

BYLAWS
OF
CREEKSIDE AT LEISURE WORLD,
A CONDOMINIUM
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BYLAWS**ARTICLE 1****General Provisions**

Section 1.1. Applicability. These Bylaws provide for the governance of the Condominium pursuant to the requirements of section 11-104 of the Condominium Act, as amended. The Property, located in Montgomery County, Maryland and more particularly described in the Declaration, has been submitted to the provisions of the Condominium Act by recordation simultaneously herewith of the Declaration and Condominium Plats among the Land Records of Montgomery County, Maryland.

Section 1.2. Office. The office of the Condominium, the Council of Unit Owners, and the Board of Directors shall be located at the Property or at such other place as may be designated from time to time by the Board of Directors. The initial mailing address of the Council of Unit Owners is 2901 S. Leisure World Boulevard, Silver Spring, Maryland 20906.

Section 1.3. Definitions. Terms used herein without definition shall have the meanings specified for such terms in the Declaration to which these Bylaws are attached as Exhibit B, or if not defined therein, the meanings specified for such terms in section 11-101 of the Condominium Act. The following terms have the following meanings in the Condominium Instruments:

(a) “Board of Directors” or “Board” means the executive organ established pursuant to Article 3 of these Bylaws.

(b) “Common Element Interest” means the number assigned to each unit by Exhibit C to the Declaration which establishes each unit’s undivided interest in the common elements, common expenses and common profits and votes in the Council of Unit Owners.

(c) “Condominium Instruments” shall be a collective term referring to the Declaration, Bylaws, and Condominium Plats, recorded pursuant to the Condominium Act. Any exhibit, schedule or certification accompanying a Condominium Instrument and recorded simultaneously therewith shall be deemed an integral part of that Condominium Instrument. Any amendment or certification of any Condominium Instrument shall, from the time of the recordation of such amendment or certification, be deemed an integral part of the affected Condominium Instrument.

(d) “Condominium Plats” means the documents, reduced copies of which are attached as Exhibits D to the Declaration, which show the location of the buildings and improvements on the land, the location of the units in the buildings and the elevations and boundaries of the units. The Condominium Plats are also recorded separately among the Land Records of Montgomery County, Maryland and constitute the Condominium Plat, pursuant to section 11-105 of the Condominium Act.

(e) “Council of Unit Owners” or “Association” means the unincorporated, non-profit association of all the unit owners owning condominium units in the Condominium.

(f) “Declarant Control Period” means the period prior to the date on which a majority of the members of the Board of Directors are comprised of unit owners other than the Declarant. In no event shall the Declarant Control Period extend beyond five (5) years from the date of recordation of the Declaration.

(g) “Leisure World of Maryland Trust” means the Trust responsible for the maintenance, operation and control of various facilities within the Rossmoor Community pursuant to the Trust Agreements recorded on March 15, 1966 at Liber 3479, Folio 396 and May 3, 1979 at Liber 5315, Folio 249 among the Land Records of Montgomery County, Maryland, and any amendments thereto.

(h) “Limited Common Expenses” means expenses separately assessed against more than one (1) but less than all of the condominium units generally in accordance with the use of the services, as permitted by subsection 11-110(b)(2) of the Condominium Act and Section 5.1 of these Bylaws. Except where the context requires otherwise, common expenses shall include Limited Common Expenses.

(i) “Majority Vote” means a simple majority (more than fifty percent (50%)) of the votes actually cast in person or by proxy at a duly held meeting at which a quorum is present. Any specified percentage vote means that percentage vote with respect to the votes actually cast in person or by proxy at a duly held meeting at which a quorum is present. Any specified percentage approval or vote of the Mortgagees means approval or a vote by the Mortgagees of condominium units to which such percentage of the total number of votes appertain.

(j) “Mortgagee” means an institutional lender (one (1) or more commercial or savings banks, savings and loan associations, trust companies, credit unions, industrial loan associations, insurance companies, pension funds, or business trusts including but not limited to real estate investment trusts, any other lender regularly engaged in financing the purchase, construction, or improvement of real estate, or any assignee of loans made by such lender, or any combination of any of the foregoing entities) holding a first mortgage or first deed of trust (“Mortgage”) encumbering a condominium unit in the Condominium. For purposes of Article 8 of these Bylaws and Article 11 of the Declaration only, when any right is to be given to a Mortgagee, the Board of Directors shall also give such right to the Federal Home Loan Mortgage Corporation (“FHLMC”), the Federal National Mortgage Association (“FNMA”), the Department of Veterans Affairs, the Federal Housing Administration, the Farmer’s Home Administration, the Government National Mortgage Association and any other public or private secondary mortgage market entity participating in purchasing or guarantying Mortgages if the Board has notice of such participation.

(k) “Officer” means any person holding office pursuant to Article 4 of these Bylaws, but shall not mean members of the Board of Directors unless such directors are also officers pursuant to Article 4.

(l) “Reserved Common Element” means a common element in which the Board of Directors has granted a revocable license for exclusive use by less than all of the unit owners.

(m) "Rossmoor Community" means the planned community in Montgomery County, Maryland, in which the Condominium is located, which consists of various housing developments and certain common facilities controlled and maintained pursuant to the Leisure World of Maryland Trust.

ARTICLE 2

Council of Unit Owners

Section 2.1. Composition. The Council of Unit Owners shall consist of all of the unit owners. The name of the Council of Unit Owners shall be the Council of Unit Owners of Creekside at Leisure World, A Condominium. For all purposes the Council of Unit Owners shall act merely as an agent for the unit owners as a group. The Council of Unit Owners shall have the responsibility of administering the Condominium, establishing the means and methods of collecting assessments and charges, arranging for the management of the Condominium and performing all of the other acts that may be required or permitted to be performed by the Association by the Condominium Act and the Declaration. Except as to those matters which the Condominium Act specifically requires to be performed by the vote of the unit owners, the foregoing responsibilities shall be performed by the Board of Directors or managing agent as more particularly set forth in Article 3 of these Bylaws. The Association shall be an unincorporated entity.

Section 2.2. Annual Meetings. The annual meetings of the Association shall be held on weekdays at least forty-five (45) days before the beginning of each fiscal year. At such annual meetings the Board of Directors shall be elected by ballot of the unit owners in accordance with the requirements of Section 3.4 of these Bylaws.

Section 2.3. Place of Meetings. Meetings of the Council of Unit Owners shall be held at the principal office of the Association or at such other suitable place convenient to the unit owners as may be designated by the Board of Directors.

Section 2.4. Special Meetings.

(a) The President shall call a special meeting of the Council of Unit Owners if so directed by resolution of the Board of Directors or upon a petition signed and presented to the Secretary by unit owners of not less than seventy-five percent (75%) of the aggregate Common Element Interests. The notice of any special meeting shall state the time, place and purpose thereof. No business shall be transacted at a special meeting except as stated in the notice.

(b) Not later than sixty (60) days after units to which fifty percent (50%) of the votes appertain have been conveyed to unit owners other than the Declarant, a special meeting of the Association shall be held at which directors shall be elected by the unit owners, including the Declarant.

Section 2.5. Notice of Meetings. The Secretary shall mail to each unit owner a notice of each annual or special meeting of the unit owners at least ten (10) but not more than ninety (90) days, prior to such meeting, stating the time, place and purpose thereof. The giving of a

notice of meeting in the manner provided in this Section and Section 11.1 of the Bylaws shall be considered service of notice.

Section 2.6. Quorum and Adjournment of Meetings. Except as otherwise provided in these Bylaws, the presence in person or by proxy or absentee ballot of twenty-five percent (25%) or more of the unit owners shall constitute a quorum at all meetings of the Council of Unit Owners. If at any meeting of the Council of Unit Owners a quorum is not present, unit owners of a majority of the Common Element Interests who are present at such meeting in person or by proxy may adjourn the meeting to a time not less than fifteen (15) days after the time the original meeting was called, and shall comply with Section 11-109 of the Condominium Act.

Section 2.7. Order of Business. The order of business at all meetings of the Council of Unit Owners shall be as follows: (a) roll call (proof of quorum); (b) proof of notice of meeting; (c) reading of minutes of preceding meeting; (d) reports of officers; (e) report of Board of Directors; (f) reports of committees; (g) election or appointment of inspectors of election (when so required); (h) election of members of the Board of Directors (when so required); (i) unfinished business; and (j) new business; provided, however, that balloting for election of directors may commence at any time.

Section 2.8. Conduct of Meetings. The President shall preside over all meetings of the Council of Unit Owners and the Secretary shall keep the minutes of the meeting and record in a minute book all resolutions adopted at the meeting, as well as a record of all transactions occurring at the meeting. The President may appoint a person to serve as parliamentarian at any meeting of the Council of Unit Owners. The then current edition of Robert's Rules of Order, Revised shall govern the conduct of all meetings of the Council of Unit Owners when not in conflict with the Condominium Act or the Condominium Instruments. Tellers, appointed by the President or other Officer presiding over the meeting, shall supervise the tallying of all votes, and the names and addresses of the tellers shall be recorded in the minutes of the meeting.

