

**FIRST RESTATED BYLAWS
OF
WATERBURY INN OWNER'S ASSOCIATION, INC.**

DRAFT 1/18/98

**ARTICLE I
Name and Purpose**

Pursuant to the Articles of Incorporation of WATERBURY INN OWNER'S ASSOCIATION, INC. and the Condominium Declaration for WATERBURY INN CONDOMINIUM recorded in the office of the Register of Deeds for Door County, Wisconsin (the "Declaration"), the following are adopted as the First Restated Bylaws of Waterbury Inn Owner's Association, Inc. (the "Association") which is a non-profit corporation formed and organized to serve as an association of unit owners who own real estate and improvements (the "Property") under the condominium form of use and ownership, as provided in the Wisconsin Condominium Ownership Act, Chapter 703 (the "Act") of the Wisconsin Statutes and subject to the terms and conditions of the Declaration.

These Bylaws shall be deemed covenants running with the land and shall be binding upon the unit owners, their heirs, successors and assigns.

**ARTICLE II
Members, Voting and Meetings**

2.1. Members. Every unit owner upon acquiring title to a unit shall automatically become a member of the Association and shall remain a member thereof until such time as his/her ownership of such unit ceases for any reason, at which time his/her membership in the association shall automatically cease. Each unit owner shall have one (1) vote for each unit owned. If title to a unit is held by more than one person, the membership related to that unit shall be shared by such owners in the same proportionate interests and by the same type of tenancy in which the title to the unit is held. Voting rights may not be split and shares of membership interest must be voted pursuant to the nomination contained in the Membership List.

2.2. Membership List. The Association shall maintain a current membership list showing the membership pertaining to each unit and the person designated to cast the one vote pertaining to such unit. Only one person so designated shall be entitled to cast a vote in person or by proxy. A designation may be changed by notice in writing to the Secretary of the Association signed by a majority of the persons having an ownership interest in the unit.

2.3. Transfer of Membership. Each membership shall be appurtenant to the unit upon which it is based and shall be transferred automatically upon conveyance of that unit. Membership in the Association may not be transferred, except in connection with the transfer of a unit. A transferee shall notify the Association through its Secretary or manager of the date of transfer, name of the person designated to vote, and any other information about the transfer which the Association may deem pertinent, and the Association shall make appropriate changes to the membership list effective as of the date of transfer.

2.4. Quorum and Proxies for Members' Meetings. A quorum for members' meetings shall consist of fifty percent (50%) of the votes entitled to be cast. Votes may be cast in person or by proxy following Robert's Rules of Order Revised in accordance with the designation in the Membership List. The act of a majority of votes presented in person or by proxy at any meeting at which a quorum is present shall be the act of the members. Proxies shall be valid only for the particular meeting(s) or time period designated therein, unless sooner revoked, and must be filed with the Secretary before the

appointed time of the meeting. If any meeting of members cannot be organized because a quorum is not present, a majority of the members who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum is present, without further notice provided that the meeting is held on the same date and at the same place as originally scheduled and further provided that notice of the re-convened meeting is prominently posted at the front desk of the Waterbury Inn prior to the re-convened meetings. At such adjourned meeting, at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed.

2.5. **Time, Place, Notice and Calling of Members' Meetings.** Written notice of all meetings stating the time and place and the purpose for which the meeting is called shall be given by the President or Secretary, unless waived in writing, to each member at his/her address as it appears on the books of the Association and shall be mailed or personally delivered not less than five (5) days nor more than thirty (30) days prior to the date of the meeting. Notice of meetings may be waived before or after Meetings. Meetings shall be held at such time and place as may be designated by the Board. The annual meeting shall be held on the 2nd Saturday of each March of each year for the purpose of electing directors and of transacting any other business authorized to be transacted by the members. Special meetings of the members shall be held whenever called by the President or any two members of the Board and must be called by such officers upon receipt of a written request signed by members with one-third (1/3rd) or more of the votes entitled to be cast.

ARTICLE III **Board of Directors**

3.1. **Number and Qualifications of Directors.** The Board of Directors (the "Board") shall consist of five (5) persons. In addition, there shall be three (3) "owners' representatives" who sit as non-voting members on the Board of Directors. Each director and each owners' representative must be a Member of the Association.

