the Members, the vote of a majority of the voting power present in person or represented by written proxy (provided such proxy authorized casting of a vote on a specifically enumerated motion) shall decide any question brought before such meeting and such vote shall be binding upon all Members, unless the question is one upon which, by express provision of the Statute, the Articles of Association, or these Bylaws, a different vote is required, in which case such express provisions shall govern and control.

Section 7.3 Proxies. Members entitled to vote may vote either in person or by proxy at any meeting of the Members. An appointment shall be valid for eleven (11) months from its date of execution unless a different period is expressly provided in the appointment form. No proxy shall be valid for more than three (3) years from its date of execution. All proxies shall be in writing and shall be filed with the secretary prior to the meeting the same are to be used. A notation of such proxies shall be made in the minutes of the meeting. 11B V.S.A. § 7.24.

Section 7.4 Action by Written Consent. Any action required to be taken at a meeting of the Members, or any other action which may be taken at a meeting of the Members, may be taken without a meeting if the action is taken by all the Members entitled to vote on the action. Each action must be evidenced by one or more written consents setting forth the action so taken, signed by all of the Members entitled to vote with respect to the subject matter thereof. Such consent shall have the same force and effect as a unanimous vote of the Members provided that the written consent is inserted in the corporate minute book.

Section 7.5 Voting Entitlement. The Members shall acquire voting rights upon the earliest of: (a) the sale of the eighteenth (18th) Unit; (b) such earlier date on which the Board of Directors acts to establish such voting rights; or (c) ten (10) years after the organization of the Association. Until the Members have so acquired voting rights, all voting rights shall be vested solely in its Board of Directors.

Section 7.6 Annual Meeting. An annual meeting of the Members shall be held in the month of June of each year, beginning with the year 2006, unless a different time is specifically set forth in the notice of meeting with the change in time being duly noted. If the day fixed for the annual meeting shall be a legal holiday in Vermont, such meeting shall be held on the next succeeding business day. At the annual meeting: (a) The president and chief financial officer shall report on the activities and financial condition of the Corporation; (b) the Members shall consider such other matters as were properly noticed, if required; and (c) Members who have acquired voting rights in accordance with the provisions of Section 7.5, shall elect Directors. 11B V.S.A. §§ 7.01 and 8.04

Section 7.7 Special Meetings. The Corporation shall hold a special meeting of Members: (a) on call of its Board or the person or persons authorized to do so by these Bylaws; or (b) if the holders of at least five percent (5%) of the voting Members in good standing sign, date, and deliver to any officer one or more written demands for the meeting describing the purpose or purposes for which it is to be held. 11B V.S.A. § 7.02.

Section 7.8 Place of Meeting. The Board of Directors may designate any place within the State of Vermont as the place for the holding of any annual or special meeting. If no designation is made, the place of meeting shall be the registered office of the Association in the State of Vermont.

Section 7.9 Notice of Meeting. After the Members have acquired voting rights in accordance with the provisions of Section 7.5, written or printed notice stating the place, day, and hour of each meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered to each Member not less than ten (10) nor more than sixty (60) days before the date of the meeting, either personally or by mail. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, postage prepaid, addressed to the Member at his or her address as it appears on the membership books of the Association.

Section 7.10 Rights of Members to Notices and to Vote. For the purpose of determining the Members entitled to notice of any meeting of the Association and to vote at such meeting, the secretary of the Association shall determine from the records of the Association, as of a date not less than twenty (20) nor more than forty-five (45) days prior to the date of the regular or special meeting for which the voting list is being prepared, the names of the Unit Owners who have filed a copy of the instrument by which they acquired an interest in the Unit as provided in Section 6.1(b) of Article VI.

Section 7.11 Meeting by Telecommunications. The annual or special meeting may be conducted by means of any telecommunications mechanism, including video conferencing telecommunications.