Section 2.9. Voting.

(a) Voting at all meetings of the Council of Unit Owners shall be on a percentage basis and the percentage of the vote to which each unit owner is entitled shall be the Common Element Interest assigned to such unit owner's unit in the Declaration. Where the ownership of a unit is in more than one (1) person, the person who shall be entitled to cast the vote of such unit shall be the person named in a certificate executed by all of the owners of such unit and filed with the Secretary or, in the absence of such named person from the meeting, the person who shall be entitled to cast the vote of such unit shall be the person owning such unit who is present. If more than one (1) person owning such unit is present, then such vote shall be cast in accordance with their unanimous agreement, or as provided in section 2-508(c) of the Corporations and Associations Article of the Annotated Code of Maryland (1999 Replacement Vol.). Such certificate shall be valid until revoked by a subsequent certificate similarly executed. Wherever the approval or disapproval of a unit owner is required by the Condominium Act or the Condominium Instruments, such approval or disapproval shall be made only by the person who would be entitled to cast the vote of such unit at any meeting of the Council of Unit Owners. There shall be no cumulative voting.

(b) Except where a greater number is required by the Condominium Act or the Condominium Instruments, a Majority Vote is required to adopt decisions at any meeting of the Council of Unit Owners. Except where a greater number is required by the Condominium Act or the Condominium Instruments, a Plurality Vote is required to elect directors at any meeting of the Council of Unit Owners. "Plurality Vote" means one more vote that one candidate receives over another candidate with the next highest number of votes. If the Declarant owns or holds title to one (1) or more units, the Declarant shall have the right at any meeting of the Council of Unit Owners to cast the votes to which such unit or units are entitled.

(c) No unit owner may vote at any meeting of the Council of Unit Owners or be elected to or serve on the Board of Directors if payment of the assessment on the unit is delinquent more than sixty (60) days and the amount necessary to bring the account current has not been paid at the time of such meeting or election.

Section 2.10. Proxies. A vote may be cast in person or by proxy. Such proxy may be granted by any unit owner in favor of only another unit owner, the Declarant or such unit owner's Mortgagee, or in the case of a non-resident unit owner, the lessee of such unit owner's unit, or such unit owner's attorney or management agent. Proxies shall be duly executed in writing, shall be valid only for the particular meeting designated therein and must be filed with the Secretary before the appointed time of the meeting. Such proxy shall be deemed revoked only upon actual receipt by the person presiding over the meeting of notice of revocation from any of the persons owning such unit. Except with respect to proxies in favor of a lessee or Mortgagee, no proxy shall in any event be valid for a period in excess of one hundred and eighty (180) days after the execution thereof. Only instructed proxies may be cast for the election of the Board of Directors; uninstructed proxies may be counted for quorum purposes and may be cast other than for the election of the Board of Directors.

Section 2.11. Absentee Ballots. Absentee ballots may be utilized for purposes of (1) establishing a quorum pursuant to Section 2.6 of this Article 2, (2) voting for Board of Director nominees listed on the absentee ballot or written in by the absentee unit owner, or (3) voting for any other matter as set forth on the absentee ballot. Any unsigned absentee ballot, to be valid, shall be received in a signed, sealed envelope bearing the identification of the dwelling unit and proportional voting percent, if any, on the outside, and shall be opened only at a meeting at which all candidates or their delegates have a reasonable opportunity to be present.

Section 2.12. Open Meetings. All meetings of the Association shall be open to all owners or occupants of units or their agents (and other interested parties in the discretion of the Board of Directors or as required by law). Meetings of the Board of Directors may be held in closed session for the purposes set forth in Article 3, Section 3.13(b) and in accordance with Article 3, Section 3.14 of these Bylaws.

ARTICLE 3

Board of Directors

Section 3.1. Powers and Duties. The Board of Directors shall have all of the powers and duties necessary for the administration of the affairs of the Council of Unit Owners and may

do all such acts and things as are not by the Condominium Act or the Condominium Instruments required to be exercised and done by the Association. The Board of Directors shall have the power from time to time to adopt any rules deemed necessary for the benefit and enjoyment of the Condominium in accordance with Section 5.8(b) hereof; provided, however, that such rules shall not be in conflict with the Condominium Act or the Condominium Instruments. The Board of Directors shall delegate to one (1) of its members or to a person employed for such purpose the authority to act on behalf of the Board on such matters relating to the duties of the managing agent (as defined in Section 3.2 hereof), if any, which may arise between meetings of the Board as the Board deems appropriate. In addition to the duties imposed by these Bylaws or by any resolution of the Association that may hereafter be adopted, the Board shall on behalf of the Association:

(a) Prepare and adopt an annual budget, in which there shall be expressed the assessments of each unit owner for the common expenses.

(b) Make assessments against unit owners to defray the costs and expenses of the Condominium, establish the means and methods of collecting such assessments from the unit owners and establish the period of the installment payment of the annual assessment for common expenses.

(c) Provide for the operation, care, upkeep and maintenance of all of the Property and services of the Condominium.

(d) Designate, hire and dismiss the personnel necessary for the maintenance, operation, repair and replacement of the common elements and provide services for the Property and, where appropriate, provide for the compensation of such personnel and for the purchase of equipment, supplies and material to be used by such personnel in the performance of their duties, which supplies and equipment shall be deemed part of the Property.

(e) Collect the assessments against the unit owners, deposit the proceeds thereof in bank depositories designated by the Board of Directors and use the proceeds to carry out the administration of the Property in accordance with the Condominium Instruments and the governing documents of the Leisure World of Maryland Trust.

(f) Make and amend rules in accordance with section 11-111 of the Condominium Act and Section 5.8(b) hereof.

(g) Open bank accounts on behalf of the Council of Unit Owners and designate the signatories thereon.

(h) Make, or contract for the making of, repairs, additions and improvements to or alterations of the Property, and repairs to and restoration of the Property, in accordance with these Bylaws, after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings.

(i) Enforce by legal means the provisions of the Declaration, these Bylaws and the rules, act on behalf of the unit owners with respect to all matters arising out of any eminent domain proceeding, and notify the unit owners of any litigation against the Council of

Unit Owners involving a claim in excess of ten percent (10%) of the amount of the annual budget.

(j) Obtain and carry insurance against casualties and liabilities, as provided in Article 6 of these Bylaws, pay the premiums therefor and adjust and settle any claims thereunder.

(k) Pay the cost of all authorized services rendered to the Council of Unit Owners and not billed to unit owners of individual units or otherwise provided for in Sections 5.1 and 5.2 of these Bylaws.

(l) In accordance with section 11-116 of the Condominium Act, keep books with detailed accounts in chronological order of the receipts and expenditures affecting the Property, and the administration of the Condominium, specifying the expenses of maintenance and repair of the common elements and any other expenses incurred. Such books and vouchers accrediting the entries therein shall be available for examination by the unit owners, their attorneys, accountants, Mortgagees and authorized agents during general business hours on business days at the times and in the manner set and announced by the Board of Directors for the general knowledge of the unit owners. All books and records shall be kept in accordance with generally accepted accounting principles, and the same shall be audited at least once each year by an independent auditor retained by the Board of Directors who shall not be a resident of the Condominium or a unit owner. The cost of such audit shall be a common expense.

(m) Notify a Mortgagee of any default hereunder by the unit owner of the unit subject to such Mortgage, in the event such default continues for a period exceeding sixty (60) days.

(n) Borrow money on behalf of the Condominium when required in connection with any one (1) instance relating to the operation, care, upkeep and maintenance of the common elements; provided, however, that (except during the Declarant Control Period) the consent of at least two-thirds (2/3) in number and in Common Element Interest of all unit owners, obtained either in writing or at a meeting duly called and held for such purpose in accordance with the provisions of these Bylaws, shall be required to borrow any sum in excess of one percent (1%) of the total annual assessment for common expenses for that fiscal year. If any sum borrowed by the Board of Directors on behalf of the Condominium pursuant to the authority contained in this subsection (n) is not repaid by the Council of Unit Owners, a unit owner who pays to the creditor a percentage of the total amount due equal to such unit owner's Common Element Interest in the Condominium shall be entitled to obtain from the creditor a release of any judgment or other lien which such creditor shall have filed or shall have the right to file against such unit owner's condominium unit, and the Association shall not be entitled to assess the unit for payment of the remaining amount due such creditor.

(o) Acquire, hold and dispose of condominium units and mortgage the same if such expenditures and hypothecations are included in the budget adopted by the Council of Unit Owners.

(p) In its sole discretion, from time to time to designate certain common elements as Reserved Common Elements and impose such restrictions and conditions on the use thereof as the Board of Directors deems appropriate.

(q) Upon receipt of such payment as may be established by the Board of Directors in compliance with section 11-135(c)(1) of the Condominium Act, furnish the statement required by section 11-135(c)(1) of the Condominium Act within twenty (20) days after the receipt of a written request therefor from any unit owner, substantially in the form set forth on Exhibit A to these Bylaws and designated "Certificate for Resale."

