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Robert E. Ducharme, Esq.  
Ducharme Law, P.L.L.C.  
72 Portsmouth Avenue, Suite 201  
Stratham, NH 03885  
[603.235.7006](tel:603.235.7006)  
[www.newhampshirecondolaw.com](http://www.newhampshirecondolaw.com)

Lancelot Shore Improvement Association Members,

I've reviewed a number of emails over the past few days, seen pictures of nasty comments made by people about fellow Owners, seen disputes between Board members, difficulties in communication between and amongst Board members, accusations of financial irregularities, accusations of fraudulent Boards, and a few people trying to bring people together to no avail.

It's clear there is a large degree of distrust at the Assn. Why, I'm not sure. For some it has been an expressed concern of Boards trying to do too much, allegedly trying to control the Owners. For others it has been the Board doing too little. (One of the interesting examples is throughout all of the meetings I had with the Board and the Owners, one of the few, clear directives was to make sure the Owners could do what they wanted on their lots, without any Board interference. Now there are complaints about signs that are appearing on individual lots and people want either me or the Board to do something about it.) for others it has been the Board not acting as a Board but as independent members doing as they please on their own.

I have little doubt each of the Board members, past and present, in their own ways have been trying to create a community association with fair rules that balance individual rights against the needs of the Assn to assess, maintain roads, etc. Despite these efforts, the Assn is no closer than it has been since at least last spring when I became involved.

Then there is the law. It is clear the Assn was not set up well back in the early 60s. As I have explained there is no Homeowners' Assn Act. Homeowners Associations (HOAs) are creatures of deeds and written agreements, either through deeds, articles of incorporation, bylaws or some combination of them that binds every person to the community as well as defines how the Assn is to operate. The ones we have spoken about over the past six months or so are, of course, not very well drafted, leading to questions of who is bound to the Assn, what powers the Board has and more.

Then there is the matter of the failure to re-incorporate several years ago. Regardless of whether you are incorporated with the State (there is no requirement to do so), Owners are still bound by the language in their deeds, articles of incorporation and Bylaws.

Then there are the Bylaws. The last set that were filed with the Registry was in 1995. Those, for example, make it clear you have to have a quorum of 2/3rd. There is another version that says a lower

quorum. The problem of course, is that the second, newer set was not recorded with the Registry. There is, again, no HOA Act in NH, but most courts would only bind people to the documents if they received notice of them. In turn, courts have routinely ruled that notice is sufficient if the documents are filed with the Registry of Deeds. Since the new ones weren't filed, it is possible a court would find the newer ones to be valid, but only if the minutes of the Assn showed there was notice given to all of a meeting where the Amended Bylaws were on the Agenda, and the minutes also show not only that there was a 2/3rd quorum, but also that the vote passed ... and that everyone got notice of the new Bylaws. Without that, a court would have to rely on the recorded ones.

Then there is the issue of how many shares or votes there are in the Assn. It is my belief, as I have noted to the Owners, that the shares were meant to indicate how many building lots there were (excusing the undeveloped beach lots). Originally there were to be 300, but the Town has a much lower amount and likely no more can be used for homes. As such, while I believe the Court would go by how many lots the Town recognizes for the development it approved, some people likely insist there should be 300 votes not the lower amount, so any changes to the Bylaws would be contested along those lines as well.

And these, as you know are just some of the issues. In other words, no matter what you do as a Board, a large number of Owners, including some Board members, will disagree, not abide by any new directives, not abide by any new Bylaws that are passed, not pay any new assessments ... and the frustration and lack of community will likely continue if not increase, and legal costs will unnecessarily continue to be spent. So what's the solution?

Court. Courts are the arbiters of disputes and if nothing else is clear, there are many disputes at LSIA. I would suggest we file a lawsuit with the Court, noting all of the legal matters noted in this email, including the double Bylaws, the lack of re-incorporation, the issue of quorums, the issue of who is on the Board and who is not, who is bound to the Assn and who is not, and let the Court issue an Order. Each Owner would be served and would be allowed to appear pro se or with counsel and make their own case as to which Bylaws are the correct ones, what powers the Board has, and who is bound to the Assn.

I think you have all tried fairly to bring the Assn together, but it clearly has not worked, and in light of the increased animosity lately, I see no way to get the Owners to agree on how the Assn is to be operated. As such, a binding Court Order would be the only way to resolve things permanently, and let the Board start working on community improvements.

How much would it cost to do so? Originally a few thousand dollars (I suspect 1-2) to research the land use law in NH as it applies to HOAS and to this Assn, drafting the lawsuit, and then filing it. Thereafter, costs would be determined by how many people respond and any responses necessary to respond to those allegations. Likely it would not be a trial as this is a legal issue, i.e. which documents are valid and who is bound by them, not a factual one.

And the reality is the Assn will be spending much more in legal fees in the coming years if it does not take this course as there will be allegations of Owners, Board meetings, suits against Owners who do not want to pay sms to the Assn, and more resulting in this discussion several years from now.

In the meantime, and I cannot emphasize this enough, and as I noted at the last meeting we had, the Board needs to gather all the financials it has over the past several years, hire a CPA and ask that an audit of all of the finances be done. (If the Board does not have all of the financials, then what you do have should be given to a CPA.) That report then should be given to all Owners and any recommendations be followed. You cannot ignore the financial concerns that have been raised, and anything you do as a Board will be called into question if you do not heed the concerns and investigate. It is your fiduciary duty to do so and you cannot breach that.

There is an end to the grief and aggravation you and other Owners have endured over the past few years. But without going to court to have the Court determine, essentially, what the rules are that everyone has to abide by, the grief and aggravation will continue.



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