Section 7.12 Voting List. The secretary of the Association shall prepare a list of the names of the Members entitled to vote at any meeting of the Association, and such voting list shall be kept on file and shall be available for inspection at the office of the Association. The voting list for any meeting shall be available at such meeting.

Section 7.13 Order of Business. The order of business at all meetings, unless amended by the Members at a meeting, shall be as follows:

- (a) Roll call;
- (b) Proof of notice of the meeting or waiver of notice;
- (c) Reading of minutes of preceding meeting;
- (d) Report of officers;
- (e) Report of committees;
- (f) Election of Directors (in the event there is an election);
- (g) Unfinished business; and

(h) New business.

Section 7.14 Voting by Written Ballot. Any action that is proper for a special meeting may be conducted by written ballot in lieu of a meeting. 11B V.S.A. § 7.08.

Section 7.15 Waiver of Notice; Attendance at Meeting. A Member may waive any notice required by law or these Bylaws before or after the date and time of the meeting that is the subject of such notice. The waiver shall be in writing, be signed by the Member entitled to the notice, and be delivered to the Corporation's secretary for inclusion in the Corporation's corporate records book.

A Member's attendance at a meeting (a) waives objection to lack of notice or defective notice of the meeting, unless the Member at the beginning of the meeting objects to holding the meeting or transacting business at a meeting, and (b) waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the Member objects to considering the matter when it is presented.

ARTICLE VIII

Board of Directors/Executive Board

Section 8.1 General Powers. The business and affairs of the Association shall be managed by its Board of Directors/Executive Board.

Section 8.2 Number, Tenure, and Qualifications. The number of Directors shall be three (3) or, after the date on which the Members have acquired voting rights in accordance with the provisions of Section 7.5, such larger number as may be determined by the Members at any annual or special meeting called for that purpose. Each Director shall hold office until his or her successor shall have been elected and qualified. From and after the date on which Members have acquired voting rights in accordance with the provisions of Section 7.6, but not before, each member of the Board of Directors must be a Member, the spouse of a Member, or the designated agent of a Member that is a corporation or other business entity.

Section 8.3 Regular Meetings. A regular meeting of the Board of Directors shall be held without any other notice than this provision, immediately after, and at the same place as, the annual meeting of the Members. The Board of Directors may provide, by resolution, the time and place, either within or without the State of Vermont, for the holding of additional regular meetings without other notice than such resolution. Additional regular meetings shall be held at the principal office of the Corporation in the absence of any designation in the resolution.

Section 8.4 Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the president of the Association or any two (2) Directors. The person or persons authorized to call special meetings of the Board of Directors may fix any place, either within or without the State of Vermont, as the place for holding any special meeting so called.

Section 8.5 Notice. Notice of any special meeting shall be given at least five (5) days prior thereto by written notice delivered personally or mailed to each Director at his or her residence.

If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, so addressed, with postage prepaid. Any Director may waive notice of any meeting before or after the date and time stated in the notice. The waiver must be in writing, signed by the Director entitled to the notice, and filed with the minutes in the corporate records. The attendance of a Director at a meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

Section 8.6 Quorum, Voting and Consent. A majority of the number of authorized Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors. The act of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors. Any action consented to in writing by each and every Director shall be as valid as if adopted by the Board of Directors at a duly warned and held meeting of the Board, provided such written consent is inserted in the minute book. If less than such majority is present at a meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.

Section 8.7 Vacancies. Any vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining Directors though less than a quorum of the Board of Directors. A Director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office. After the date on which the Members have acquired voting rights in accordance with the provisions of Section 7.6, any directorship to be filled by reason of an increase in the number of Directors shall be filled by election at an annual meeting or at a special meeting of Members called for that purpose.

Section 8.9 Compensation. Directors shall not be compensated for their services as Director.

Section 8.10 Presumption of Assent. A Director of the Association who is present at a meeting of the Board of Directors at which action on any matter is taken shall be presumed to have assented to the action taken unless his or her dissent shall be entered in the minutes of the meeting or unless he or she shall file his or her written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof. Such right to dissent shall not apply to a Director who voted in favor of such action.