(r) Grant and accept easements, rights-of-way, licenses, leases in excess of one (1) year or similar interests through, over or across the common elements in accordance with section 11-109(d)(14) of the Condominium Act pursuant to section 11-125(f) of the Condominium Act.

(s) Do such other things and acts not inconsistent with the Condominium Act or the Condominium Instruments which the Board of Directors may be authorized to do by a resolution of the Council of Unit Owners.

Section 3.2. Managing Agent. The Board of Directors may employ for the Condominium a "managing agent" at a compensation to be established by the Board.

(a) Requirements. The managing agent shall be a bona fide business enterprise, unaffiliated with the Declarant, which manages common interest residential communities. Such firm or its principals shall have a minimum of two (2) years experience in real estate community management and shall employ persons possessing a high level of competence in the technical skills necessary to proper management of the Condominium. The managing agent must be able to advise the Board of Directors regarding the administrative operation of the Condominium and shall employ personnel knowledgeable in the areas of condominium insurance, accounting, contract negotiation, labor relations and condominium regulation.

(b) Duties. The managing agent shall perform such duties and services as the Board of Directors shall direct. Such duties and services may include, without limitation, the duties listed in subsections 3.1 (a), (c), (d), (e), (h), (i), (j), (k), (l), (m) and (s). The Board of Directors may delegate to the managing agent all of the powers granted to the Board of Directors by these Bylaws other than the powers set forth in subsections 3.1 (b), (f), (g), (n), (o), (p), (q) and (r). The managing agent shall perform the obligations, duties and services relating to the management of the Property, the rights of Mortgagees and the maintenance of reserve funds in compliance with the provisions of these Bylaws.

(c) Standards. The Board of Directors shall impose appropriate standards of performance upon the managing agent. Unless the managing agent is instructed otherwise by the Board of Directors:

(1) the accrual method of accounting shall be employed and expenses required by these Bylaws to be charged to more than one (1) but less than all unit owners shall be accounted for separately;

(2) two (2) or more persons shall be responsible for handling cash to maintain adequate financial control procedures;

(3) cash accounts of the Council of Unit Owners shall not be commingled with any other accounts;

(4) no remuneration shall be accepted by the managing agent from vendors, independent contractors or others providing goods or services to the Council of Unit Owners whether in the form of commissions, finders fees, service fees or otherwise; any discounts received shall benefit the Association;

(5) any financial or other interest which the managing agent may have in any firm providing goods or services to the Council of Unit Owners shall be disclosed promptly to the Board of Directors; and

(6) a monthly financial report shall be prepared for the Council of Unit Owners containing:

(A) an "income statement" reflecting all income and expense activity for the preceding month on an accrual basis;

(B) an "account activity statement" reflecting all receipt and disbursement activity for the preceding month on a cash basis;

(C) an "account status report" reflecting the status of all accounts in an "actual" versus "projected" (budget) format;

(D) a "balance sheet" reflecting the financial condition of the Council of Unit Owners on an unaudited basis;

(E) a "budget report" reflecting any actual or pending obligations which are in excess of budgeted amounts by an amount exceeding the operating reserves or ten percent (10%) of a major budget category (as distinct from a specific line item in an expanded chart of accounts); and

(F) a "delinquency report" listing all unit owners who are delinquent in paying condominium assessments and describing the status of any actions to collect such assessments.

(d) Limitations. During the Declarant Control Period, the Board of Directors shall employ a managing agent for a term not to exceed one (1) year. The Council of Unit Owners and the Board of Directors shall not undertake "self-management" or fail to employ a managing agent without the consent of at least sixty-seven percent (67%) of the unit owners and at least fifty-one percent (51%) of the Mortgagees. Any contract with the managing agent must provide that it may be terminated, without payment of a termination fee, without cause on no more than ninety (90) days written notice and with cause on no more than thirty (30) days written notice. Further, pursuant to section 11-133 of the Condominium Act, any contract or lease entered into during the Declarant Control Period may be terminated by the Association

with or without cause on thirty (30) days written notice during a period running for three (3) years after the end of the Declarant Control Period.

Section 3.3. Number and Term of Office. The initial Board of Directors shall consist of not less than three (3) persons, all of whom shall be designated by the Declarant. At the special meeting of the Council of Unit Owners required by Section 2.4(b) of these Bylaws, members shall be elected to the Board of Directors by the Unit Owners, including the Declarant. The term of office of at least two (2) (but not more than four (4)) directors shall expire at the third (3rd) annual meeting after the special meeting held pursuant to Section 2.4(b); the term of office of up to three (3) additional directors shall expire at the second (2nd) annual meeting after the special meeting held pursuant to Section 2.4(b); and the term of office of any other directors shall expire at the first (1st) annual meeting after the special meeting held pursuant to Section 2.4(b). Beginning with this special meeting, the Board of Directors shall consist of at least three (3) but not more than five (5) persons. In the event that the Board of Directors consists of three (3) directors, the director receiving the highest number of votes shall be elected for a term of three (3) years, the director receiving the next highest number of votes shall be elected for a term of two (2) years, and the remaining director shall be elected for a term of one (1) year. In the event that the Board of Directors shall consist of five (5) directors, the two (2) directors receiving the highest number of votes shall be elected for a three (3) year term, the two (2) directors receiving the next highest number of votes shall be elected for a two (2) year term and the remaining director shall be elected for a one (1) year term. At the expiration of the term of office of all directors elected at the special meeting held pursuant to subsection 2.4(b), all successor directors shall be elected to serve for terms of three (3) years.

Section 3.4. Election of Directors.

(a) Elections Committee. At least ninety (90) days prior to each annual meeting of the Council of Unit Owners, the Board of Directors shall appoint an Elections Committee consisting of a member of the Board whose term is not then expiring and at least three (3) other unit owners. The Elections Committee shall develop election procedures and administer such procedures as are approved by the Board providing for election of directors by ballot of the unit owners at annual meetings and, where appropriate, special meetings, in accordance with section 11-109(c) of the Condominium Act. An Elections Committee shall not be required for the special meeting required by Section 2.4(b) of these Bylaws.

(b) Nominations. For each annual meeting (other than the special meeting required by Section 2.4(b) of these Bylaws), a call for nominations shall be sent to all unit owners at least forty-five (45) days prior to sending notice of an election. Persons qualified to be directors may be nominated for election only by a nominating petition submitted to the chairman of the Elections Committee at least fifteen (15) days before the mailing of the notice of the meeting at which the election is to be held signed by persons owning fee simple interests in and representing in the aggregate at least twenty (20) units and either signed by the nominee or accompanied by a document signed by the nominee indicating the willingness to serve as a director; provided, however, that additional nominations may be made from the floor at the meeting at which the election is held for each vacancy on the Board of Directors. The nominee must either be present and consent to the nomination or have indicated in writing the willingness

to serve. This subsection (b) does not apply to persons elected to the Board during the Declarant Control Period.

(c) Qualifications. No person shall be eligible for election as a member of the Board of Directors unless such person is (alone or together with one (1) or more other persons) a unit owner, a Mortgagee (or designee of a Mortgagee) or a designee of the Declarant. No person shall be elected as a director or continue to serve as a director if such person is more than sixty (60) days delinquent in meeting financial obligations to the Council of Unit Owners and a lien has been filed against such person's unit.

Section 3.5. Removal or Resignation of Directors. Except as provided in Section 2.9 of these Bylaws, at any regular or special meeting duly called, any one (1) or more of the directors may be removed with or without cause by a seventy-five percent (75%) vote of the unit owners and a successor may then and there be elected to fill the vacancy thus created. Any director whose removal has been proposed by the unit owners shall be given at least seven (7) days notice of the time, place and purpose of the meeting and shall be given an opportunity to be heard at the meeting. A director may resign at any time (i) in person at a meeting of the Board or the Association or (ii) by giving written notice to an Officer. Resignation of a director is effective when delivered unless the notice specifies an effective date which is not more than thirty (30) days after the date of the notice, and, except for a director designated by the Declarant, shall be deemed to have resigned automatically and without notice upon disposition of such director's unit, or if not in attendance at three (3) consecutive regular meetings of the Board, unless the minutes reflect consent to such absence.

Section 3.6. Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a director by a vote of the Council of Unit Owners shall be filled by a vote of a majority of the remaining directors at a special meeting of the Board held for such purpose promptly after the occurrence of any such vacancy, even though the directors present at such meeting may constitute less than a quorum because a quorum is impossible to obtain. Each person so elected shall be a director until a successor shall be elected at the next annual meeting of the Association. The term of the replacement director so elected shall expire so that the staggered terms of directors shall remain unaffected. During the Declarant Control Period, the Declarant shall designate the successor to any director who resigns or is removed by the Declarant, and such successor shall serve out the remaining term of the director who is replaced.

Section 3.7. Organization Meeting. The first (1st) meeting of the Board of Directors following the annual meeting of the Council of Unit Owners shall be held within thirty (30) days thereafter at such time and place as shall be fixed by the Association at the meeting at which such Board of Directors shall have been elected. No notice shall be necessary to the newly-elected directors in order legally to constitute such meeting if a majority of the entire Board of Directors is present at the meeting.

