

BYLAWS OF THE COUNCIL OF UNIT OWNERS, SHEARWATER CONDOMINIUM

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"EXHIBIT B"

BY-LAWS

COUNCIL OF UNIT OWNERS OF
SHEARWATER CONDOMINIUM

ARTICLE I

Name and Location

SECTION 1: Name and Location. The name of the Council of Unit Owners, an incorporated association, is as follows:

SHEARWATER CONDOMINIUM ASSOCIATION, INC.

Its principle office and mailing address is as follows:

c/o Maryland Inn
Church Circle
Annapolis, Maryland

The Resident Agent for the Shearwater Condominium Association, Inc., and the person authorized to accept service of powers as provided by law is Paul M. Pearson, who resides in Anne Arundel County, and whose post office address is c/o The Maryland Inn, Church Circle, Annapolis, Maryland 21401.

The Board of Directors may, from time to time, designate a successor resident agent and the name shall be evidenced by an instrument duly filed with the Department of Assessments and Taxation duly signed and acknowledged.

ARTICLE II

Definitions

SECTION 1: Definitions in the Declaration. Each of the following terms as used in these By-Laws shall have the same meaning as the meaning ascribed to it in the Declaration: "The Act" or "Condominium Act" or "Council of Unit Owners"; "Board of Directors"; "Common Elements"; "Common Expenses and Profits"; "Condominium"; "Condominium Documents" or "Condominium Instruments"; "Condominium Unit"; "Declarant"; "Declaration"; "First Mortgagee"; "Mortgagee"; "Unit"; "Unit Owner" or "Owner".

SECTION 2: Other Definitions. Unless it is plainly evident from the context that a different meaning is intended, all other terms used herein shall have the same meaning as they are defined to have in the Declaration or in Title 11, Real Property Article, Annotated Code of Maryland, (1974 Repl. Vol., 1981 Supp) as amended.

ARTICLE III

Membership

SECTION 1: Members. Every person, group of persons, corporation, partnership, trust or other legal entity, or any combination thereof who holds legal title to a unit within the condominium, shall be a member of the Council of Unit Owners; provided, however, that any person, group of persons, corporation, partnership, trust or other legal entity, or any combination thereof who holds such interest solely as security for the performance of an obligation, shall not be a member of the Council of Unit Owners by reason only of such interest.

SECTION 2: Membership Certificates. In the event the Board of Directors considers it necessary or appropriate to issue membership certificates or the like, then each such membership certificate shall state that the Council of Unit Owners is organized under the laws of the State of Maryland, the name of the registered holder or holders of the membership represented thereby, and shall be in such form as shall be approved by the Board of Directors. Membership certificates shall be consecutively numbered, bound in one or more books, and shall be issued therefrom upon certification as to the transfer to title to the condominium unit to which such membership is appurtenant. Every membership certificate shall be signed by the President or a Vice President and the Secretary or an Assistant Secretary of the Council of Unit Owners and shall be sealed with the seal of the Council of Unit Owners, if any. Such signatures and seal may be original or a facsimile.

SECTION 3: Lost Certificates. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates previously issued by the Council of Unit Owners and alleged to have been destroyed or lost, upon the making of an affidavit of that fact by the unit owner claiming the membership certificate to be lost or destroyed. When authorizing such issuance of a new certificate or certificates, the Board of Directors may, in its discretion, and as a condition precedent to the issuance thereof, require the registered holder or holders of such lost or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as the Board of Directors shall require and to give the Council of Unit Owners a bond in such sum as the Board of Directors may require as indemnity against any claim that may be made against the Council of Unit Owners.

ARTICLE IV

Meeting of Unit Owners

SECTION 1: Place of Meeting. Meetings of the Unit Owners shall be held at the principal office of the Council of Unit Owners or at such other suitable place within the State of

Maryland reasonably convenient to the unit owners as may from time to time be designated by the Board of Directors.

SECTION 2: Annual Meetings. The first annual meeting of the unit owners shall be held at such time as the Board of Directors shall determine but, in any event, within ninety (90) days after all of the condominium units in the project have been sold and title to the same has been conveyed by the Declarant or within one (1) year following the recordation of the Declaration, whichever shall first occur. Thereafter the annual meetings of the unit owners shall be held on the first Monday of March of each succeeding year. At such meeting there shall be election by ballot of the unit owners a Board of Directors in accordance with the requirements of Article V of these By-Laws, provided, however, that there shall be no election of directors other than the re-election of original directors or their appointed successors until the first annual meeting following conveyance of fifty-one (51%) percent of the condominium units. The unit owners may also transact such other business of the Council of Unit Owners as may properly come before them.

SECTION 3: Special Meetings. It shall be the duty of the President to call a special meeting of the unit owners as directed by resolution of the Board of Directors or upon a petition signed by unit owners representing at least fifty-one (51%) percent of the total votes of the unit owners having been presented to the Secretary; provided, however, that, except upon resolution of the Board of Directors, no special meeting of the unit owners shall be called prior to the first annual meeting of unit owners as hereinabove provided for. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as specifically stated in the notice.

SECTION 4: Roster of Unit Owners. The Council of Unit Owners shall maintain a current roster of the names and addresses of each unit owner to which written notice of meetings of the Council of Unit Owners shall be delivered or mailed. Each unit owner shall furnish the Council of Unit Owners with his name and current mailing address.

SECTION 5: Notice of Meetings. It shall be the duty of the Secretary to mail or otherwise deliver a notice of each annual and special meeting of the Council of Unit Owners, stating the purpose thereof, as well as the time and place where it is to be held, to each unit owner at his address as it appears on the roster of unit owners maintained by the Council of Unit Owners, or if no such address appears, at his last known place of address or at his condominium unit, at least fifteen (15) but not more than ninety (90) days prior to such meeting. Notice by either such method shall be considered as notice served and proof of such notice shall be made by the affidavit of the person giving such notice. Attendance by a unit owner at any annual or special meeting shall be a waiver of notice by him of the time, place and purpose thereof. Notice of any annual or special meeting of the unit owners may also be waived by any unit owner either prior to, at or after any such meeting.

SECTION 6: Quorum. The presence, either in person or by proxy, of unit owners representing at least a majority of the total votes of the Council of Unit Owners shall be requisite for, and shall constitute a quorum for the transaction of business at all meetings of members.

SECTION 7: Adjourned Meetings. If any meeting of unit owners cannot be organized because a quorum has not attended, the unit owners who are present, either in person or by proxy, may, except as otherwise provided by law, adjourn the meeting to a time not less than fifteen (15) days from the time the original meeting was called. The fifteen (15) days notice of time, place and purpose of the additional meeting shall be given by advertisement in a newspaper published in Anne Arundel County, Maryland. The notice shall contain the quorum and voting provisions contained in this section. At the additional meeting, the unit owners present in person or by proxy constitutes a quorum. Except as otherwise provided by the Condominium Act, the Declaration, or By-Laws, a majority of the unit owners present in person or by proxy may approve or authorize the proposed action at the additional meeting and may take any other action which could have been taken at the original meeting if a sufficient number of members had been present.