3.2. **Power and Duties of the Board of Directors.** The affairs of the Association shall be governed by the Board. All powers and duties as shall be necessary for the administration of the affairs of the Association shall be exercised by the Board. Such powers and duties shall be exercised in accordance with the provisions of the Declaration, the Articles of Incorporation and these Bylaws.

3.3. **Election and Term of Directors.** Directors and owners' representatives shall be elected each year at the annual meeting, as terms expire. Each director and owners' representative shall serve for a term of two (2) years or until their successors are duly elected and qualified or until any of said directors shall have been removed in the manner herein.

3.4. **Vacancies on Board.** Vacancies on the Board caused by any reason other than the removal by a vote of the members shall be filled by a vote of the majority of the remaining voting directors, even though they may constitute less than a quorum, and each person so elected shall serve the remaining term of the director or non-voting owners' representative whom they replaced.

3.5. **Removal of Directors.** At any regular or special meeting of the Association duly called, any one or more of the directors or owners' representatives may be removed with or without cause by a majority of the votes of the members entitled to be cast and a successor may then and there be elected to fill the vacancy thus created.

3.6. **Regular Meetings and Notice.** A regular annual meeting of the Board shall be held immediately after and at the same place as the annual meeting of the members. Notice of the regular annual meetings of the Board shall not be required. Members of the Board may participate in any regular

meeting or conduct the meeting by any means of communication allowed under Wis. Stats. Section 181.24 (3) (a) and (b), and according to the requirements therein stated.

3.7. Special Meetings and Notice. Special meetings of the Board may be called by the President or by two (2) directors upon five (5) days prior written notice to each director given personally, by mail, or by fax transmission, which notice shall state the time, place and purpose of the meeting. Members of the Board may participate in any special meeting or conduct the meeting by any means of communication allowed under Wis. Stats. Section 181.24 (3) (a) and (b), and according to the requirements therein stated.

3.8. Waiver of Notice. Before, at or after any meeting of the Board, any director or owners' representative may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director or owners' representative at any meeting of the Board shall be a waiver of notice by him/her of the time and place thereof. If all of the directors and owners' representatives are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

3.9. Quorum of Directors and Adjournments. At all meetings of the Board, a majority of the directors shall constitute a quorum for the transaction of business and the act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board. If at any meeting of the Board there shall be less than a quorum present the majority of those present may adjourn the meeting from time to time without further notice. At any such adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting as originally called may be transacted.

3.10. Fidelity Bonds. The Board may require that some or all officers and/or employees of the Association handling or responsible for the Association's funds shall furnish adequate fidelity bonds. The premiums on any such bonds shall be Paid for by the Association.

ARTICLE IV

Officers

4.1. Designation, Election and Removal. The principal officers of the Association shall be a President, Vice President, Secretary and Treasurer to be elected annually by the Board. Upon the affirmative vote of a majority of the members of the Board, any officer may be removed, either with or without cause and his/her successor shall be elected at the regular meeting of the Board or at any special meeting called for that purpose. Any two or more offices, except a combination of the offices of President and Secretary and a combination of the offices of President and Vice President may be held by the same person.

4.2. President. The President shall be selected from among the members of the Board and shall be the chief executive office of the Association. He/she shall preside at all meetings of the Association and the Board. He/she shall have all of the general powers and duties which are usually vested in the office of the President, including but not limited to, the power to sign, together with any other officer designated by the Board, any contracts, checks, drafts or other instruments on behalf of the association in accordance with the provision herein.

4.3. Vice President. The Vice President shall take the place of the President and perform his/her duties whenever the President shall be absent or unable to act. If both the President and Vice President are unable to act, the Board shall appoint some other member of the Board to do so on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him/her by the Board.

4.4. Secretary. The Secretary shall keep the minutes of all meetings of the Board of the Association and shall count the votes at meetings of the Association and shall have charge of the Association's books and records and shall, in general, perform all duties incident to the office of the Secretary.

4.5. Treasurer. The Treasurer (or the managing agent if a managing agent is appointed by the Board) shall have responsibility for the Association's funds and shall be responsible for keeping full and accurate accounts of all receipts and disbursements and financial records and books of account on behalf of the Association. He/she shall be responsible for the deposit of all monies and all 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. The Treasurer shall also be responsible for the billing and collection of all common charges and assessments made by the Association.