Section 3.8. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by a majority of the directors, but such meetings shall be held at least once every four (4) months during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each director, personally or by mail, telegraph or telephone, at least three (3) business days prior to the day

named for such meeting. Notice of the proposed schedule of regular meetings shall be sent to all unit owners at least annually.

Section 3.9. Special Meetings. Special meetings of the Board of Directors may be called by the President on three (3) business days notice to each director and unit owners, given personally or by mail, telegraph or telephone, 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 three (3) directors.

Section 3.10. Waiver of Notice. Any director may at any time, in writing, waive notice of any meeting of the Board of Directors, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director, in person or by telephone communication, at any meeting of the Board of Directors shall constitute a waiver of notice by him of the time, place and purpose of such meeting.

Section 3.11. Quorum of Board of Directors. At all meetings of the Board of Directors a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the Board of Directors. If at any meeting of the Board of Directors there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time. At any such adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice. A director who participates in a meeting by means of telephone communication shall be deemed present at the meeting for all purposes.

Section 3.12. Compensation. No director shall receive any compensation from the Condominium for acting as such.

Section 3.13. Conduct of Meetings: Executive Session.

(a) The President shall preside over all meetings of the Board of Directors and the Secretary shall keep a minute book of the Board recording therein all resolutions adopted by the Board and a record of all transactions and proceedings occurring at such meetings. The then current edition of Robert's Rules of Order, Revised shall govern the conduct of the meetings of the Board of Directors when not in conflict with the Condominium Act or the Condominium Instruments.

(b) All meetings of the Board of Directors shall be open to unit owners as observers, except that the President or presiding Officer may call the Board into closed executive session for matters enumerated in section 11-109.1(a) of the Condominium Act. Any final action taken by the Board in executive session shall be recorded in the minutes.

Section 3.14. Board of Directors as Attorney-in-Fact. The Board of Directors shall have the power to act as agent and attorney-in-fact for the unit owners of all of the units and for each of them, to manage, control and deal with the interests of such unit owners in the common elements of the Condominium to permit the Board of Directors to fulfill all of its powers, rights, functions and duties. The Board of Directors shall have the power to act as agent and attorney-

in-fact for each unit owner, each Mortgagee, other named insureds and their beneficiaries and any other holder of a lien or other interest in the Condominium or the Property to: (i) adjust and settle all claims arising under insurance policies purchased by the Board of Directors, in accordance with section 11-114 of the Condominium Act, (ii) execute and deliver releases upon the payment of claims and (iii) act on their behalf in any condemnation proceeding or action of eminent domain pursuant to section 11-112 of the Condominium Act; provided, however, that the consent of a Mortgagee shall be required if such Mortgagee notifies the Board of Directors pursuant to Section 11.1 of the Bylaws within thirty (30) days after receipt of notice of the damage pursuant to subsection 6.2(c) of the Bylaws or notice of the taking in condemnation or by eminent domain pursuant to Section 8.2 of the Bylaws. The powers hereby granted shall be in addition to any rights granted by section 11-109 of the Condominium Act. The Board of Directors may grant and accept easements and licenses pursuant to section 11-125(f) of the Condominium Act.

Section 3.15. Liability of the Board of Directors, Officers, Unit Owners and Council of Unit Owners.

(a) The Officers, Directors, members of the Covenants Committee, other committee members, and other volunteers, shall not be liable to the Council of Unit Owners or any unit owner for any mistake of judgment, negligence or otherwise, except for their own individual willful misconduct or bad faith. The Council of Unit Owners shall indemnify and hold harmless each of the Officers and directors from and against all contractual liability to others arising out of contracts made by the Officers or the Board of Directors on behalf of the Association unless any such contract shall have been made in bad faith or contrary to the provisions of the Condominium Act or the Condominium Instruments, except to the extent that such liability is satisfied by directors and officers liability insurance. Officers and directors shall have no personal liability with respect to any contract made by them on behalf of the Council of Unit Owners. The liability of any unit owner arising out of any contract made by the Officers or Board of Directors, or out of the indemnification of the Officers or directors, or for damages as a result of injuries arising in connection with the common elements solely by virtue of ownership of a Common Element Interest therein or for liabilities incurred by the Council of Unit Owners, shall be limited to the total liability multiplied by such unit owner's Common Element Interest. Every agreement made by the Officers, the Board of Directors or the managing agent on behalf of the Council of Unit Owners shall, if obtainable, provide that the Officers, the directors or the managing agent, as the case may be, are acting only as agents for the Association and shall have no personal liability thereunder (except as unit owners), and that each unit owner's liability thereunder shall be limited to the total liability thereunder multiplied by such unit owner's Common Element Interest. The Council of Unit Owners shall indemnify and hold harmless the Officers, Directors, members of the Covenants Committee, other committee members and other volunteers, in accordance with the Leisure World Community Corporation Indemnification Guidelines, from and against all liability to others arising out of the due exercise of their responsibilities unless their action shall have been taken in bad faith or contrary to the provisions of the Condominium Act or the Condominium Instruments. The Council of Unit Owners shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by reason of the fact that such person is or was an Officer or Director of the Association, a member of the Covenants Committee, a member of any other committee, or any other volunteers against expenses (including attorneys' fees),

judgments, fines and amounts paid in settlement incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in, or not opposed to, the best interests of the Condominium, in accordance with section 2-418 of the Corporations and Associations Article of the Annotated Code of Maryland (1999 Replacement Vol.).

(b) Except to the extent covered by insurance, the Council of Unit Owners shall not be liable for any failure of water supply or other services to be obtained by the Association or paid for as a common expense, or for injury or damage to person or property caused by the elements or by the unit owner of any condominium unit, or any other person, or resulting from electricity, water, snow or ice which may leak or flow from or over any portion of the common elements or from any pipe, drain, conduit, appliance or equipment. The Council of Unit Owners shall not be liable to any unit owner for loss or damage, by theft or otherwise, of articles which may be stored upon any of the common elements. No diminution or abatement of any assessments, as herein elsewhere provided, shall be claimed or allowed for inconvenience or discomfort arising from the making of repairs or improvements to the common elements or from any action taken by the Council of Unit Owners to comply with any law, ordinance or with the order or directive of any governmental authority.

Section 3.16. Common or Interested Directors. Each director shall exercise such director's powers and duties in good faith and with a view to the interests of the Condominium. No contract or other transaction between the Council of Unit Owners and any of its directors, or between the Association and any corporation, firm or association (including the Declarant) in which any of the directors of the Association are directors or officers or are pecuniarily or otherwise interested, is either void or voidable because any such director is present at the meeting of the Board of Directors or any committee thereof which authorizes or approves the contract or transaction, or because such director's vote is counted for such purpose, if any of the conditions specified in any of the following subsections 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 by vote of a majority of disinterested 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 at least a majority of the unit owners, and the unit owners 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.

Any 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 at the meeting to authorize any contract or transaction with like force and effect as if such director of the Council of Unit Owners were not an officer or director of such other corporation, firm or association or not so interested.

Section 3.17. Covenants Committee.

(a) Purpose. The Board of Directors shall establish a Covenants Committee, consisting of five (5) members (or not less than three (3) members during the Declarant Control Period) appointed by the Board, each to serve for a staggered three (3) year term coextensive with the staggered terms of the members of the Board of Directors, in order to assure that the Condominium shall always be maintained in a manner: (1) providing for visual harmony and soundness of repair; (2) avoiding activities deleterious to the aesthetic or property values of the Condominium; (3) furthering the comfort of the unit owners, their guests and tenants; and (4) promoting the general welfare and safety of the Condominium community.

(b) Powers. The Covenants Committee shall regulate the external design, appearance, use and maintenance of the common elements. The Covenants Committee shall have the power to impose reasonable application fees as well as the costs of reports, analyses, or consultations required in connection with improvements or charges proposed by a unit owner. The Covenants Committee shall have the power to impose reasonable fines (pursuant to subsection 9.1(g) hereof) upon, and issue a cease and desist request to, a unit owner, his guests, invitees, or lessees whose actions are inconsistent with the provisions of the Condominium Act, the Condominium Instruments, the rules or resolutions of the Board of Directors (upon petition of any unit owner or upon its own motion). The Covenants Committee shall from time to time, as required, provide interpretations of the Condominium Instruments, rules and resolutions pursuant to the intents, provisions and qualifications thereof when requested to do so by a unit owner or the Board of Directors. Any action, ruling or decision of the Covenants Committee may be appealed to the Board of Directors by any party deemed by the Board to have standing as an aggrieved party and the Board may modify or reverse any such action, ruling or decision.

(c) Authority. The Covenants Committee shall have such additional duties, power and authority as the Board of Directors may from time to time provide by resolution. The Board of Directors may relieve the Covenants Committee of any of its duties, powers and authority either generally or on a case-by-case basis. The Covenants Committee shall carry out its duties and exercise its powers and authority in the manner provided for in the rules or by resolution of the Board of Directors.