SECTION 8: Voting. At every meeting of the unit owners, each of the unit owners shall be allocated a number of votes in the Council of Unit Owners equal to the percentage interest in the common expenses and profit assigned to the Unit on Exhibit C attached to the Declaration. The votes of the unit owners representing fifty-one (51%) percent of the votes of the unit owners present and voting, in person or by proxy, shall decide any questions brought before such meeting, unless the question is one upon which, by express provision of the Condominium Act, or of the Articles of Incorporation of the Council of Unit Owners, or of the Declaration or of these By-Laws, a different vote is required, in which case such express provision shall govern and control. The vote for any condominium unit which is owned by more than one person may be exercised by any of them present at any meeting unless any objection or protest by any other owner of such condominium unit is noted at such meeting. In the event all of the co-owners of such condominium unit who are present at any meeting of the unit owners are unable to agree on the manner in which the vote for such condominium unit shall be cast on any particular questions, then such vote shall not be counted for purposes of deciding the question. In the event any condominium unit is owned by a corporation, then the vote appurtenant to such condominium unit shall be cast by a person designated in a certificate signed by the president or any vice president and attested by the secretary or an assistant secretary of such corporation and filed with the Secretary of the Council of Unit Owners at or prior to the meeting. Any such certificate shall remain valid until revoked or superceded in writing. The vote appurtenant to any condominium unit which is owned by a trust or partnership may be exercised by any trustee or partner thereof, as the case may be, and, unless any objection or protest by any other trustee or partners is noted at such meeting, the Chairman of such meeting shall have no duty to inquire as to the authority of the person casting such vote or votes. No unit owner shall be eligible to vote, either in person or by

proxy, or to be elected to the Board of Directors if the council of Unit Owners has recorded a statement of condominium lien on his unit and the amount necessary to release the lien has not been paid at the time of the meeting.

SECTION 9: Proxies. A unit owner may appoint any other unit owner, his tenant, mortgagee, or the Declarant as his proxy. Any proxy must be in writing and must be filed with the Secretary in form approved by the Board of Directors at or before the appointed time of each meeting. Unless limited by its term, any proxy shall continue until revoked by a written notice of revocation filed with the Secretary or by the death of the unit owner; provided, however, that no proxy is effective for a period in excess of ninety (90) days.

SECTION 10: Rights of Mortgagees. Any institutional mortgagee of any condominium unit in the condominium who desires notice of the annual and special meetings of the unit owners shall notify the Secretary to that effect by Registered Mail, Return Receipt Requested. Any such notice shall contain the name and post office address of such institutional mortgagee and the name of the person to whom notice of the annual and special meetings of the unit owners should be addressed. The Secretary of the Council of Unit Owners shall maintain a roster of all institutional mortgagees from whom such notices are received and it shall be the duty of the Secretary to mail or otherwise cause the delivery of a notice of each annual or special meeting of the unit owners to each such institutional mortgagee, in the same manner, and subject to the same requirements and limitations as provided in this Article for notice to the members. Any such institutional mortgagee shall be entitled to designate a representative to attend any annual or special meeting of the unit owners and such representative may participate in the discussion at any such meeting and may, upon his request made to the Chairman in advance of the meeting, address the unit owners present at any such meeting. Such representative shall be entitled to copies of the minutes of all meetings of the unit owners upon request made in writing to the Secretary.

SECTION 11: Order of Business. The order of business at all annual meetings of the unit owners or the Council of Unit Owners shall be as follows:

- a) Roll call and certification of proxies.
- b) Proof of notice of meeting or waiver of notice.
- c) Reading and disposal of minutes of preceding meetings, if any.
- d) Reports of officers, if any.
- e) Reports of committees, if any.
- f) Election or appointment of inspectors of election.
- g) Election of directors.
- h) Unfinished business.
- i) New Business.
- j) Adjournment.

In the case of special meetings, items (a) through (d) shall be applicable and thereafter the agenda shall consist of the items specified in the notice of the meeting.

SECTION 12: Rules of Order and Procedure. The rules of order and all other matters of procedure at all annual and special meetings of the unit owners shall be in accordance with Roberts Rules of Order.

SECTION 13: Inspectors of Election. The Board of Directors may, in advance of any annual or special meeting of the unit owners appoint an uneven number of one or more inspectors of election to act at the meeting and at any adjournment thereof. In the event inspectors are not so appointed, the Chairman of any annual or special meeting of unit owners shall appoint such inspectors of election. No officer or director of the Council of Unit Owners, and no candidate for Director of the Council of Unit Owners, shall act as an inspector of election at any meetings of the unit owners if one of the purposes of such meeting is to elect Directors.

ARTICLE V

Directors

SECTION 1: Number and Qualification. The affairs of the Council of Unit Owners shall be governed by a Board of Directors composed of an uneven number of at least three (3) natural persons and not more than seven (7) natural persons, all of whom shall be unit owners. Prior to the first annual meeting of unit owners, the number of Directors shall be determined, from time to time, by a vote of the initial Directors hereinafter named. Thereafter, the number of Directors shall be determined by a vote of the unit owners at the first annual meeting of unit owners and the number of Directors may be changed by a vote of the unit owners at any subsequent annual or special meeting of the unit owners; provided, however, that (a) the limitations of this Section shall continue to apply; and (b) no such change shall operate to curtail or extend the term of any incumbent Director.

SECTION 2: Initial Directors. The initial Directors shall be selected by the Declarant and need not be unit owners. The names of the Directors who shall act as such from the date upon which the Declaration is recorded among the Land Records for Anne Arundel County, Maryland, until the first annual meeting of the unit owners, or until their successors are duly chosen and qualified, are as set forth in the Articles of Incorporation of the Council of Unit Owners.

SECTION 3: Powers and Duties. The Board of Directors shall have all the powers and duties necessary for the administration of the affairs of the Council of Unit Owners and the condominium and may do all such acts and things as are not by law, the Articles of Incorporation or by these By-Laws directed to be exercised and done by the unit owners. The powers and duties of the Board of Directors shall include, but not be limited to, the following:

To provide for the

a) Care, upkeep and surveillance of the condominium and its general and limited common elements and services in a manner consistent with law and the provisions of these By-Laws and the Declaration; and

b) Establishment, collection, use and expenditure of assessments and carrying charges from the unit owners and for the assessment, the filing and enforcement of Statement of Condominium Liens therefor in a manner consistent with law and the provisions of these By-Laws and the Declaration; and

c) Designation, hiring and dismissal of the personnel necessary for the good working order of the condominium and for the proper care of the common elements and to provide services for the project in a manner consistent with law and the provisions of these By-Laws and the Declaration; and

d) Promulgation and enforcement of such rules and regulations and such restrictions on, or requirements as may be deemed proper respecting the use, occupancy and maintenance of the condominium and the recreational facilities owned by the condominium (including but not limited to, the swimming pool, tennis and racquetball courts, waterfront facilities and boat slips) and the use of the general and limited common elements; all of which shall be consistent with the law, the provisions of these By-Laws and the Declaration and governed by the principle of respect for ones neighbor; and

e) Authorization, in their discretion, of the payment of patronage refunds from residual receipts or common profits when and as reflected in the annual report; and

f) To enter into agreements whereby the Council of Unit Owners acquires leaseholds, memberships and other possessory or use interests in real or personal property for the purpose of promoting the enjoyment, recreation or welfare of the unit owners and to declare expenses incurred in connection therewith to be common expenses of the Council of Unit Owners; and

g) To purchase insurance upon the condominium; and

h) To repair, restore or reconstruct all or any part of the condominium after any casualty loss in a manner consistent with law and the provisions of the Declaration and to otherwise improve the condominium; and

i) To lease, grant licenses, easements, rights-of-way and other rights of use in all or any part of the common elements of the condominium; and

j) To purchase condominium units in the condominium and to lease, mortgage or convey the same, subject to the provisions of these By-Laws and the Declaration; and

k) To appoint the members of the Architectural and Environmental Control Committee provided for in Article X of these By-Laws and to appoint the members of such other committees as the Board of Directors may from time to time designate; and

1) To employ for the Council of Unit Owners a management agent at a compensation established by the Board of Directors to perform such duties and services as the Board shall authorize including, but not limited to, the duties listed in Section 3 of this Article.

SECTION 4: Election and Term of Office. The election of Directors shall be by ballot, unless balloting is dispensed with by the unanimous consent of the unit owners present at any meeting, in person or by proxy. There shall be no cumulative voting. At the first annual meeting of the unit owners, the term of the office of the two Directors receiving the greatest number of votes shall be fixed for two (2) years and the term of office of the other Director or Directors shall be fixed for one (1) year. At the expiration of the initial term of office of each respective Director, his successor shall be elected to serve a term of two (2) years. In the alternative, the membership may, by resolution, duly made and adopted at the first annual meeting of members, or at any subsequent annual meeting, resolve to fix the term for each Director elected at any such meeting at one (1) year. Directors shall hold office until their successors have been elected and hold their first regular meeting.