Section 8.11 Executive Committee. The Board of Directors may establish an executive committee of two (2) or more Directors. The creation of a committee and appointment of members to it must be approved by a majority of all the Directors in office when the action is taken. The executive committee may meet at stated times, or on notice to all by any one of the members of the executive committee. During the intervals between meetings of the Board of Directors, such committee, if so established, shall advise and aid the officers of the Association in all matters concerning its interests and the management of the Association, and generally shall perform such duties and exercise such powers as may be directed or delegated to the executive committee by the Board of Directors from time to time. Vacancies in the membership of the committee shall be filled by the Board of Directors at a regular meeting or at a special meeting called for that purpose.

The executive committee shall keep regular minutes of its proceedings and report the same to the Board of Directors when required.

Section 8.12 Removal of Directors. After the Members have acquired voting rights in accordance with the provisions of Section 7.5, at a meeting of Members called expressly for that purpose, any Director or the entire Board of Directors may be removed, with or without cause. When the purpose of the meeting is removal of the Director or Directors, the meeting notice must state the purpose of the meeting.

Section 8.13 Meetings by Conference Telephone Call, etc. Members of the Board of Directors and members of any committee designated by the Board may participate in any regular or special meeting of the Board or any committee by means of a conference telephone or similar communications equipment by which all persons participating in the meeting can hear and speak with all of the other participants. Participation in a meeting pursuant to this Section 8.13 shall constitute presence in person at such meeting.

ARTICLE IX

Officers

Section 9.1 Number and Qualification. The officers of the Association shall be a president, a secretary, a treasurer, and such vice presidents, assistant secretaries and assistant treasurers, if any, as the Board of Directors may determine, each of whom shall be appointed by the Board of Directors. Any two (2) or more offices may be held by the same person, except the offices of president and secretary.

Section 9.2 Election and Term of Office. The officers of the Association shall be appointed annually by the Board of Directors at the first meeting of the Board of Directors held after the annual meeting of the Members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as convenient. Each officer shall hold office until his or her successor is appointed and qualified or until his death, resignation, removal or failure to be qualified to serve as an officer in accordance with these Bylaws.

Section 9.3 Removal. Any officer appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Association would be served thereby.

Section 9.4 Vacancies. A vacancy in any office because of death, resignation, removal, disqualification, or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

Section 9.5 President. The president shall be the principal executive officer of the Association and, subject to the control of the Board of Directors, shall in general supervise and control all of the business and affairs of the Association. He or she shall, when present, preside at all meetings of the Members and of the Board of Directors. He or she may sign any deeds, mortgages, bonds, contracts or other instruments which the Board of Directors has authorized to be executed in the name of and on behalf of the Association, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to

some other officer or agent of the Association, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of president and such other duties as may be prescribed by the Board of Directors from time to time.

Section 9.6 Vice Presidents. In the absence of the president or in the event of his or her death, disability, inability, or refusal to act, the vice president, if any (or in the event there shall be more than one vice president, the vice presidents in the order designated at the time of their election or in the absence of any designation, then in order of their appointment) shall perform the duties of the president, and when so acting, shall have all the powers of, and be subject to all the restrictions upon, the president. A vice president shall perform such other duties as from time to time may be assigned to him or her by the president or by the Board of Directors.

Section 9.7 Secretary. The secretary, in addition to statutory duties: (a) shall keep the minutes of the Members and the Board of Directors meetings in one or more books provided for that purpose; (b) shall see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) shall be custodian of the Association records and of the seal of the Association and shall see that the seal of the Association is affixed to all documents the execution of which, on behalf of the Association under its seal, is duly authorized; (d) shall keep a register of the mailing address of each Member which shall have been furnished to the secretary by each Member; and (e) in general shall perform all duties incident to the office of secretary and such other duties as from time to time may be assigned to him or her by the president or by the Board of Directors.