ARTICLE 4

Officers

Section 4.1. Designation. The principal Officers of the Council of Unit Owners shall be the President, the Vice President, the Secretary and the Treasurer, all of whom shall be elected by the Board of Directors. The Board of Directors may appoint an assistant treasurer, an assistant secretary and such other Officers as in its judgment may be necessary.

Section 4.2. Election of Officers. The Officers of the Council of Unit Owners shall be elected annually by the Board of Directors at the organization meeting of each new Board and shall hold office at the pleasure of the Board.

Section 4.3. Removal of Officers. Upon the affirmative vote of a majority of all members of the Board of Directors any Officer may be removed, either with or without cause, and a successor may be elected at any regular meeting of the Board or at any special meeting of the Board called for such purpose.

Section 4.4. President. The President shall: be the chief executive officer of the Council of Unit Owners; preside at all meetings of the Association and of the Board of Directors; have general and active management of the business of the Association subject to the control of the Board; see that all orders and resolutions of the Board are carried into effect; and appoint committees from among the unit owners from time to time as the President may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association.

Section 4.5. Vice President. The Vice President shall take the place of the President and perform the duties of the President whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint some other director to act in the place of the President, on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed by the Board of Directors or by the President.

Section 4.6. Secretary. The Secretary shall: keep the minutes of all meetings of the Council of Unit Owners and of the Board of Directors; have charge of such books and papers as the Board may direct; give or cause to be given all notices required to be given by the Association; maintain a register setting forth the place to which all notices to unit owners and Mortgagees hereunder shall be delivered; and, in general, perform all the duties incident to the office of secretary. The Secretary or its designee shall also count the votes at meetings of the Council of Unit Owners; provided, however, no such person shall count election ballots on which such person is a candidate or count votes when another conflict of interest exists.

Section 4.7. Treasurer. The Treasurer shall (together with the managing agent): be responsible for Council of Unit Owners funds and securities; keep full and accurate financial records and books of account showing all receipts and disbursements; prepare all required financial data; deposit all monies and other valuable effects in the name of the Board of Directors, the Association or the managing agent, in such depositories as may from time to time be designated by the Board; and, in general, perform all the duties incident to the office of treasurer.

Section 4.8. Execution of Documents. All agreements, contracts, deeds, leases, checks and other instruments of the Council of Unit Owners for expenditures or obligations in excess of two-tenths (2/10) of one percent (1%) of the total annual assessment for common expenses for that fiscal year, and all checks drawn upon reserve accounts, shall be executed by any two (2) persons designated by the Board of Directors. All such instruments for expenditures or obligations of two-tenths (2/10) of one percent (1%) of the total annual assessment for common expenses for that fiscal year or less, except from reserve accounts, may be executed by any one (1) person designated by the Board of Directors.

Section 4.9. Compensation of Officers. No Officer who is also a director shall receive any compensation from the Council of Unit Owners for acting as such Officer.

ARTICLE 5

Operation of the PropertySection 5.1. Determination of Common Expenses and Assessments Against Unit Owners.

(a) Fiscal Year. The fiscal year of the Council of Unit Owners shall be the calendar year unless otherwise determined by the Board of Directors.

(b) Preparation and Approval of Budget.

(1) At least forty-five (45) days before the beginning of each fiscal year, at an open meeting held in accordance with section 11-109.2 of the Condominium Act, the Board of Directors shall adopt a budget for the Council of Unit Owners containing an estimate of the total amount considered necessary to pay the cost of maintenance, management, operation, repair and replacement of the common elements and those parts of the units as to which it is the responsibility of the Association to maintain, repair and replace, and the cost of wages, materials, insurance premiums, services, supplies and other expenses that may be declared to be common expenses by the Condominium Act, the Condominium Instruments or a resolution of the Association and which will be required during the ensuing fiscal year for the administration, operation, maintenance and repair of the Property and the rendering to the unit owners of all related services. The budget shall reflect the separate assessment of Limited Common Expenses.

(2) Such budget shall also include such reasonable amounts as the Board of Directors considers necessary to provide working capital, a general operating reserve and reserves for contingencies and replacements. At least thirty (30) days before the adoption of the budget as provided in Section 5.1(b)(1) hereof, the Board of Directors shall send to each unit owner a copy of the proposed budget in a reasonably itemized form, containing at least those items required by section 11-109.2 of the Condominium Act, which sets forth the amount of the common expenses and any special assessment payable by each unit owner. The budget as adopted shall constitute the basis for determining each unit owner's assessment for the common expenses of the Condominium.

(c) Assessment and Payment of Common Expenses. Subject to the provisions of subsection 9.1(a) hereof, the total amount of the estimated funds required from assessments for the operation of the Property set forth in the budget adopted by the Board of Directors shall be assessed against each unit owner in proportion to such unit owner's respective Common Element Interest, except for Limited Common Expenses which shall be assessed against each unit owner benefitted in proportion to the relative Common Element Interest of such units inter se, and shall be a lien against each unit owner's unit as provided in Section 9.2 of these Bylaws. On or before the first (1st) day of each fiscal year, and the first (1st) day of each of the succeeding eleven (11) months in such fiscal year, each unit owner shall be obligated to pay to the Board of Directors or the managing agent (as determined by the Board), one-twelfth (1/12) of such assessment. Within ninety (90) days after the end of each fiscal year, the Board of Directors shall supply to all unit owners, and to each Mortgagee requesting the same, an accounting of the common expenses for such fiscal year actually incurred and paid, together with a tabulation of the amounts collected

pursuant to the budget adopted by the Board of Directors for such fiscal year, and showing the net amount over or short of the actual expenditures plus reserves. Any amount accumulated in excess of the amount required for actual expenses and reserves shall, at the discretion of the Board of Directors, be placed in reserve accounts, be placed in a special account to be expended solely for the general welfare of the unit owners, or be credited according to each unit owner's Common Element Interest to the next monthly installments due from unit owners under the current fiscal year's budget, until exhausted. Unless the Board of Directors directs otherwise, any net shortage shall be assessed promptly against the unit owners in accordance with their Common Element Interests and shall be payable either: (1) in full with payment of the next monthly assessment due; or (2) in not more than six (6) equal monthly installments, as the Board of Directors may determine. If the Board of Directors wishes to incur a discretionary expenditure not included in the budget which would result in an increase of more than fifteen percent (15%), the Board of Directors shall amend the budget at a special meeting of the Board of Directors in accordance with section 11-109.2 of the Condominium Act.

(d) Reserves. The Board of Directors shall build up and maintain reasonable reserves for operations, contingencies and replacements. The Board shall review the reserve budget annually as part of the budget review and adoption process. Extraordinary expenditures not originally included in the annual budget which may become necessary during the year shall be charged first against such reserves. Except for normal maintenance expenses shown in the annual operating budget, all expenses for repair and replacement of physical assets maintained by the Association shall be charged first against such reserves. Unless otherwise determined by a vote of three-fourths (3/4) of the directors, the amount held as reserves shall not substantially exceed the amount reasonably required to assure the Association's ability to replace components as they reach the end of their useful lives. If regular annual maintenance extends the useful life of components so that reserves are excessive, the reserves shall be adjusted by reallocation to other budget items or by distribution to the unit owners. If the reserves are inadequate for any reason, including non-payment of any unit owner's assessment, the Board of Directors may at any time levy a further assessment, which shall be assessed against the unit owners according to their respective Common Element Interests, and which may be payable in a lump sum or in installments as the Board may determine. The Board of Directors shall serve notice of any such further assessment on unit owners by a statement in writing giving the amount and reasons therefor, and such further assessment shall, unless otherwise specified in the notice, become effective with the next monthly payment which is due more than ten (10) days after the delivery of such notice of further assessment. All unit owners so notified shall be obligated to pay the adjusted monthly amount or, if such further assessment is not payable in installments, the amount of such assessment. Such assessment shall be a lien as of the effective date as set forth in subsection (c).

(e) Initial Capital Payment.

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

(ii) The Declarant, as the agent of the Board of Directors, will collect from each initial purchaser at the time of settlement an "initial capital payment" equivalent to twice the estimated monthly assessment for common expenses for such purchaser's unit and the Leisure World Community Facilities Fee. The Declarant will deliver the funds so collected to the Board of Directors to provide the necessary working capital for the Council of Unit Owners. Such funds may be used for certain prepaid items, initial equipment, supplies, organizational costs and other start-up costs, and for such other purposes as the Board of Directors may determine.

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

(g) Accounts. All sums collected by the Board of Directors with respect to assessments against the unit owners or from any other source may be commingled into a single fund or held for each unit owner in accordance with such unit owner's Common Element Interest.