SECTION 5: Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a Director by a vote of the membership shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum; and each person so elected shall be a Director until a successor is elected by the unit owners at the next annual meeting to serve out the unexpired portion of the term.

SECTION 6: Removal of Directors. At an annual meeting of unit owners, or at any special meeting duly called for such purpose (but only at or after the first annual meeting of unit owners, as hereinabove provided for) any Director may be removed with or without cause by the affirmative vote of the majority of the votes of the unit owners present and voting, in person or by proxy, and a successor may then and thereafter be elected to fill the vacancy thus created. Any director whose removal has been proposed by the unit owners shall be given an opportunity to be heard at the meeting. The term of any Director who becomes more than sixty (60) days delinquent in payment of any assessment or carrying charges due the Council of Unit Owners may be terminated by resolution of the remaining Directors and the remaining Directors shall appoint his successor as provided in this Article.

SECTION 7: Compensation. No compensation shall be paid to Directors for their services as Directors. After the first annual meeting of the unit owners, no remuneration shall be paid to any Director who is also a unit owner for services performed by him for the Council of Unit Owners in any other capacity unless a resolution authorizing such remuneration shall have been adopted by the Board of Directors before such services are undertaken. Directors may be reimbursed for their actual out-of-pocket expenses necessarily incurred in connection with their services as Directors.

SECTION 8: Organization Meeting. The first meeting of a newly elected Board of Directors shall be held within ten (10) days of election at such place as shall be fixed by the Directors at the meeting at which such Directors were elected, and no notice shall be necessary to the newly elected Directors in order legally to constitute such meeting, provided a majority of the whole Board of Directors shall be present at such first meeting.

SECTION 9: Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be decided, from time to time, by a majority of the Directors, and at least two (2) such meetings shall be held during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each Director, personally or by mail, telephone or telegraph, at least six (6) days prior to the day named for such meeting.

SECTION 10: Special Meetings. Special meetings of the Board of Directors may be called by the President on three (3) days' notice to each Director, given personally or by mail, telephone or telegraph, 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) of the Directors.

SECTION 11: Waiver of Notice. Before, at or after any meeting of the Board of Directors, any Director 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 at any meeting of the Board of Directors shall be a waiver of notice by him of the time, place and purpose thereof. If all the Directors are present at any meeting of the Board of Directors, no notice shall be required and any business may be transacted at such meeting.

SECTION 12: Quorum. At all meetings of the Board of Directors a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at any meeting at which a quorum is present shall be the acts of the Board of Directors. If at any meeting of the Board of Directors there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

SECTION 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. Such written consent or consents shall be filed with the minutes of the proceedings of the Board of Directors.

SECTION 14: Rights of Mortgagees. Any institutional mortgagee of any condominium unit in the condominium who desires notice of the regular and special meetings of the Board of Directors shall notify the Secretary to that effect by Registered Mail, Return Receipt Requested. Any such notice shall contain the

name and post office address of such institutional mortgagee and the name of the person to whom notice of the regular and special meetings of the Board of Directors should be addressed. The Secretary of the Council of Unit Owners shall maintain a roster of all institutional mortgagees from whom such notices are received and it shall be the duty of the Secretary to mail or otherwise cause the delivery of a notice of each regular or special meeting of the Board of Directors to each such institutional mortgagee, in the same manner, and subject to the same requirements and limitations, as are otherwise provided in this Article for notice to the members of the Board of Directors. Any such institutional mortgagee shall be entitled to designate a representative to attend any regular or special meeting of the Board of Directors and such representative may participate in the discussion at any such meeting and may, upon his request made to the Chairman in advance of the meeting, address the members of the Board of Directors present at any such meeting. Such representative shall have no voting rights at any such meeting. Such representative shall be entitled to copies of the minutes of all meetings of the Board of Directors upon request made in writing to the Secretary.

SECTION 15: Fidelity Bonds. The Board of Directors may require that all officers and employees of the Council of Unit Owners handling or responsible for funds furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Council of Unit Owners.

a) Any policy of insurance obtained pursuant to the requirements of this Section shall be subject to the following provisions:

- 1) all shall name the Council of Unit Owners as an obligee;
- 2) all shall be written in an amount equal to at least 150% of the estimated annual operating expenses of the condominium project, including reserves, unless a greater amount is required by FNMA;
- 3) all shall contain waivers of any defense based upon the exclusion of persons who serve without compensation from any definition of "employee" or similar expression;
- 4) all shall provide that they may not be cancelled or substantially modified (including cancellation for nonpayment of premium) without at least 30 day's prior written notice to the Mortgagee on behalf of FNMA.

SECTION 16: Specific Rules & Regulations for Boat Slips & Storage Stalls.

A. The Board of Directors shall promulgate rules and regulations for all boat slips and rentals for general common element slips. The Declarant shall initially assign limited common element boat slips to a Unit Owner and thereafter the Unit Owner may assign to any other Unit Owner the further right of use, as provided by §11-103(b) of the Act. General Common Element slips shall be leased only to unit owners, whether for the benefit of the Unit Owner or his tenant. The Board of Directors shall be empowered to terminate or transfer the right to use general common element boat slips upon (a) voluntary release by user; (b) sale of user's condominium unit; (c) breach by the user of

the rules and regulations promulgated for the use of said boat slips; or (d) such other acts or conditions as may be set forth by the Board of Directors, including but not limited to accomplishing the most efficient utilization of the slip facility.

B. The Board of Directors shall promulgate rules and regulations regarding the use of storage stalls and shall be empowered to assign and re-assign the use of a storage stall to one Unit Owner and from one Unit Owner to another PROVIDED that the use of a storage stall is reserved to the Unit Owners of the building in which the storage stall is located.

ARTICLE VI

Officers

SECTION 1: Designation. The principal officers of the Council of Unit Owners shall be a President, a Vice President, and a Secretary/Treasurer, all of whom shall be elected by the Board of Directors. Prior to the first annual meeting of unit owners, the officers of the Council of Unit Owners need not be unit owners. Thereafter, at least one (1) of the officers of the Council of Unit Owners shall be a unit owner. The Directors may appoint an assistant secretary/treasurer and such other officers as in their judgment may be necessary.

SECTION 2: Election of Officers. The officers of the Council of Unit Owners shall be elected annually by the Board of Directors and shall serve and hold office at the pleasure of the Board of Directors.

SECTION 3: Removal of Officers. Upon an affirmative vote of a majority of the members of the Board of Directors, any officer may be removed either with or without cause, and his successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors called for such purpose. Any vacancy in any office shall be promptly filled by the Board of Directors, the successor to serve the balance of the term so filled.

SECTION 4: President. The President shall be the chief executive officer of the Council of Unit Owners. He shall preside at all meetings of the unit owners and of the Board of Directors. He shall have all of the general powers and duties which are usually vested in the office of president of a corporation, including, but not limited to, the power to appoint such committees from among the unit owners from time to time as he may, in his discretion, decide are appropriate to assist in the conduct of the affairs of the Council of Unit Owners. The President shall count the votes at all meetings of the unit owners.

SECTION 5: Vice President. The Vice President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board shall appoint some other member of the Board to do so on an interim basis. The Vice President shall also assist the President generally and shall perform such other duties as shall from time to time be delegated to him by the Board of Directors.

SECTION 6: Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the unit owners for the recording of the

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resolutions of the Council of Unit Owners. The Secretary shall give notice of all annual and special meetings of the unit owners in conformity with the requirements of these By-Laws. The Secretary shall have custody of the seal of the Council of Unit Owners, if any. The Secretary shall have charge of the membership transfer books and of such other books and papers as the Board of Directors may direct and he shall, in general, perform all of the duties incident to the office of Secretary.