Section 9.8 Treasurer. If required by the Board of Directors, the treasurer shall give a bond for the faithful discharge of his or her duties in such sum and with such surety or sureties as the Board of Directors shall determine. The treasurer: (a) shall have charge and custody of and be responsible for all funds and securities of the Association; (b) shall receive and give receipts for moneys due and payable to the Association from any source whatsoever, and deposit all such moneys in the name of the Association in such banks, trust companies, or other depositories as shall be selected in accordance with the provisions of Article X of these Bylaws; and (c) in general shall perform all of the duties incident to the office of treasurer and such other duties as from time to time may be assigned to him or her by the president or by the Board of Directors.

Section 9.9 Assistant Secretaries and Assistant Treasurers. The assistant treasurers shall, if required by the Board of Directors, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine. The assistant secretaries and assistant treasurers, in general, shall perform such duties as shall be assigned to them by the secretary or the treasurer, respectively, or by the president or the Board of Directors.

Section 9.10 Salaries. The officers of the Association shall receive for their services such compensation, if any, as may be determined by the Board of Directors, but no compensation shall be payable to the officers at a time preceding the date on which the Members have acquired voting rights in accordance with the provisions of Section 7.6. There shall be no right to salary and a salary may not be paid unless the Board of Directors so orders.

ARTICLE X
Contracts, Loans, Checks and Deposits

Section 10.1 Contracts. The Board of Directors may authorize any officer or officers, agent, or agents, to enter into any contract or execute and deliver any instruments in the name of and on behalf of the Association, and such authority may be general or confined to specific instances.

Section 10.2 Loans. No loans shall be contracted on behalf of the Association and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

Section 10.3 Checks, Drafts, etc. All checks, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Association shall be signed by such officer or officers, agent, or agents, of the Association and in such manner as shall from time to time be determined by resolution of the Board of Directors.

Section 10.4 Deposits. All funds of the Association not otherwise employed shall be deposited from time to time to the credit of the Association in such banks, trust companies, or other depositories as the Board of Directors may select.

ARTICLE XI Association Finances

Section 11.1 Annual Budget. The Board of Directors shall prepare an annual budget for the operation of the Association based upon estimates of the income and expenditures of the Association for the next succeeding fiscal year. The Board shall endeavor to prepare such budget not later than March of each year, commencing with 2006, and to send a copy of the budget to each Member by April of each year; but failure to so adopt or send any budget shall not in any way limit or modify the obligation of Members to pay assessments made by the Board of Directors. The annual budget shall include, in particular, provision for: all wages and payroll expenses to operate and maintain the Common Areas and Common Facilities; premiums for required insurance; taxes; fees for professionals retained by the Association; reasonable operating capital; mortgage payments; reserve accounts for replacement of the Common Areas and Common Facilities.

Section 11.2 Regular Assessments. Based upon the annual budget, the Board of Directors shall establish assessments to be paid by the Members for the costs of owning, operating, maintaining, repairing and replacing the Common Areas and Common Facilities and for such other matters as are included within such budget, to the extent such costs exceed any user fees or other available net income reasonably projected by the Board of Directors. The total amount of assessments to be paid by the Members shall be apportioned among the Members as specified in Section 11.5. All such assessments shall be payable in equal monthly or quarterly installments on such schedule as the Board of Directors may determine.

Section 11.3 Determination of Special Assessments. The Board of Directors shall from time to time establish special assessments to be paid by the Members when it determines that regular assessments are not sufficient to meet the obligations of the Association. The total amount of special assessments to be paid by the Members shall be apportioned among the Members as specified in Section 11.5. The Association shall send to each Member, not less than thirty (30) days prior to the date any special assessment is due, a statement of the amount, purpose, and time and

manner of payment of the same. Each Member shall pay the amount of such special assessment at the times and in the manner specified in such notice.