Section 5.2. Payment of Common Expenses. Each unit owner shall pay the common expenses, including Limited Common Expenses, assessed by the Board of Directors pursuant to the provisions of Section 5.1 hereof. No unit owner may be exempted from liability for the assessment for common expenses by reason of waiver of the use or enjoyment of any of the common elements or by abandonment of the unit. No unit owner shall be liable for the payment of any part of the common expenses assessed against the unit subsequent to the date of recordation of a conveyance by such unit owner in fee of such unit. Prior to or at the time of any such conveyance, all liens, unpaid charges and assessments shall be paid in full and discharged. The purchaser of a unit shall be jointly and severally liable with the selling unit owner for all unpaid assessments against the latter for the proportionate share of the common expenses up to the time of such recordation, without prejudice to the purchaser's right to recover from the selling unit owner amounts paid by the purchaser therefor; provided, however, that any such purchaser shall be entitled to a statement setting forth the amount of the unpaid assessments against the selling unit owner within twenty (20) business days following a written request therefor to the Board of Directors or managing agent and such purchaser shall not be liable for, nor shall the unit conveyed be subject to a lien for, any unpaid assessments in excess of the amount therein set forth; and provided, further, that each Mortgagee who comes into possession of a condominium unit by virtue of foreclosure or by deed or assignment in lieu of foreclosure, or any purchaser at a foreclosure sale, shall take the condominium unit free of any claims for unpaid assessments or charges against such unit which accrue prior to the time such Mortgagee comes into possession thereof, except for claims for a pro rata share of such assessments or charges resulting from a pro rata reallocation of such assessments or charges to all condominium units including the mortgaged condominium unit.

Section 5.3. Collection of Assessments. The Board of Directors, or the managing agent at the request of the Board, shall take prompt action to collect any assessments for common expenses due from any unit owner which remain unpaid for more than thirty (30) days from the due date for payment thereof. Any assessment, or installment thereof, not paid within fifteen (15) days after due shall accrue a late charge in the amount of Twenty Five Dollars (\$25.00), or such other amount as may be established from time to time by the Board of Directors.

Section 5.4. Statement of Common Expenses. The Board of Directors shall promptly provide any unit owner, contract purchaser or Mortgagee so requesting the same in writing with a written statement of all unpaid assessments for common expenses due from such unit owner. The Board of Directors may impose a reasonable charge for the preparation of such statement to cover the cost of preparation.

Section 5.5. Maintenance, Repair, Replacement and Other Common Expenses.

(a) By the Council of Unit Owners. The Council of Unit Owners shall be responsible for the maintenance, repair and replacement of all of the common elements (including the limited common elements) as defined herein or in the Declaration, whether located inside or outside of the units, the cost of which shall be charged to all unit owners as a common expense; provided, however, that the Board of Directors may enter into agreements with other organizations within the Rossmoor Community, providing for maintenance and use of portions of the common elements; and provided, further, that each unit owner shall perform normal maintenance on the limited common elements appurtenant to such unit owner's unit (other than parking spaces) and any portion of the remaining common elements which the Board of Directors pursuant to the rules has given such unit owner permission to utilize, including without limitation the items enumerated in subsection (b).

(b) By the Unit Owner.

(1) Each unit owner shall keep the unit and its equipment, appliances and appurtenances in good order, condition and repair and in a clean and sanitary condition. In addition, each unit owner shall be responsible for all damage to any other units or to the common elements resulting from such unit owner's failure or negligence to make any of the repairs required by this Section, to the extent that such damage is not covered by any policy of insurance obtained by the Council of Unit Owners for the Property. Each unit owner shall perform this 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 defect or need for repairs for which the Council of Unit Owners is responsible.

(2) The unit owner of any unit to which a balcony enclosure is appurtenant shall perform the normal maintenance for such balcony enclosure, including keeping it in a good, clean and sanitary condition, free and clear of snow, ice and any accumulation of water and shall also make all repairs thereto caused or permitted by such unit owner's negligence, misuse or neglect. All structural repair or replacement shall be made by the Council of Unit Owners as a common expense, as provided in subsection (a).

(3) Any unit owner permitted by the Board of Directors to use a specific portion of the common elements for storage is responsible for the maintenance and care of such portion and shall use such portion in a safe and sanitary manner, in compliance with any restrictions, rules adopted by the Board of Directors.

(c) Chart of Maintenance Responsibilities. Notwithstanding the general provisions for maintenance set forth in subsections (a) and (b), specific maintenance responsibilities and the costs attributable thereto shall, to the extent set forth thereon, be determined pursuant to the Chart of Maintenance Responsibilities attached as Exhibit B hereto.

(d) Manner of Repair and Replacement. All repairs and replacements shall be substantially similar to the original construction and installation and shall be of first-class quality, but may be done with contemporary building materials and equipment. The method of approving payment vouchers for all repairs and replacements shall be determined by the Board of Directors.

Section 5.6. Additions, Alterations or Improvements by the Board of Directors. Except during the Declarant Control Period, whenever in the judgment of the Board of Directors the common elements shall require additions, alterations or improvements costing in excess of one percent (1%) of the total annual assessment for common expenses for that fiscal year during any period of twelve (12) consecutive months, the making of such additions, alterations or improvements requires a Majority Vote, and the Board of Directors shall assess all unit owners benefitted for the cost thereof as a common expense (or Limited Common Expense). Any additions, alterations or improvements costing one percent (1%) of the total annual assessment for common expenses for that fiscal year or less during any period of twelve (12) consecutive months may be made by the Board of Directors without approval of the unit owners and the cost thereof shall constitute a common expense or Limited Common Expense, depending on the nature of the additions, alterations or improvements. Notwithstanding the foregoing, if, in the opinion of not less than eighty percent (80%) of the members of the Board of Directors, such additions, alterations or improvements are exclusively or substantially exclusively for the benefit of the unit owners requesting the same, such requesting unit owners shall be assessed therefor in such proportion as they jointly approve or, if they are unable to agree thereon, in such proportion as may be determined by the Board of Directors.

Section 5.7. Additions, Alterations or Improvements by the Unit Owners. No unit owner shall make any structural addition, alteration or improvement in or to the unit without the prior written consent of the Board of Directors or the Covenants Committee as appropriate. No unit owner shall paint or alter the exterior of the unit, including the doors and windows, nor shall any unit owner paint or alter the exterior of any building, without the prior written consent of the Board of Directors or the Covenants Committee as appropriate. The Board of Directors shall be obligated to answer any written request by a unit owner for approval of a proposed structural addition, alteration or improvement in such unit owner's unit within forty-five (45) days after such request, and failure to do so within the stipulated time shall constitute a consent by the Board of Directors or the Covenants Committee to the proposed structural addition, alteration or improvement. If any application to any governmental authority for a permit to make any such structural addition, alteration or improvement in or to any unit requires execution by the Council of Unit Owners, and provided consent has been given by the Board of Directors, then the

application shall be executed on behalf of the Association by an authorized Officer only, without however incurring any liability on the part of the Board of Directors, the Association or any of them to any contractor, subcontractor or materialman on account of such addition, alteration or improvement, or to any person having claim for injury to person or damage to property arising therefrom. Subject to the approval of any Mortgagee of such affected units, the Board of Directors and any unit owner affected, any unit may be subdivided or may be altered so as to relocate the boundaries between such unit and any adjoining units. The Secretary shall record any necessary amendment to the Declaration to effect such action as provided in section 11-107(d) of the Condominium Act. The provisions of this Section shall not apply to units owned by the Declarant until deeds of conveyance of such units shall have been recorded; provided, however, that the Declarant's construction or alterations shall be architecturally compatible with existing units. The Declarant shall have the right to make such alterations or subdivisions without the consent of the Board of Directors, and an authorized Officer shall execute any such application required.

Section 5.8. Restrictions on Use of Units and Common Elements and Rules.

(a) Restrictions. Each unit and the common elements shall be occupied and used as follows:

(1) Except for the areas of the Condominium designated for commercial and recreational use, any unit used as an office by the Council of Unit Owners and except as provided in the Declaration, no unit shall be used for other than housing and the related common purposes for which the Property was designed. The Board of Directors may permit reasonable, temporary non-residential uses from time to time. Nothing in these Bylaws shall be construed to prohibit the Declarant from using any unit owned by the Declarant for promotional, marketing or display purposes or from using any appropriate portion of the common elements for settlement of sales of condominium units and for customer service purposes.

(2) Nothing shall be done or kept in any unit or in the common elements which will increase the rate of insurance for the Property or any part thereof applicable for residential or commercial uses without the prior written consent of the Board of Directors. No unit owner shall permit anything to be done or kept in the unit or in the common elements which will result in the cancellation of insurance on the Property or any part thereof or which would be in violation of any law, regulation or administrative ruling. No waste will be committed on the common elements.

(3) No improper, offensive or unlawful use shall be made of the Property or any part thereof, and all valid laws, zoning ordinances and regulations of all governmental agencies having jurisdiction thereof shall be observed. All laws, orders, rules, regulations or requirements of any governmental agency having jurisdiction thereof relating to any portion of the Property shall be complied with, by and at the sole expense of the unit owner or the Board of Directors, whichever shall have the obligation to maintain or repair such portion of the Property, and, if the latter, then the cost of such compliance shall be a common expense.

(4) No unit owner shall obstruct any of the common elements nor shall any unit owner place or cause or permit anything to be placed on or in any of the common

elements (except those areas designated for such storage by the Condominium Instruments or the Board of Directors) without the approval of the Board. Nothing shall be altered or constructed in or removed from the common elements except with the prior written consent of the Board of Directors or the Covenants Committee, as appropriate (subject, however, to the applicable provisions of the Fair Housing Amendments Act of 1988 regarding modifications by handicapped residents).