SECTION 7: Treasurer. The Treasurer shall have responsibility for funds and securities of the Council of Unit Owners and shall be responsible for keeping, or causing to be kept, full and accurate accounts of all receipts and disbursements in books belonging to the Council of Unit Owners. He shall be responsible for causing the deposit of all monies and other valuable effects in the name, and to the credit, of the Council of Unit Owners in such depositories as may from time to time be designated by the Board of Directors.

ARTICLE VII

Liability and Indemnification of Officers and Directors

SECTION 1: Liability and Indemnification of Officers and Directors. The Council of Unit Owners shall indemnify every officer and Director of the Council of Unit Owners against any and all expenses, including counsel fees, reasonably incurred by or imposed upon any officer or Director in connection with any action, suit or other proceeding (including the settlement of any such suit or proceeding if approved by the then Board of Directors of the Council of Unit Owners) to which he may be made a party by reason of being or having been an officer or Director of the Council of Unit Owners, whether or not such person is an officer or Director of the Council of Unit Owners at the time such expenses are incurred. The officers and Directors of the Council of Unit Owners shall not be liable to the unit owners for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. The officers and Directors of the Council of Unit Owners shall have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Council of Unit Owners or the condominium (except to the extent that such officers or Directors may also be Owners of condominium units) and the Council of Unit Owners shall indemnify and forever hold each such officer and Director free and harmless against any and all liability to others on account of any such contract or commitment. Any right to indemnification provided for herein shall be in addition to and not exclusive of any other rights to which any officer or Director of the Council of Unit Owners, or former officer or Director of the Council of Unit Owners may be entitled.

SECTION 2: Common or Interested Directors. The Directors shall exercise their powers and duties in good faith and with a view of the interests of the Council of Unit Owners and the condominium. No contract or other transaction between the Council of Unit Owners and one or more of its Directors, or between the Council of Unit Owners and any corporation, firm or

association (including the Declarant) in which one or more of the Directors of the Council of Unit Owners are directors or officers or are pecuniarily or otherwise interested, is either void or voidable because such Director or Directors are present at the meeting of the Board of Directors or any committee thereof which authorizes or approves the contract or transaction, or because his or their votes are counted for such purpose, if any of the conditions specified in any of the following subparagraphs exist:

(a) the fact of the common directorate or interest is disclosed or known to the Board of Directors or a majority thereof or noted in the minutes, and the Board of Directors authorizes, approves, or ratifies such contract or transaction in good faith by a vote sufficient for the purpose; or

(b) the fact of the common directorate or interest is disclosed or known to the unit owners, or a majority thereof, and they approve or ratify the contract or transaction in good faith by a vote sufficient for the purpose; or

(c) the contract or transaction is commercially reasonable to the Council of Unit Owners at the time it is authorized, ratified, approved or executed.

Common or interested Directors may be counted in determining the presence of a quorum of any meeting of the Board of Directors or committee thereof which authorizes, approves or ratifies any contract or transaction, and may vote thereat to authorize any contract or transaction with like force and effect as if he were not such director or officer of such other corporation or not so interested.

ARTICLE VIII

Assessments and Carrying Charges for Common Expenses

SECTION 1: Annual Assessments and Carrying Charges. Each Unit Owner shall pay to the Council of Unit Owners, in advance, a monthly sum (hereinsewhere sometimes referred to as "assessments" or "carrying charges") equal to one-twelfth (1/12) of the unit owner's proportionate share (determined in accordance with the percentage interests in common expenses and common profits of the condominium set forth on "EXHIBIT C" attached to the Declaration or as otherwise established in the Declaration) of the sum required by the Council of Unit Owners, as estimated by its Board of Directors, to meet its annual expenses, including, but in no way limited to the following:

a) the cost of fire and extended coverage and liability insurance on the property and the cost of such other insurance as the Council of Unit Owners may effect;

b) the cost of funding contributions to the "Paid-in-Surplus" account of the Council of Unit Owners and the cost of funding all reserves established by the Council of Unit Owners including, when appropriate, a general operating reserve and a reserve for replacements;

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c) the cost of real estate taxes, utilities, water and sewer service to the City of Annapolis, garbage and trash collection, and other assessments, charges, levies or expenses related to the ownership of the common elements or which the condominium is otherwise required to pay, if any;

d) the costs of managing, operating and maintaining the condominium and services furnished including charges by the Council of Unit Owners for facilities and services furnished by it; and

e) the cost of necessary management and administration including fees paid to any management agent.

The Board of Directors shall determine the amount of the assessments at least annually, but may do so at more frequent intervals should circumstances so require. Upon resolution of both the Board of Directors and unit owners representing at least fifty-one (51%) percent of the total votes of the unit owners, installments of annual assessments may be levied and collected on a quarterly, semi-annual basis rather than on the monthly basis hereinabove provided for.

The Board of Directors of the Council of Unit Owners shall make reasonable efforts to fix the amount of the assessment against each condominium unit for each annual assessment period at least thirty (30) days in advance of the commencement of such period and shall, at that time, prepare a roster of the condominium units and assessments applicable thereto which shall be kept in the office of the Council of Unit Owners and shall be open to inspection by the owner or mortgagee of any condominium unit, and by their respective duly authorized agents and attorneys upon reasonable notice to the Board of Directors. Written notice of the assessments shall thereupon be sent to the unit owners. The omission of the Board of Directors, before the expiration of any annual assessment period, to fix assessments for that or the next such period shall not be deemed a waiver or modification in any respect of the provisions of this Article, or a release of any unit owner from the obligation to pay the assessment, or any installment thereof, for that or any subsequent assessment period; but the assessment fixed for the preceding period shall continue until a new assessment is fixed. No unit owner may exempt himself from liability for assessments or carrying charges by a waiver of the use or enjoyment of any other common elements or by abandonment of any condominium unit belonging to him, or by declining services.

SECTION 2: Special Assessments. In addition to the regular assessments authorized by this Article, the Council of Unit Owners may levy in any assessment year a special assessment or assessments, applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, unexpected repair or replacement of a described capital improvement located upon the condominium, including the necessary fixtures and personal property related thereto, or for such other purposes as the Board of Directors may consider appropriate; provided, however, that any such special assessment shall have the assent of the unit owners representing two-thirds (2/3) of the total votes of the Council

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of Unit Owners. A special meeting of the unit owners shall be duly called for this purpose.

SECTION 3: Reserve for Replacements. The Council of Unit Owners may establish and maintain a reserve fund for replacement by the allocation and payment monthly to such reserve fund of an amount to be designated from time to time by the Board of Directors. Such fund shall be conclusively deemed to be a common expense. Such fund shall be deposited in a special account with a lending institution the accounts of which are insured by an agency of any State or an agency of the United States of America, or may, in the discretion of the Board of Directors, be invested in obligations of, or fully guaranteed as to principal by, any state or the United States of America. The reserve shall be for replacement of the common elements and equipment of the condominium and or startup costs and operating contingencies of a non-recurring nature. The proportionate interest of any unit owner in any reserve for replacements and any other reserves established by the Council of Unit Owners shall be considered an appurtenance of his condominium unit and shall not be separated from the condominium unit to which it appertains and shall be deemed to be transferred with such condominium unit.