4.6. Liability of Directors and Officers.

(A) No person shall be liable to the Association for any loss or damage suffered by the Association on account of any action taken or omitted to be taken by him/her as a director or officer of the Association if he/she exercised and used the same degree of care and skill as a prudent person would have exercised or used under the circumstances in the conduct of his/her own affairs, or took or omitted to take such action in reliance upon advice of counsel for the Association whereupon statements made or information furnished by officers or employees of the Association which he/she had reasonable grounds to believe to be true. The foregoing shall not be exclusive of, other rights and defenses to which he/she may be entitled as matter of law.

(B) Indemnity of Officers and Directors. Every person who is or was a director or an officer of the Association (together with their heirs, executors and administrators of such person) shall be indemnified by the Association against all loss, costs, damages and expenses (including reasonable attorney's fees) asserted against, incurred by, or imposed upon him/her in connection with or resulting from any claim, action, suit or proceedings including criminal proceedings to which he/she is made or threatened to be a party by reason of his/her being or having been such director or officer, except as to matters as to which he/she shall be finally adjudged in such action, suit or proceeding to be liable for gross negligence or willful misconduct. In the event of a settlement, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Association is advised by counsel that the person to be indemnified has not been guilty of gross negligence or willful misconduct in the performance of his/her duty as such director or officer in relation to the matter such director or officer in relation to the matter involved. The Association by its Board may indemnify in like manner or with any limitations any employee or former employee of the Association with respect to any action taken or not taken in his/her capacity as such employee. The foregoing rights of indemnification shall be in addition to all rights to which officers, directors or employees may be entitled as a matter of law.

All liability, loss, damage, costs and expenses incurred or suffered by the Association by reason of, or arising out of, or in connection with, the foregoing indemnification provisions shall be treated and handled by the Association as common expenses provided, however, that nothing in this Article IV contained shall be deemed to obligate the Association to indemnify any member or owner of a condominium unit who is or has been an employee, director or officer of the Association with respect to any duties or obligations assumed or liabilities incurred by him/her under and by virtue of the Declaration, the Act, the Articles of Incorporation and Bylaws of the Association, as a member of the Association, or the owner of a condominium unit covered thereby.

This Association shall, by its Board, purchase appropriate liability insurance with limits of liability to be decided upon by said Board to cover the possible errors and omissions of the directors and officers of the Association. The cost of said liability insurance shall be borne by the Association as a common expense.

4.7. Compensation. Members of the Board and owners' representatives, and/or officers of the corporation, while attending Board of Directors meetings at the Waterbury Inn, shall receive compensation in the form of and equal to the current cost of cleaning said director's personal unit, if said unit was occupied by the owner. The related fees will be reimbursed from the Association and will apply to Board of Directors meetings only. If a director's, officer's, or owners' representatives' unit is rented for the weekend on which a Board meeting occurs, the manager is authorized to put that director/officer/owners' representative in another unit rented by the Association. Directors or officers of the corporation shall not receive any additional fees or other compensation for services rendered to the Association, except by specific resolution of the membership.

ARTICLE V

Operation of the Property

5.1. The Association. The Association, acting through the Board, shall be responsible for the administration and operation of the condominium property in accordance with the Declaration, the Articles of Incorporation, and these Bylaws. The Association may contract for management services and a managing agent with respect to the administration and operation of the condominium.

5.2. Rules and Regulations. The Association, through the Board, shall from time to time adopt rules and regulations governing the operation, maintenance, and use of the units and the common areas and facilities by the unit owners and occupants. Such rules and regulations of the Association shall not be inconsistent with the terms of the Declaration. The Association members, their lessees or agents, and any occupants of the units shall conform to and abide by all such rules and regulations. The Association through the Board shall designate such means of enforcement thereof as it deems necessary and proper.

5.3. Common Expenses. The Board shall determine the common expenses of the Association and shall prepare an annual operating budget for the Association in order to determine the amount of the common charges payable by each unit to meet the estimated common expenses of the Association for the ensuing year. The amounts required by such budget shall be assessed and charged against the units and allocated among the members of the Association according to their respective percentages of ownership in the common elements and facilities of the condominium as set forth in the Declaration. The common charges shall be prorated and paid monthly to the Association on or before the first day of each month or quarterly in advance at the option of the Association. If not paid on or before the due date the charges shall bear interest at the rate of one and one-half percent (1 1/2%)-per month until paid in full.