(5) The common elements shall be used only for the furnishing of the services and facilities for which the same are reasonably suited and which are incident to the use and occupancy of the units. The lobbies, vestibules, public halls and stairways shall be used for no purpose other than for normal transit. The garage areas, including limited common element parking spaces shall be used for parking of automobiles or golf carts. The garage parking spaces may also be used for the storage of objects permitted by the Board of Directors pursuant to rules adopted with due consideration of safety, appearance, and maintenance standards. The garage parking spaces shall not be altered without the prior written consent of the Board of Directors or the Covenants Committee.

(6) No unit shall be used or occupied for hotel purposes or in any event for an initial period of less than seven (7) days. No portion of any unit (other than the entire unit) shall be leased for any period. No unit owner shall lease a unit other than on a written form of lease: (i) requiring the lessee to comply with the Condominium Instruments and rules; (ii) providing that failure to comply constitutes a default under the lease, and (iii) providing that the Board of Directors has the power to terminate the lease or to bring summary proceedings to evict the tenant in the name of the lessor thereunder after forty-five (45) days prior written notice to the unit owner, in the event of a default by the lessee in the performance of the lease. The Board of Directors may suggest or require a standard form lease for use by unit owners. Each unit owner of a condominium unit shall, promptly following the execution of any lease of a condominium unit, forward a conformed copy thereof to the Board of Directors. The foregoing provisions of this paragraph, except the restriction against use or occupancy for hotel purposes, shall not apply to the Declarant, or to a Mortgagee in possession of a unit as a result of foreclosure, judicial sale or a proceeding in lieu of foreclosure.

(7) Trailers, campers, recreational vehicles, boats and other large vehicles may be parked on the Property only if expressly permitted by the rules and only in such parking areas, if any, as may be designated for such purpose by the Board of Directors. The garage areas, including the limited common element parking spaces, shall be used only for the parking of automobiles (or golf carts, if areas are designated by the Declarant or the Board of Directors for golf carts). Other than as provided above, nothing may be stored, erected, attached to or otherwise placed on the common elements in the parking areas without the prior written consent of the Board of Directors or the Covenants Committee, as appropriate. No junk or derelict vehicle or other vehicle on which current registration plates are not displayed shall be kept upon any of the common elements. Except in any areas designated by the Board of Directors, vehicle repairs other than (i) emergency maintenance, (ii) ordinary light maintenance (excluding fluid changes and other work which might soil the common elements) and (iii) normal cleaning, are not permitted on the common elements.

(8) The maintenance, keeping, boarding and/or raising of animals, livestock, poultry or reptiles of any kind, regardless of number, shall be and is prohibited within any unit or upon the common elements, except that the keeping of small, orderly domestic pets (e.g., dogs, cats or caged birds) not to exceed one (1) per unit without the approval of the Board of Directors is permitted, subject to the rules adopted by the Board of Directors; provided, however, that such pets are not kept or maintained for commercial purposes or for breeding; and provided, further, that any such pet causing or creating a nuisance or unreasonable disturbance or noise may be permanently removed from the Property upon ten (10) days written notice from the Board of Directors. Such pets shall not be permitted upon the common elements unless accompanied by an adult and unless carried or leashed. Any unit owner who keeps or maintains any pet upon any portion of the Property shall be deemed to have indemnified and agreed to hold the Council of Unit Owners, each unit owner and the Declarant 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 inoculated as required by law. The Board of Directors may establish reasonable fees for registration of pets not to exceed the additional costs incurred by the Council of Unit Owners resulting from the presence of such pets.

(9) Except for such signs as may be posted by the Declarant for promotional or marketing purposes, and except as permitted by law, no signs of any character shall be erected, posted or displayed upon, in, from or about any unit or common element without the prior written approval of the Board of Directors. The foregoing provisions of this paragraph shall not apply to a Mortgagee in possession of a unit as a result of foreclosure, judicial sale or a proceeding in lieu of foreclosure.

(10) Sufficient carpeting or rugs shall be maintained on a minimum of eighty percent (80%) of the floor surfaces (except kitchens, closets and bathrooms) in units located over other units to adequately reduce transmission of sound between units, unless an exception is granted by the Declarant or the Association. Additional washers, dryers and other major appliances may not be installed in a unit or storage area without the prior written approval of the Covenants Committee.

(11) No unit shall be subjected to or used for any timesharing, cooperative, licensing or other arrangement that would entail weekly, monthly, or any other type of revolving or periodic occupancy by multiple unit owners, cooperators, licensees, or timesharing participants.

(12) Occupancy of a unit by a person or persons under fifty (50) years of age shall be governed by rules established by the Leisure World Community Corporation.

(13) Except as specifically permitted by applicable federal governmental regulations, no exterior antennas of any type, including, but not limited to, satellite dishes for reception or transmission, may be erected or maintained within the Condominium; provided, however, that to the extent required by law, satellite dishes not in excess of one (1) meter in diameter or antennas are permitted within a unit or the limited common elements appurtenant to the unit. The Board of Directors may impose reasonable rules and regulations

regarding the location and screening of any such satellite dish, subject to applicable governmental regulations.

(b) Changes to Rules. Each unit and the common elements shall be occupied and used in compliance with any rules which may be promulgated and changed by the Board of Directors. Copies of the rules shall be furnished by the Board of Directors to each unit owner. Changes to the rules shall be adopted in accordance with section 11-111 of the Condominium Act.

Section 5.9. Right of Access. By acceptance of the deed of conveyance, each unit owner thereby grants a right of access to the unit, as provided by section 11-125(e) of the Condominium Act and subsection 4.2(a) of the Declaration, to the Board of Directors or the managing agent, or any other person authorized by the Board or the managing agent, or any group of the foregoing, for the purpose of enabling the exercise and discharge of their respective powers and responsibilities, including without limitation making inspections, correcting any condition originating in the unit or in a common element to which access is obtained through the unit and threatening another unit or the common elements, performing installations, alterations or repairs to the mechanical or electrical systems or the common elements in the unit or elsewhere in the Property or to correct any condition which violates any Mortgage; provided, however, that requests for entry are made in advance and that any such entry is at a time reasonably convenient to the unit owner. In case of an emergency, such right of entry shall be immediate, whether or not the unit owner is present.

Section 5.10. Utility Charges; User Fees. The cost of utilities serving the Condominium not individually metered or submetered to specific units shall be common expenses allocated pursuant to Section 5.1 hereof. The cost of utilities serving one (1) or more units and individually metered or submetered shall be a Limited Common Expense payable by the units served based on actual consumption of such services in accordance with Section 11-110(b)(2)(i) of the Condominium Act. The Board of Directors may impose reasonable user fees, whether or not designated as Limited Common Expenses, for the use of Reserved Common Elements or personal property of the Council of Unit Owners or services.

Section 5.11. Parking Spaces.

(a) Each of the automobile parking spaces located in the garage of the buildings and so designated on the Condominium Plats shall be subject to designation as limited common elements appurtenant to certain designated units pursuant to Article 3 of the Declaration. All other parking spaces shall be used by the unit owners for self-service parking purposes on a "first come, first served" basis, except as the Board of Directors may otherwise determine; provided, however, that no unit owner shall park on the common element automobile parking spaces more than one (1) vehicle (owned or leased by such unit owner, a member of such unit owner's family, an employee or a tenant leasing the unit) (excluding limited common element parking spaces) without the prior written consent of the Board of Directors. The cost of maintenance and repair of all automobile parking areas shall be a common expense; provided, however, that to the extent permitted by law, the Board of Directors may impose a Limited Common Expense charge, in an amount determined by the Board of Directors, payable annually, upon units to which a limited common element parking space is appurtenant. Charges may also

be imposed by the Board of Directors for the use of golf cart parking spaces, if any. Such charges shall be based upon actual and anticipated costs incurred by the Association in connection with the repair and maintenance of these parking spaces. During the time that units are being sold by the Declarant, no more than forty-five (45) parking spaces may be restricted to the Declarant's use for sales purposes.

(b) The Board of Directors reserves the right to assign and reassign parking spaces (including the reassignment of limited common element spaces) if necessary to fulfill federal, state or local laws, including, without limitation, the Fair Housing Amendments Act of 1988, as amended.

Section 5.12. Storage; Disclaimer of Bailee Liability. The storage cubicles are common elements and may be assigned to units as Reserved Common Elements by the Board of Directors. The Board of Directors, the Council of Unit Owners, any unit owner and the Declarant shall not be considered a bailee, however, of any personal property stored on the common elements (including property located in storage cubicles and vehicles parked on the common elements), whether or not exclusive possession of the particular area is given to a unit owner for storage or parking purposes, and shall not be responsible for the security of such personal property or for any loss or damage thereto, whether or not due to negligence, except to the extent covered by insurance in excess of any applicable deductible.

ARTICLE 6

Insurance

Section 6.1. Authority to Purchase; Notice.