SECTION 4: Initial Capital. Each Unit Owner shall pay to the Council of Unit Owners at the time such Unit is acquired (and in addition to any sum assessed under Section 1 hereof) his portion (determined by reference to Exhibit C or C-1 or C-2, as appropriate, attached to the Declaration) of the amount determined by the Council of Unit Owners as being necessary to provide the Council of Unit Owners with sufficient funds for the costs of administration and effective maintenance of the common elements and facilities for a two (2) month period. At such time as the Board of Directors may determine, but in no event later than one (1) year after the issuance of a use and occupancy permit by the City of Annapolis for the completion of the last unit in the Condominium, the current Unit Owner shall receive a credit for the amount paid pursuant to the preceding sentence; such credit to be applied against the assessments made pursuant to Section 1 hereof. The credit shall be for the exact amount paid with no increase for such factors as, for example, interest. The right to receive this credit shall be appurtenant to the particular unit. In the event the unit is sold prior to the credit being applied, the seller is advised to secure an adjustment therefore from the purchaser.

SECTION 5: Non-Payment of Assessments - Statement of Condominium Lien. Any assessment levied pursuant to the Declaration or these By-Laws, and any installment thereof, which is not paid on the date when due shall be delinquent and shall entitle the Council of Unit Owners to claim the amount of such assessment, together with interest thereon and the actual costs of collection thereof, as a lien on the condominium unit

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against which it is assessed; provided, however, that such lien shall be effective only after a Statement of Condominium Lien is recorded among the Land Records for the jurisdiction where the Declaration was originally recorded, stating the description of the condominium unit, the name of the unit owner of record, the amount due and the period for which the assessment is due. Any such Statement of Condominium Lien shall be in substantially the following form or as may otherwise be required by the Condominium Act, and may be for accelerated payments as provided in Section 7 of this Article.

STATEMENT OF CONDOMINIUM LIEN

This is to certify that _____ owner(s) of Unit No. _____, in _____ (is)(are) indebted to the Council of Unit Owners in the amount of \$ _____ as of _____, 19____, for (his)(their) proportionate share of the common expenses of the condominium for the period from _____, 19____, to _____, 19____, plus interest thereon at the rate of _____, costs of collection and reasonable attorney's fees.

COUNCIL OF UNIT OWNERS OF
SHEARWATER CONDOMINIUM

BY: _____

I HEREBY AFFIRM under penalties of perjury that the information contained in the foregoing Statement of Condominium Lien is true and correct to the best of my knowledge, information and belief.

The Statement of Condominium Lien shall be signed and verified as required in the Condominium Act by any officer of the Council of Unit Owners, attorney or other person duly authorized by the Board of Directors of the Council of Unit Owners for such purposes.

Upon recordation of the Statement of Condominium Lien as aforesaid, the lien shall bind the condominium unit described in the Statement of Condominium Lien in the hands of the unit owners, his heirs, devisees, personal representatives and assigns. The personal obligation of the unit owner to pay the assessment shall, however, remain his personal obligation for the statutory period and a suit to recover a money judgment for non-payment of any assessment levied pursuant to the Declaration or these By-Laws or any installment thereof, may be maintained without foreclosing or waiving the lien established by the Statement of Condominium Lien to secure payment of such assessment. Upon full payment of the amount for which the lien

is claimed the unit owner shall be entitled to a recordable satisfaction of the lien.

Any assessment levied pursuant to the Declaration or these By-Laws, and any installment thereof, which is not paid when due, may, upon resolution of the Board of Directors, subject the unit owner obligated to pay the same to the payment of such penalty or "late charge" as the Board of Directors may fix and the Council of Unit Owners may bring an action at law against the unit owner personally obligated to pay the same or may, after the recordation of the Statement of Condominium Lien provided for in this Article and in the Condominium Act, foreclose the lien against the condominium unit or units then belonging to said unit owner in the same manner, and subject to the same requirements, now or hereafter provided for the foreclosure of mortgages or deeds of trust in the State of Maryland containing a power of sale or an assent to a decree; in either of which events interest at the rate of eight (8%) percent per annum, (or the rate then provided in Section 11-110 of the Act or a comparable provision, whichever is greater) actual costs of collection and reasonable attorneys' fees shall be added to the amount of each assessment. Suit for any deficiency following foreclosure may be maintained in the same proceeding. No suit may be brought to foreclose the lien except after ten (10) days written notice to the unit owner given by registered mail, return receipt requested, to the address of the unit owner shown on the roster of unit owners maintained by the Council of Unit Owners.

In the event any proceeding to foreclose the lien for any assessment due the Council of Unit Owners pursuant to this Article is commenced with respect to any condominium unit or units in the condominium, then the owner of such condominium unit or units, upon resolution of the Board of Directors, may be required to pay reasonable rental for such unit or units and the Council of Unit Owners shall be entitled to the appointment of a receiver to collect the same.

The Board of Directors may post a list of members who are delinquent in the payment of any assessment or other fees which may be due the Council of Unit Owners, including any installment thereof which becomes delinquent, in any prominent location within the condominium.

SECTION 6: Priority of Lien. The lien established by the recordation of a Statement of Condominium Lien, as in this Article provided, shall have preference over any other assessments, liens, judgments, or charges of whatever nature, except the following:

a) general and special assessments for ad valorem real estate taxes on the condominium unit; and:

b) the lien of any bona fide deed of trust, mortgage or other encumbrance duly recorded on the condominium unit prior to the recordation of the Statement of Condominium Lien, or duly recorded on the condominium unit after receipt by the holder of any such mortgage (or the holder of the indebtedness of note secured thereby) of a certificate or statement in writing signed by an officer or agent of the Council of Unit Owners stating the payments on account of all assessments levied by the Council of Unit Owners against the condominium unit were current as to the date of recordation of such deed of trust, mortgage instrument or other encumbrance.

The lien established by the recordation of a Statement of Condominium Lien, as in this Article provided, shall be subordinate to the lien of any deed of trust, mortgage or other encumbrance duly recorded on the condominium unit and made in good faith and for value received; provided, however, that such subordination shall apply only to assessments, and installments thereof, which have become due and payable prior to a sale or transfer of the condominium unit pursuant to a foreclosure or any deed, assignment or other proceeding or arrangement in lieu of foreclosure. Any holder of any deed of trust, mortgage or other encumbrance duly recorded on the condominium unit and made in good faith and for value received who comes into possession of the condominium unit pursuant to a foreclosure of any deed, assignment or other proceeding or arrangement in lieu of foreclosure, and any other purchaser at a foreclosure sale, shall take the condominium unit free of any claims for unpaid common expense assessments and carrying charges levied against the condominium unit which accrue prior to the time that holder comes into possession of the condominium unit or prior to the foreclosure sale, except for claims for a proportionate share of such unpaid common expense assessments and carrying charges resulting from a reallocation of such unpaid common expenses, assessments or carrying charges among all of the condominium units in the condominium. Such foreclosure, deed, assignment or other proceeding or arrangement in lieu of foreclosure shall not relieve the mortgagee in possession or the purchaser at any foreclosure sale from any liability for any common expense assessments and carrying charges thereafter becoming due, or from the lien established by the recordation of a Statement of Condominium Lien with respect to any common expense assessments and carrying charges thereafter becoming due.

No amendment to this Section shall affect the right of the holder of any such deed of trust, mortgage or other encumbrance recorded prior to the recordation of such amendment unless the holder of such deed of trust, mortgage or other encumbrance shall join in the execution of such amendment.

SECTION 7: Additional Rights of Mortgagees - Notice. The Council of Unit Owners shall promptly notify the holder of the first mortgage on any condominium unit for which any assessment levied pursuant to the Declaration or these By-Laws, or any installment thereof, becomes delinquent for a period in excess of sixty (60) days and the Council of Unit Owners shall promptly notify the holder of the first mortgage on any

condominium unit with respect to which any default in any provision of the Declaration or these By-Laws remains uncured for a period in excess of sixty (60) days following the date of such default. Any failure to give any such notice shall not affect the priorities established by this Article, the validity of any assessment levied pursuant to the Declaration or these By-Laws or the validity of any lien to secure the same.

No suit or other proceeding may be brought to foreclose the lien for any assessment levied pursuant to the Declaration or these By-Laws except after ten (10) days written notice to the holder of the first mortgage on the condominium unit which is the subject matter of such suit or proceeding.