5.4. Operating Budget. The annual operating budget shall provide for two (2) funds, one which shall be designated the "Operating Fund" and the other the "Reserve Fund". The operating fund shall be used for all common expenses which occur with greater than annual frequency, such as amounts required for the costs of maintenance of the common elements, management services, insurance, common services, administration, materials and supplies.

The reserve fund shall be used for painting, major repairs and renovations of the common elements. In the event the Association incurs extraordinary expenditures not originally included in the annual budget then such sums as may be required in addition to the operating fund shall be first charged against the reserve fund. In the event that both funds prove inadequate to meet the necessary common

expenses, the directors may levy a further special assessment which shall be charged to each owner in proportion to his/her ownership interest in the common elements as set forth in the Declaration.

The reserve fund may include such amounts as the Board may deem necessary to provide for the purchase or lease of any unit whose owner has elected to sell or lease pursuant to the terms of the Declaration. The reserve fund may also be used to discharge mechanic's liens or other encumbrances levied against the entire property, or against each unit, if resulting from action by the Association. The unit owner or owners responsible for any lien which is paid by the Association shall be specially assessed for the amount thereof.

The directors may also use the reserve fund for the maintenance and repair of any unit if such maintenance and repair is necessary to protect the common elements. The full amount of the cost of any such maintenance or repair shall be specially assessed to the unit owner responsible therefore.

The annual budget shall be prepared and sent to the Board of Directors for review by November 1st of each calendar year. The Board shall approve the budget at its November meeting. The Board shall provide a copy of the proposed budget and advise all members of the Association in writing of the amount of common charges payable on behalf of each unit pursuant thereto by December 1st. Members shall have until December 15 to file comments or objections to the budget, to be filed by mail or by delivery to the Vice-President of the association, at the Waterbury Inn. The Board of Directors shall respond to each comment or objection by December 31, by phone or by special meeting as deemed necessary by the Vice-President.

The final budget shall be mailed to all members by January 5th of each calendar year. If members wish to protest charges or the budget at that time, members may call a special meeting of the members as provided in Section 2.5 of these bylaws.

5.5. Borrowing Money and Acquiring and Conveying Property. The Association, by a three-fourths (3/4ths) vote of all unit owners, may borrow money and may also purchase or.- convey property, and direct any two (2) officers of the corporation to execute such documents in connection therewith as is deemed necessary or appropriate by counsel for the Association.

5.6. Default. If a member of the Association is in default in payment of any charges or assessments for a period of more than thirty (30) days, the Board in the name of the Association may bring suit for and on behalf of the Association as representative of all members to enforce collection of such delinquencies or to foreclose the lien therefore, as provided by law and there shall be added to the amount due the costs of suit and the legal interest together with a reasonable attorney's fee.

5.7. Vote of Unit Owner in Default. No unit owner may vote at a meeting of the Association if the Association has recorded a statement of condominium lien on the person's unit, and the amount necessary to release the lien has not been paid at the time of the meeting.

ARTICLE VI

Duties and Obligations of the Unit Owners

6.1. Rules and Regulations. The units and the common elements and facilities and the limited common elements (hereinafter in these paragraphs sometimes collectively referred to as "commons") shall be occupied and used in accordance with the Declaration, the Articles of Incorporation, these Bylaws and the rules and regulations of the Association including the following:

(a) **Use.** No unit owner shall occupy or use his/her unit or the limited common elements appurtenant thereto or permit the same or any part thereof to be occupied or used for any purpose other than for residential and recreational lodging purposes and same may be used for no other purpose(s). No trade or business shall be carried on anywhere within the condominium except the rental or use of units for residential or recreational lodging use, and except for the retail shop and residential use of Unit X as shown on the Condominium Plat. The Board may allow limited commercial activities within the Condominium for the purpose of raising funds for the Association. Such activities shall not be deemed a violation of the restriction against business or commercial use of the property.

(b) **Obstructions.** There shall be no obstructions of the common elements and facilities and nothing shall be stored therein without the prior written consent of the Association.