Section 11.4 Liability for Assessment. Each Member, and the Unit owned by such Member, shall be liable for each assessment made and apportioned to such Member by the Association in accordance with these Bylaws. No financial institution whose sole interest in any Unit is a first mortgage lien securing purchase money financing or any refinancing thereof, shall be obligated to pay any regular or special assessment until such time as the financial institution becomes the owner of such Unit through foreclosure or a conveyance in lieu of a foreclosure.

Section 11.5 Apportionment of Assessments. Assessments will be apportioned among the Members on the basis of the total number of Units.

Section 11.6 Reserves. The annual budget shall include a specific provision for the accumulation of such reserve funds as may be determined appropriate by the Board of Directors. The reserve funds shall be used for construction and reconstruction of Common Areas and Common Facilities, payment of deductibles on any insured casualty loss, unexpected expenditures, emergency situations and such other Association purposes as may be determined to be appropriate by the Board of Directors. The annual budget for any year in which expenditures are made from the reserve fund may provide for the accumulation of sufficient funds to restore the reserve fund to a level deemed appropriate by the Board of Directors. Income from the investment of the general reserve fund may be accumulated or used for any Association purpose, as determined by the Board of Directors.

Section 11.7 Failure to Adopt a Budget. The failure of the Board of Directors to adopt a budget as specified in this Article XI shall not in any way release or modify any Member's obligation to pay all assessments made by the Board of Directors.

Section 11.8 Obligation of Members. No Member shall be released or excused from the obligation to pay any assessment by waiving an interest in or right to the use of all or any portion of the Common Areas or Common Facilities.

Section 11.9 Lien for Unpaid Assessments. Any assessment not paid within ten (10) days after it becomes due shall bear interest at the rate of one percent (1%) per month or such other rate as may be fixed by the Board of Directors from time to time, or, in either event, at such lesser rate as is the maximum rate permitted by law. The Board of Directors may authorize the treasurer or the president to record a notice of a claim of past due assessments in the Land Records of the Town of Colchester. Unpaid assessments shall be collectible in an action against the Member who fails to pay the same. If the Association prevails in its claim against a Member for delinquent assessments, the Member shall reimburse the Association for all costs and fees of collection, including reasonable legal fees incurred by the Association in connection with such action. Reference is made to the Declaration and the Act for rights and remedies beyond what is set forth herein.

Section 11.10 Additional Remedies. The Board of Directors shall have the power to terminate or restrict the right to use the Common Areas and Common Facilities in whole or in part, including use of the sewer system, for any Member who is delinquent in the payment of any regular or special assessment. Prior to terminating service, the treasurer or other designated officer of the Association shall send to the Member who is delinquent written notice

of such delinquency, by certified mail, return receipt requested, at the mailing address, if any, on file with the Association. The note shall specify the amount of the delinquency and shall specify that the Member shall have not less than ten (10) days to cure the same. The notice also shall specify the date on which the use of the Common Areas and Common Facilities will be terminated, if the Member fails to correct the delinquency. The Association shall have the right to take such actions as are necessary to terminate or restrict the Member's use of the Common Areas and Common Facilities.

ARTICLE XII

Insurance

Section 12.1 Obligation to Insure. The Association shall procure for the benefit of the Association, from one or more insurance companies licensed in Vermont:

(a) One or more General Liability Insurance Policies providing coverage for the Association of not less than One Million Dollars (\$1,000,000.00) for injury to or death of any one person and One Hundred Thousand Dollars (\$100,000.00) for damage to property in any one incident.

(b) Casualty Insurance including the risks generally included in an "all risk" policy with a full amount equal to the replacement cost of all Common Facilities which are insurable.

(c) Fidelity Bonds for Directors and officers of the Association in a face amount equal to one hundred and ten percent (110%) of the total amounts of money in the control of the Association. The Fidelity Bonds shall not exclude or limit coverage with respect to persons who serve without compensation.

(d) Worker's Compensation Insurance and Unemployment Compensation Insurance for any employees hired by the Association.