SECTION 8: Acceleration of Installments. Upon default in the payment of any one or more monthly installments of any assessment levied pursuant to the Declaration or these By-Laws, or any other installment thereof, the entire balance of said assessment may be accelerated at the option of the Board of Directors and be declared due and payable in full.

SECTION 9: Assessment Certificates. The Council of Unit Owners shall, upon demand at any time, furnish to any unit owner the amount levied or any assessment levied pursuant to the Declaration or these By-Laws (or any other party legitimately interested in the same) a certificate in writing signed by an officer or agent of the Council of Unit Owners, setting forth the status of said assessment, i.e., whether the same is paid or unpaid. Such certificate shall be conclusive evidence of the payment of any installment of any assessment therein stated to have been paid. A charge not to exceed Thirty Dollars (\$30.00) may be levied in advance by the Council of Unit Owners for each certificate so delivered, except that no charge shall be levied against any institutional mortgagee of any condominium unit in the condominium who requests such a certificate.

SECTION 10: Budget. The Council of Unit Owners with the assistance and counsel of the Board of Directors shall prepare and adopt a budget for each annual assessment period which shall include estimates of the funds required by the Council of Unit Owners to meet its annual expenses for that period. Such budget shall be in a format consistent with the classification of the Council of Unit Owner's accounts as provided for hereinafter, and shall provide for sufficient estimates, prepared on a monthly basis, in accordance with generally accepted accounting practices consistently applied, to permit comparison to and analysis of deviations from the various periodic reports of the actual results of operations and the actual financial condition of the Council of Unit Owners, on both a current basis and for prior corresponding periods. Copies of the budget shall be available for examination during normal business hours by the Unit Owners, their duly authorized agents and attorneys, and by the institutional holder of any first mortgage on any condominium unit in the condominium project, their duly authorized agents and attorneys for purposes reasonably related to their respective interest.

ARTICLE IX

Use Restrictions

SECTION 1: Use. Each condominium unit shall be used for private residential purposes, except for such temporary uses as may be permitted from time to time by the Board of Directors and for uses reserved to the Declarant pursuant to the Declaration or these By-Laws. Nothing in this Section or these By-Laws shall be construed to prohibit the Declarant from using any condominium unit(s) which the Declarant owns for promotional or display purposes as model units, or from leasing any unit or units which the Declarant owns, except that the Declarant shall nevertheless be bound by the provisions of Section 2 of this Article.

SECTION 2: Leasing. No portion of any condominium unit, other than the entire unit, shall be leased for any period. Upon the request of the Board of Directors, any owner who shall lease his unit shall forward a confirmed copy of such lease to the Board of Directors promptly following the execution thereof. Any such lease shall contain a provision to the effect that the rights of the tenant to use and occupy the condominium unit shall be subject and subordinate in all respects to the provisions of the Declaration and these By-Laws and to such other reasonable rules, regulations and "house rules" relating to the use of the common elements as the Board of Directors may from time to time promulgate.

SECTION 3: Prohibited Uses and Nuisances. Except as may be reasonable and necessary in connection with the maintenance, improvement, repair or reconstruction of an, portion of the condominium by the unit owner or the Council of Unit Owners,

a) No noxious or offensive trade or activity shall be carried on within the condominium or within any condominium unit, nor shall anything be done therein or thereon which may be or become an annoyance to the neighborhood or to other unit owners. No nuisances shall be permitted within the condominium or shall any use or practice be permitted which is or becomes a source of annoyance to the unit owners or which interferes with the peaceful use and possession thereof by the unit owners.

b) Nothing shall be stored upon any of the common elements excepting in those areas designated for storage of personal property by the owners of the condominium units.

c) Nothing shall be done or maintained in any condominium unit or upon any of the common elements which will increase the rate of insurance on any condominium unit or the common elements, or result in the cancellation thereof, without the prior written approval of the Board of Directors. Nothing shall be done or maintained in any condominium unit or upon the common elements which would be in violation of any law. No waste shall be permitted upon any of the common elements.

d) The maintenance, keeping, breeding, boarding and/or raising of animals, livestock, or poultry of any kind, regardless of number, shall be and is hereby prohibited within

any condominium unit or upon any of the common elements, except that this shall not prohibit the keeping of one dog or one cat and/or caged birds as domestic pets provided that they are not kept or maintained for commercial purposes or for breeding. Pets shall not be permitted upon the general common elements of the Condominium unless accompanied by an adult and unless they are carried or leashed. Any unit owner who keeps or maintains any pet upon any portion of the Condominium shall be deemed to have indemnified and agreed to hold the Council of Unit Owners, each of the unit owners and the Declarant and Management Agent, if any, free and harmless from any loss, claim or liability of any kind or character whatever arising by reason of keeping or maintaining such pet within the Condominium. All pets shall be registered with the Board of Directors and shall otherwise be registered and innoculated as required by law. The Board of Directors shall have the right to order any person whose pet is a nuisance, to remove such pet from the premises and the Board of Directors, after affording the right to a hearing to the unit owner affected, shall have the exclusive authority to declare any pet a nuisance. The owner of a pet shall have the sole and absolute obligation to clean and/or otherwise remove from the common elements any excrement deposited by such owner's pet.

e) Except for such signs as may be posted by the Declarant or the Council of Unit Owners for promotional or marketing purposes, traffic control or the like, no signs of any character shall be erected, posted or displayed upon, in, from or about any condominium unit or the common elements without the prior written consent of the Board of Directors and under such conditions as they may establish.

f) Except as hereinelsewhere provided, no junk vehicle or other vehicle on which current registration plates are not displayed, trailer, truck (other than pick-up truck), van, camper, camp truck, house trailer, boat or the like shall be kept upon any of the general common elements, nor shall the repair or extraordinary maintenance of automobiles or other vehicles be carried out on any of the common elements or within or upon any condominium unit.

g) No burning of any trash and no unreasonable or unsightly accumulation or storage of litter, new or used building materials, or trash of any kind shall be permitted within any condominium unit or upon any of the common elements. All refuse shall be deposited with care in containers or trash chutes designated for such purposes. Trash and garbage containers shall not be permitted to remain in public view except on days of collection.

h) No structure of a temporary character, trailer, tent, shack, barn or other outbuilding shall be maintained upon any common elements at any time. No clothing, laundry or the like shall be hung from any part of any condominium unit or upon any of the common elements or from or upon any balcony or patio.

i) No unlawful use shall be made of any condominium unit or any portion of the common elements and all laws, zoning and other ordinances, regulations of governmental and other

municipal bodies and the like shall be observed at all times.

j) The sidewalks, entrances, halls, corridors and stairways shall not be obstructed or used for any other purposes than ingress to and egress from the units. No article shall be placed in any of the corridors, walls or stairways in any building nor shall the same be obstructed in any manner. Nothing shall be hung or shaken from doors, windows, walks or corridors of a building.

k) The common elements shall be used only for the purposes they are intended in the furnishing of services or facilities for which they are reasonably suited and which are incidental to the use and occupancy of the condominium units. No part of the common elements shall be used for commercial activities of any character, except this restriction shall not apply to the use of the common elements and condominium units by the Declarant for display, marketing, promotional or sales purposes or as model units.

l) No structural alteration, construction, addition or removal of any condominium unit or common element shall be commenced or conducted except in strict accordance with the provisions of these By-Laws.

m) No outside television, radio or other aerial or antenna, for reception or transmission shall be maintained upon any condominium unit or upon any common elements without the prior written consent of the Board of Directors.

n) Nothing shall be stored upon any balcony or patio nor shall the cooking or preparation of food be permitted upon any balcony or upon any other portion of the general or limited common elements of the project, except with the consent of the Board of Directors.

o) No owner shall engage or direct any employee of the Council of Unit Owners on any private business of the owner during the hours such employee is employed by the Council of Unit Owners. No owner shall direct, supervise or in any manner attempt to assert control over any employee of the Council of Unit Owners.

p) There shall be no violation of any rules for the use of the common elements or other "house rules", which may from time to time be adopted by the Board of Directors and promulgated among the owners by them in writing.