(c) **Increase of Insurance Rates.** Nothing shall be done or kept in any unit or in the commons which will increase the rate of insurance on the commons without the prior written consent of the Association. No unit owner shall permit anything to be done or kept in his/her unit or in the commons which will result in the cancellation of insurance on any part of the commons or which would be in violation of any law or ordinance.

(d) **Signs.** No sign of any kind shall be displayed to the Public view on or from any unit or the commons without prior written consent of the Association, except as lawfully allowed for the retail shop space in Unit X.

(e) **Noxious Activity.** No noxious or offensive activity shall be carried on in any unit or in the commons nor shall anything be done therein which may be or become an annoyance or nuisance to others.

(f) **Alteration, Construction or Removal.** Nothing shall be altered or constructed in or removed from the common elements and facilities except upon the written consent of the Association.

(g) **Conflict.** The above rules and regulations and those which may be hereafter adopted by the Association are in addition to the Declaration and in the event of conflict, the Declaration shall govern.

6.2. Maintenance and Repair of Units. Every unit owner must perform properly or cause to be performed all maintenance and repair work within his/her own unit which, if omitted, would affect the project in its entirety or in a portion belonging to the other owners and such owner shall be personally liable to the Association for any damages caused by his/her failure to do so.

6.3. Limited Common Elements. Limited common elements are defined for purposes of this paragraph to be the balconies, decks, and/or patios adjacent to and having direct access to the units to which they are appurtenant. Every unit owner must maintain the limited common elements appurtenant to his/her unit in clean and proper condition. No objects or structures, other than moveable furniture or decorative pieces, shall be placed thereon without the prior written consent of the Board. Every unit owner shall have the right to decorate the limited common elements appurtenant to his/her unit in a nonstructural manner provided that the decorations that are visible to other units or to the public shall have the prior written approval of the Board.

ARTICLE VII

General

7.1. Fiscal Year. The fiscal year of the corporation shall begin on the first day of January and end on the thirty-first day of December.

7.2. **Corporate Seal.** The corporation shall have no seal.

ARTICLE VIII
Amendment

8.1. **By Members.** These Bylaws may be altered, amended or repealed and new Bylaws may be adopted by the members at any meeting called for such purpose by any affirmative vote of sixty- seven percent (67%) of all of the votes entitled to be cast.

8.2. **Rights of Declarant.** No amendment of these Bylaws shall alter or abrogate the rights of Declarant as contained in these Bylaws of the Declaration.

ARTICLE IX
Miscellaneous

9.1. **Record of Ownership.** Every unit owner shall promptly cause to be duly recorded or filed of record the deed, lease, assignment or other conveyance to him of such unit or other evidence of his/her title thereto and shall file such lease and present such other evidence of his/her title to the Board. The Secretary shall maintain all such information in the record of ownership of the Association.

9.2. **Subordination.** These Bylaws are subordinate and subject to all provisions of the Declaration and any amendments thereto and the Act, which shall control in case of any conflict. All terms herein (except where clearly repugnant to the context) shall have the same meaning as in the Declaration or said Condominium Ownership Act.

9.3. **Interpretation.** In case any provision of these Bylaws shall be held invalid, such invalidity shall not render invalid any other provision hereof which can be given effect. Nothing in these Bylaws shall be deemed or construed to authorize the Association or the Board to conduct or engage in any active business for profit on behalf of any or all of the unit owners.

9.4. **No Vested Interest in Operating or Reserve Funds.** Owners shall have no vested interest in nor shall they be entitled to withdrawals from either the operating fund or the reserve fund created hereby. Upon sale or other disposition of a unit said fund shall remain intact, and a new owner shall not be additionally assessed for improvements for which the prior owner has been assessed and the assessment has been paid.

9.5. **Robert's Rules of Order Revised.** All Association and Board meetings shall be conducted following Robert's Rules of Order Revised.

ARTICLE X
Association Address

10.1. **Mailing Address.** The mailing address of the Association shall be:

Waterbury Inn
P.O. Box 149
Ephraim, Wisconsin 54211

10.2 **Geographic Address.** The geographic address of the property shall be:

Waterbury Inn
10321 Water Street
Ephraim, Wisconsin 54211

These Bylaws accepted by the Board of Directors and members this 15th day of March, 1998.