Section 12.2 Additional Insurance. The Board of Directors may acquire such additional types or amounts of insurance as the Board of Directors deems reasonable or prudent.

Section 12.3 Waiver of Subrogation. Each insurance policy procured by the Association shall include, where applicable and when available at reasonable cost, a waiver by the insurer of all rights of subrogation against the Association, the Members, Unit Owners, or guests or invitees of the Members and Owners, in connection with any loss or damage thereby insured against. The unavailability of a waiver of subrogation clause with respect to any required or additional insurance policy shall not excuse the Association from acquiring such policy. If the waiver is available, but only at substantial extra cost, the Board of Directors, in its sole discretion, shall determine whether to pay such additional premium for the waiver.

ARTICLE XIII

Maintenance

Section 13.1 General Obligations. The Association shall be responsible for all maintenance and repairs to the Common Areas and Common Facilities. Each Unit Owner shall promptly report to an officer or Director of the Association any condition or occurrence in the Common Areas and Common Facilities brought to the attention of such Unit Owner and

requiring maintenance or repairs.

ARTICLE XIV
Miscellaneous

Section 14.1 Management Services. The Board of Directors may, at its discretion, employ one or more professionals for any one or more of the following duties:

- (a) Assistance in preparation of the annual budget, provided, however, the Board of Directors shall have final responsibility to adopt and approve any budget.
- (b) Determination of the amounts of and the collection of all regular and special assessments.
- (c) Operation, care, upkeep and maintenance of the Common Areas and Common Facilities.
- (d) Engaging and discharging of employees.
- (e) Bookkeeping and record keeping tasks.
- (f) Preparation and filing of all tax returns, reports, disclosures and statements required to be filed by or on behalf of the Association.

Any contract for such services shall expressly provide that it may be terminated by the Association, without penalty, on not more than ninety (90) days notice.

Section 14.2 Fiscal Year. The fiscal year of the Association shall be the calendar year.

Section 14.3 Audits. The Board of Directors, in its discretion, may procure an independent audit of the books and records of the Association by a certified public accountant. The Association's financial statements shall be available to each Member, each Unit Owner and to the holders of mortgages on any Unit.

Section 14.4 Statements. Upon written request by an Owner, Member or the holder of a mortgage on any Unit, the treasurer shall provide such Member, Unit Owner or mortgage holder with a statement specifying any unpaid regular and special assessments due from such Member or Unit Owner. Upon request submitted in writing by a holder of a mortgage lien on any Unit, the president or other designated officer shall provide such mortgage holder with a statement specifying the existence, if any, of any default by such Unit Owner or Member with respect to obligations expressed in the Bylaws or the Declaration.

Section 14.5 Amendment. These Bylaws may be amended by the Board of Directors upon the affirmative vote of two-thirds (2/3) of the Directors then in office under these Bylaws or, after the Members are entitled to vote as provided in Section 7.6 hereof, by the Members upon affirmative vote of eighty percent (80%) of the voting power of all Members entitled to vote on the issue. With respect to certain proposed amendments to these Bylaws which could have significant impact upon the rights and security of First Mortgagees (as defined in the Declaration), in addition to such an amendment receiving the approval of the Board of Directors or Unit Owners required in this Section 15.5, the amendment also shall require the

approval in writing by the Required Number of First Mortgagees (as defined in the Declaration). The amendments which would be deemed to have a significant impact upon the rights and security of a First Mortgagee are as set forth in Section 9.3 of the Declaration. These Bylaws may be amended by the Board of Directors; provided, however, that the number of Directors, composition of the Board, term of office of Directors, the method or way in which Directors are elected or selected or the provisions of Articles VI or VII, concerning members, shall not be amended without approval of two-thirds (2/3) of the voting power of the Members.

Section 14.6 Corporate Seal. The Board of Directors shall adopt a corporate seal for the association.