ARTICLE X

Architectural Control

SECTION 1: Architectural and Environmental Control Committee. It shall be prohibited for any unit owner (except the Declarant during construction) to install, erect, attach, apply, paste, hinge, screw, nail, build, alter, remove or construct any lighting, lamps, screens, awnings, patio covers, decorations, clotheslines, fences, walls, aerials, antennas, radio or television broadcasting or receiving devices, slabs, sidewalks, curbs, gutters, patios, balconies, porches, driveways, walls or to make any change or otherwise alter (including any alteration in color) in any manner whatsoever the exterior of any condominium unit (including any window coverings which expose to the exterior a color) or upon any of the common elements within the project or to combine or otherwise join one or more condominium units, or to partition the same after combination, or to remove or alter any window or exterior doors of any condominium unit, or to make any change or alteration within any condominium unit which will alter the structural integrity of any building or otherwise affect the property, interest or welfare of any other unit owner, materially increase the cost of operation or insuring the condominium or impair any easement, until the complete plans and specifications, showing the location, nature, shape, change (including, without limitation, any other information specified by the Board of Directors or its designated committee) shall have been submitted to and approved in writing as to safety, the effect of any such alterations on the costs of maintaining and insuring the condominium and harmony of design, color and location in relation to surrounding structures and topographs, by the Board of Directors of the Council of Unit Owners, or by an Architectural and Environmental Control Committee designated by the Board of Directors.

SECTION 2: Architectural and Environmental Control Committee Operation. The Architectural and Environmental Control Committee shall be composed of any uneven number of three (3) or more natural persons designated from time to time by the Board of Directors of the Council of Unit Owners and such persons shall serve at the pleasure of the Board of Directors. In the event that the Board of Directors fails to appoint an Architectural and Environmental Control Committee, then the Board of Directors shall constitute the Committee. The affirmative vote of a majority of the members of the Architectural and Environmental Control Committee shall be required in order to adopt or promulgate any rule or regulation, or to make any finding, determination, ruling or order, or to issue any permit, consent, authorization, approval or the like pursuant to the authority contained in the Article.

SECTION 3: Approvals, etc. Upon approval of the Architectural and Environmental Control Committee of any plans and specifications submitted pursuant to the provisions of this Article, a copy of such plans and specifications, as approved, shall be deposited among the permanent records of such Committee and a copy of such plans and specifications bearing such approval, in writing, shall be returned to the applicant submitting the same. In the event the Architectural and

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Environmental Control Committee fails to approve or disapprove any plans and specifications (and all other materials and information required by the Architectural and Environmental Control Committee) within sixty (60) days after the plans and specifications have been submitted in writing, then approval will be deemed to have been fully complied with.

Any unit owner aggrieved by a decision of the Committee may appeal the same to the Board of Directors by giving notice in writing to the Committee and the Board of Directors within ten (10) days of the rendering of such decision. The Board of Directors shall, within thirty (30) days after receipt of such notice of appeal, convene a meeting and consider all evidence presented to the Committee and may affirm, reverse or remand the decision of the Committee.

SECTION 4: Limitations. Construction or alterations in accordance with plans and specifications approved by the Architectural and Environmental Control Committee pursuant to the provisions of this Article shall be commenced within six (6) months following the date upon which the same are approved by the Architectural and Environmental Control Committee (whether by affirmative action or by forbearance from action, as in Section 3 of this Article provided), and shall be substantially completed within twelve (12) months following the date of commencement, or within such longer period as the Architectural and Environmental Control Committee shall specify in its approval. In the event construction is not commenced within the period aforesaid, then approval of the plans and specifications by the Architectural and Environmental Control Committee shall be conclusively deemed to have lapsed and compliance with the provisions of this Article shall again be required. There shall be no deviations from plans and specifications approved by the Architectural and Environmental Control Committee without the prior consent in writing of the Architectural and Environmental Control Committee to disapprove such plans and specifications, or any elements or features thereof, in the event such plans and specifications are subsequently submitted for use in any other instance.

SECTION 5: Certificate of Compliance. Upon the completion of any construction or alterations or other improvements or structure in accordance with plans and specifications approved by the Architectural and Environmental Control Committee in accordance with the provisions of this Article, the Architectural and Environmental Control Committee shall, at the request of the owner thereof, issue a certificate of compliance which shall be prima facie evidence that such construction, alteration or improvements referenced in such certificate shall have been approved by the Architectural and Environmental Control Committee and constructed or installed in full compliance with the provisions of this Article and with any other provisions and requirements of these By-Laws as may be applicable.

SECTION 6: Rules and Regulations, etc. The Architectural and Environmental Control Committee may from time to time adopt and promulgate such rules and regulations regarding the form and content of plans and specifications to be submitted for approval and may publish such statements of policy, standards, guidelines and establish such criteria relative to

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architectural styles or details, or other related matters, as it may consider necessary or appropriate. No such rules, regulations, statements, criteria or the like shall be construed as a waiver of the provisions of this Article or any other provision or requirement of these By-Laws. The Architectural and Environmental Control Committee may charge and collect a reasonable fee for the examination of any plans and specifications submitted for approval pursuant to the provisions of this Article. The decision of the Architectural and Environmental Control Committee shall be final except that any unit owner who is aggrieved by any action or forbearance from action by the Architectural and Environmental Control Committee may appeal the decision of the Architectural and Environmental Control Committee to the Board of Directors of the Council of Unit Owners and, upon the request of such unit owner, shall be entitled to a hearing before the Board of Directors.

SECTION 7: Additions, Alterations, or Improvements by Board of Directors. Except in cases of bona fide emergencies involving manifest danger to life, safety or property, or the interruption of essential services to the condominium, whenever in the judgment of the Board of Directors the common elements of the condominium shall require additions, alterations, or improvements requiring the expenditure of funds of the Council of Unit Owners in excess of Twenty-five Thousand and ***No/100 Dollars (\$25,000.00), such additions, alterations or improvements shall not be made until the same shall have been approved by (a) unit owners representing a majority of the total votes of the Council of Unit Owners at a meeting of the unit owners duly called for such purposes; and (b) the institutional holder of any mortgages or other obligations secured by any condominium unit or units in the aggregate principal sum of more than \$150,000.00, which approval shall be in writing.

ARTICLE XI

Physical Management

SECTION 1: Duty to Maintain.

a) By the Council. The Council of Unit Owners, acting by and through its Board of Directors, shall manage, operate and maintain the condominium and the common elements, including, without limitation, any sidewalks, walkways, off-street parking, fenced area, pipes, curbs, gutters, storm drains or the like, appurtenant to the condominium regardless of whether the same may be designated as general common or limited common elements herein or in the Condominium Plat and, for the benefit of the condominium units and the unit owners, shall enforce the provisions hereof and shall pay out of the common expense fund herein elsewhere provided for the cost of managing, operating and maintaining the condominium. The Council of Unit Owners and the Board of Directors shall also be responsible for the care, upkeep and surveillance of the Condominium, and all portions of the units which contribute to the support of the building, excluding, however, the interior surfaces of all walls, floors and ceiling of a Unit and the exterior surface of any glass.

In the event any damage to any unit or common element should be caused by the deliberate or willful act of, or due to the negligence of any owner or his agent, then in such case,

the cost of repair shall be charged to the owner and if not promptly paid by the owner, shall become a lien on the unit of such owner and shall be enforced and collected as such.

b) By the Unit Owner. Except for the portions of his Unit, required to be maintained, repaired or replaced by the Council, each Unit Owner's responsibility shall include but not be limited to the maintenance, repair and replacement, at his own expense, of the following: any interior walls; interior surface of ceilings, walls and floor; door locks and hardware; lighting fixtures, kitchen and bathroom fixtures, appliances and equipment; and water and sewage pipes located within the boundaries of the Unit or serving only that Unit and heating and/or air conditioning equipment which may be located outside the Unit which serves only that Unit. Each Unit owner shall keep the interior of his Unit and its equipment and appurtenances in good order, condition and repair and in a clean and sanitary condition, and shall do all redecorating, painting and varnishing which may at any time be necessary to maintain the good appearance and condition of the Unit. In addition, each Unit Owner shall be responsible for all damage to any and all other Units or to the Common Elements resulting from his failure to make any of the repairs required to be made by him by this Section. Each Unit Owner shall perform his responsibility in such manner as shall not unreasonably disturb or interfere with the other Unit Owners. Each Unit Owner shall promptly report to the Board of Directors, or the Managing Agent any defects or need for repairs for which the Board of Directors is responsible.

c) Manner of Repair and Replacement. All repairs and replacements shall be of first class quality and as nearly as practicable similar to the character of the construction or installation that existed immediately prior to the occasion that necessitated the repairs or replacements. Repairs and replacements must in every instance comply with all requirements of law.

d) Public Areas. Anything contained in these By-Laws to the contrary notwithstanding, the public areas of the Condominium and those areas exposed to public view (including portions of Units) shall be kept in good appearance by either the Council or the Unit Owners who are required to maintain the same, as the case may be, and shall be maintained in a first-class condition, in conformity with the dignity and character of the Condominium, and in a manner which does not adversely alter the value of the Condominium.

SECTION 2: Council of Unit Owners as Attorney-in-Fact. The Council of Unit Owners is hereby irrevocably appointed as attorney-in-fact for the owners of all of the condominium units in the condominium, and for each of them, to manage, control and deal with the interests of such unit owners in the common elements of the condominium so as to permit the Council of Unit Owners to fulfill all of its powers, functions and duties under the provisions of the Condominium Act, the Declaration, the Articles of Incorporation and the By-Laws, and to exercise all of its rights thereunder and to deal with the condominium upon its destruction and the proceeds of any insurance indemnity, as hereinelsewhere provided. The foregoing shall be deemed to be a power of attorney coupled with an interest and the acceptance

by any person or entity of any interest in any condominium unit shall constitute an irrevocable appointment of the Council of Unit Owners as attorney-in-fact as aforesaid.

SECTION 3: Windows and Doors. The owner of any condominium unit shall, at his own expense, clean and maintain both the interior and exterior surfaces of all windows and all glass entry doors of the condominium unit, including the interior and exterior surfaces of any door leading to any balcony, deck, terrace, fenced area or courtyard designated herein or in the Declaration or the Condominium Plat as appurtenant to that particular condominium unit. Notwithstanding the provisions of this Section, the Board of Directors may resolve to clean the exterior surfaces of all windows and entry doors in the condominium at common expense in accordance with a schedule to be determined by the Board of Directors.

SECTION 4: Access at Reasonable Times. The Council of Unit Owners shall have an irrevocable right and an easement to enter condominium units for the purpose of making repairs to the common elements when the repairs reasonably appear necessary for public safety or to prevent damage to other portions of the condominium. Except in cases involving manifest damage to public safety or property, the Council of Unit Owners shall make a reasonable effort to give notice to the owner of any condominium unit to be entered for the purpose of such repairs. No entry by the Council of Unit Owners for the purpose specified in this Section may be considered a trespass.

ARTICLE XII

Amendment

SECTION 1: Amendments. These By-Laws may be amended by the affirmative vote of unit owners representing seventy-five (75%) percent of the total votes of the Council of Unit Owners, at any meeting of the unit owners duly called for such purposes, in accordance with the provisions and requirements of these By-Laws and Title 11, Real Property Article, of the Annotated Code of Maryland (1974 Repl. Vol., 1981 Supp) as amended. Any amendment to these By-Laws shall be effective only upon the recordation of such amendment among the Land Records for the jurisdiction where the Declaration was originally recorded, together with a certificate in writing of the President of the Council of Unit Owners stating that the amendment was approved as aforesaid.

SECTION 2: Proposal of Amendments. Amendments to these By-Laws may be proposed by the Board of Directors of the Council of Unit Owners or by petition signed by unit owners representing at least twenty-five (25%) percent of the total votes of the Council of Unit Owners, which petition shall be delivered to the Secretary. A description of any proposed amendment shall accompany the notice of any annual or special meeting of the unit owners at which such proposed amendment is to be considered and voted upon.

ARTICLE XIII

Compliance - Interpretation - Miscellaneous

SECTION 1: Compliance. These By-Laws are set forth in compliance with the requirements of Title 11, Real Property Article, Annotated Code of Maryland (1974 Repl. Vol., 1981 Supp), as amended.

All present and future owners, present and future tenants, their guests, licenses, servants, agents, employees and any other person or persons that shall be permitted to use the facilities of the Condominium, shall be subject to these By-Laws and to the rules and regulations issued by the Council of Unit Owners to govern the conduct of its members. Acquisition, rental, or occupancy of any of the family units in the Condominium shall be conclusively deemed to mean that the said owner, tenant or occupant has accepted, ratified and will comply with these By-Laws and the rules and regulations of the Council of Unit Owners.

SECTION 2: Conflict. These By-Laws are subordinate and subject to all provisions of the Declaration and to the provisions of Title 11, Real Property Article, Annotated Code of Maryland, (1974 Repl. Vol., 1981 Supp), as amended. All of the terms hereof, except where clearly repugnant to the context, shall have the same meaning as in the Declaration or the aforesaid statute. In the event of any conflict between these By-Laws and the Declaration, the provisions of the Declaration shall control; and in the event of any conflict between the aforesaid Declaration and Title 11, Real Property Article, Annotated Code of Maryland (1974 Repl. Vol), as amended, the provisions of the statute will control.

SECTION 3: Notices. Unless another type of notice is hereinelsewhere specifically provided for, any and all notices called for in the Declaration and in these By-Laws shall be given in writing and may, unless otherwise stated, be mailed, postage pre-paid regular mail or delivered by hand.

SECTION 4: Severability. In the event any provision or provisions of these By-Laws shall be determined to be invalid, void or unenforceable, such determination shall not render invalid, void or unenforceable any other provisions hereof which can be given effect.

SECTION 5: Waiver. No restriction, condition, obligation or provision of these By-Laws shall be deemed to have been abrogated or waived by reason of any failure or failures to enforce the same.

SECTION 6: Captions. The captions contained in these By-Laws are for convenience only and are not a part of these By-Laws and are not intended in any way to limit or enlarge the terms and provisions of these By-Laws.

SECTION 7: Gender, etc. Whenever in these By-Laws the context so requires, the singular number shall include the plural and the converse; and the use of any gender shall be deemed to include all genders.

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IN WITNESS WHEREOF, the Declarant has caused these By-Laws to be adopted and executed on this 29th day of December 1981.

SPA CREEK ASSOCIATES
BY: Paul M. Pearson
Paul M. Pearson,
General Partner

STATE OF MARYLAND)ss:
COUNTY OF ANNE ARUNDEL)

I HEREBY CERTIFY that before me, a Notary Public in and for the State and County aforesaid, personally appeared PAUL M. PEARSON, general partner of Spa Creek Associates, and acknowledged the foregoing By-Laws to be the act and deed of said partnership.

IN WITNESS WHEREOF, I have hereunto set my hand and notarial seal this 29th day of December 1981.

Sinda S. Burnett
Notary Public

My Commission expires:

July 1, 1982

The undersigned, a member in good standing of the Bar of the Court of Appeals of Maryland, hereby certifies that the within instrument was prepared by him or under his supervision.

Barry M. Nuhelman
Barry M. Nuhelman