Section 14.7 Waiver of Notice. Any notice of any meeting required to be given to any Director, Member or Owner by the provisions of these Bylaws, the Articles of Association or the Statute may be waived in writing by the party entitled to such notice, whether before or after the time stated therein and such waiver shall be deemed the equivalent of such notice.

Section 14.8 Indemnification. Any present or future Director, officer, or employee, or executor, administrator or other legal representative of any such Director, officer, or employee, hereinafter referred to as "such person" shall be indemnified by the Corporation against reasonable costs and expenses (exclusive of any amount paid or incurred in connection with any action, suit, or proceeding to which any such person may hereafter be made a party by reason of his or her being or having been a Director, officer, or employee) to the full extent permitted or required by applicable law. The foregoing right of indemnification shall not be exclusive of any other rights to which any such person may be entitled as a matter of law or which may be lawfully granted to him or her and the indemnification hereby granted by the Corporation shall be in addition to and not in restriction or limitation of, any other privilege or power which the Corporation may lawfully exercise with respect to the indemnification or reimbursement of Directors, officers, or employees.

(a) To the extent permitted by law, upon final resolution of a proceeding, whether by judgment, order, settlement, conviction, plea, or otherwise, the Association shall indemnify any person who was or is a party to any suit or proceeding, whether civil, criminal, administrative or investigative (whether or not by or in the right of the Association) by reason of the fact that he or she is or was a Director, officer, employee or agent of the Association, or is or was serving at the request of the Association, as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Association or its Members, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful; except that there shall be no indemnification in connection with a proceeding by or in which the individual is adjudged liable to the Corporation, or in connection with any other proceeding charging improper personal benefit to the individual, whether or not involving action in his or her official capacity, in which the individual is adjudged liable on the basis that personal benefit was improperly received by the individual. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Association, and, with respect to any criminal action or proceeding, had reasonable cause to

believe that his conduct was unlawful.

(b) To the extent permitted by law, the Association may advance or reimburse expenses prior to final resolution of a proceeding, to any person who was or is a party to or is threatened to be made a party to any threatened, pending action or suit by or in the right of the Association to procure a judgment in its favor by reason of the fact that he or she is or was a Director, officer, employee or agent of the Association, or is or was serving at the request of the Association as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with the defense or settlement of such action or suit if he or she (i) furnishes the Corporation a written affirmation of his or her good faith belief that he or she has met the standard of conduct required by statute for such indemnification, (ii) furnishes a written undertaking, executed personally or on the individual's behalf, to repay the advance if it is ultimately determined that the person did not meet the standard of conduct, and (iii) a determination is made that the facts then known to those empowered by statute to make the determination would not preclude indemnification under law.

(c) If a Director, officer, employee or agent of the Association has been successful on the merits or otherwise as a party to any action, suit or proceedings referred to in Sections (a) or (b) of this Section, or with respect to any claim, issue or matter therein (to the extent that a portion of his or her expenses can be reasonably allocated thereto), he or she shall be indemnified against expenses (including attorneys' fees) and reasonably incurred by him or her in connection therewith.

(d) The indemnification provided by this Section shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any Agreement, vote of Members or disinterested Directors, or otherwise, both as to action in his or her official capacity and as to action of a person who has ceased to be a Director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 14.9 Books and Records. The Corporation shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of its Members, Board of Directors and committees having and exercising any of the authority of the Board of Directors, and shall keep at the principal office a record giving the names and addresses of the Members entitled to vote.

Section 14.10 Dissolution of Sale of Assets. A two-thirds (2/3) vote of the membership shall be required to sell or mortgage assets of the Corporation not in the regular course of business or to dissolve the Corporation.

Upon the dissolution of the Corporation, assets shall be distributed to its Members or, if it has no Members, to those persons whom the Corporation holds itself out as benefitting or serving.

Dated at Williston, Vermont, this _____ day of June, 2005.

**SHERWOOD ESTATES HOMEOWNER
ASSOCIATION, INC.**

By: _____
Brian C. French, Vice President

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