(a) Except as otherwise provided in Section 6.5 hereof, all insurance policies relating to the Property shall be purchased by the Board of Directors. The Board of Directors, the managing agent and the Declarant shall not be liable for failure to obtain any coverages required by this Article 6 or for any loss or damage resulting from such failure: (i) if such failure is due to the unavailability of such coverages from reputable insurance companies; (ii) if such coverages are so available only at demonstrably unreasonable cost; or (iii) if the Association's insurance professionals advise that the coverages required by paragraph (2) of subsection 6.2(b) are not necessary. The Board of Directors shall promptly furnish to each unit owner written notice of the procurement of, subsequent changes in, or termination of, insurance coverages obtained on behalf of the Council of Unit Owners, in compliance with section 11-114 of the Condominium Act.

(b) Each such policy shall provide that:

(1) The insurer waives any right to claim by way of subrogation against the Declarant, the Council of Unit Owners, the Board of Directors, the managing agent or the unit owners, and their respective agents, employees, tenants, guests and, in the case of the unit owners, the members of their households;

(2) Such policy shall not be cancelled, invalidated or suspended due to the conduct of any unit owner (including such unit owner's invitees, tenants, agents and

employees) or of any member, Officer or employee of the Board of Directors or the managing agent without a prior demand in writing that the Board or the managing agent cure the defect and neither shall have so cured such defect within sixty (60) days after such demand; and

(3) Such policy may not be cancelled or substantially modified (including cancellation for nonpayment of premium) without at least sixty (60) days prior written notice to the Board of Directors, the managing agent and all Mortgagees.

(c) The Declarant, so long as Declarant shall own any unit, shall be protected by all such policies as a unit owner. The coverage provided to the Declarant under the insurance policies obtained in compliance with this Article 6 shall not be deemed to protect or be for the benefit of any general contractor engaged by the Declarant nor shall such coverage be deemed to protect the Declarant against liability for (or waive any rights with respect to) warranty claims.

(d) All policies of insurance shall be written by reputable companies licensed to do business in the State of Maryland. Physical damage policies shall be in form and substance and with carriers acceptable to a majority of the Mortgagees.

Section 6.2. Physical Damage Insurance.

(a) The Board of Directors shall obtain and maintain a blanket, "all-risk" form policy of fire insurance with extended coverage, vandalism, malicious mischief, sprinkler leakage (if applicable), debris removal and water damage endorsements, insuring the entire Property (including all of the units and the bathroom and kitchen fixtures initially installed therein by the Declarant and the replacements thereof up to the value of those initially installed by the Declarant but not including furniture, furnishings or other personal property supplied or installed by unit owners), together with all air-conditioning and heating equipment and other service machinery contained therein and covering the interests of the Council of Unit Owners, the Board of Directors and all unit owners and their Mortgagees, as their interests may appear, (subject, however, to the loss payment and adjustment provisions in favor of the insurance trustee contained in Section 6.6 hereof), in an amount equal to one hundred percent (100%) of the then current replacement cost of the Property (exclusive of the land, excavations, foundations and other items normally excluded from such coverage), without deduction for depreciation (such amount to be redetermined annually by the Board with the assistance of the insurance company affording such coverage). The Board of Directors shall also obtain and maintain such coverage on all real and personal property owned by the Council of Unit Owners.

(b) Such policy shall also provide:

(1) A waiver of any right of the insurer to repair, rebuild or replace any damage or destruction, if a decision is made pursuant to these Bylaws not to do so;

(2) The following endorsements (or equivalent): (i) "no control" (to the effect that coverage shall not be prejudiced by any act or neglect of any occupant or unit owner or their agents when such act or neglect is not within the control of the insured, or the unit owners collectively; nor by any failure of the insured, or the unit owners collectively, to comply with any warranty or condition with regard to any portion of the Condominium over which the insured, or the unit owners collectively, have no control); (ii) "cost of demolition"; (iii)

“contingent liability from operation of building laws or codes”; (iv) “increased cost of construction”; (v) “condominium replacement cost”; and (vi) “agreed amount” or elimination of co-insurance clause; and

(3) That any “no other insurance” clause expressly exclude individual unit owners’ policies from its operation so that the physical damage policy purchased by the Board of Directors shall be deemed primary coverage and any individual unit owners’ policies shall be deemed excess coverage, and in no event shall the insurance coverage obtained and maintained by the Board of Directors hereunder provide for or be brought into contribution with insurance purchased by individual unit owners or their Mortgagees, unless otherwise required by law.

(c) A duplicate original of the policy of physical damage insurance, all renewals thereof, and any subpolicies or certificates and endorsements issued thereunder, together with proof of payment of premiums, shall be delivered by the insurer to any Mortgagee requesting the same, at least thirty (30) days prior to expiration of the then current policy. Prior to obtaining any policy of physical damage insurance or any renewal thereof the Board of Directors shall obtain an appraisal from an insurance company, or such other source as the Board may determine, of the then current replacement cost of the Property (exclusive of the land, excavations, foundations and other items normally excluded from such coverage), without deduction for depreciation, for the purpose of determining the amount of physical damage insurance to be secured pursuant to this Section. All Mortgagees shall be notified promptly of any event giving rise to a claim under such policy arising from damage to the common elements in excess of one percent (1%) of the then current replacement cost of the Property. The Mortgagee of a unit shall be notified promptly of any event giving rise to a claim under such policy arising from damage to such unit.

Section 6.3. Insurance Deductible.

(a) The deductible, if any, on any master property damage insurance claim shall be a common expense, subject to the provisions of this section.

(b) If the cause of any casualty damage originates in a unit, the owner of the unit shall be responsible for paying the deductible amount with respect to any claim made under the Association’s master property damage insurance policy, up to the maximum amount permitted by the Condominium Act, and such amount may be assessed against the unit as part of the lien for assessments. Any portion of the deductible amount in excess of the maximum permitted by the Condominium Act to be charged to the unit owner shall be a common expense.

(c) This Section shall not be construed to relieve any unit owner from the responsibility for paying the cost of unit maintenance and repair or from liability arising from the owner’s failure to maintain or repair the owner’s unit.

(d) This Section shall not be construed to limit any party’s liability to the Association or to any unit owner for such party’s wrongful or negligent acts or omissions, nor to limit any right of the Association or of any unit owner to seek reimbursement of any deductible amount paid under this section from a party whose wrongful or negligent acts or omissions

caused the damage for which the insurance claim was submitted, as permitted in these Bylaws or otherwise.

Section 6.4. Liability Insurance. The Board of Directors shall obtain and maintain comprehensive general liability (including libel, slander, false arrest and invasion of privacy coverage) and property damage liability insurance in such limits as the Board may from time to time determine, insuring each director, the managing agent, each unit owner and the employees of the Council of Unit Owners against any liability to the public or to the unit owners (and their invitees, tenants, agents and employees) arising out of, or incident to the ownership or use of the common elements. Such insurance shall be issued on a comprehensive liability basis and shall contain: (i) a cross liability endorsement under which the rights of a named insured under the policy shall not be prejudiced with respect to an action against another named insured; (ii) hired and non-owned vehicle coverage; (iii) host liquor liability coverage with respect to events sponsored by the Council of Unit Owners; (iv) deletion of the normal products exclusion with respect to events sponsored by the Council of Unit Owners; and (v) a "severability of interest" endorsement which shall preclude the insurer from denying liability coverage to a unit owner because of negligent acts of the Council of Unit Owners or of another unit owner. The Board of Directors shall review such limits once each year, but in no event shall such insurance be less than One Million Dollars (\$1,000,000.00) covering all claims for bodily injury or property damage arising out of one occurrence. Reasonable amounts of "umbrella" liability insurance in excess of the primary limits shall also be obtained in an amount not less than Three Million Dollars (\$3,000,000.00).

Section 6.5. Other Insurance. The Board of Directors shall obtain and maintain:

(a) adequate fidelity coverage to protect against dishonest acts on the part of Officers, directors, trustees, committee members and employees of the Council of Unit Owners and all others who handle, or are responsible for handling, funds of the Association, including the managing agent. Such fidelity insurance shall: (i) name the Council of Unit Owners as an obligee; (ii) be written in an amount not less than one-half (1/2) the total annual condominium assessments for the year or the amount required by the Mortgagees, the FNMA or the FHLMC, whichever is greatest; and (iii) contain waivers of any defense based upon the exclusion of persons who serve without compensation from any definition of "employee" or similar expression;

(b) if required by any governmental or quasi- governmental agency, including without limitation the FNMA or the FHLMC, flood insurance in accordance with the then applicable regulations of such agency;

(c) workers' compensation insurance if and to the extent necessary to meet the requirements of law (including a voluntary employees endorsement and an "all states" endorsement);

(d) if applicable, pressure, mechanical and electrical equipment including air-conditioning equipment coverage on a comprehensive form in an amount not less than Five Hundred Thousand Dollars (\$500,000.00) per accident per location;

(e) directors and officers liability insurance in an amount not less than One Million Dollars (\$1,000,000.00); and

(f) such other insurance as the Board of Directors may determine or as may be requested from time to time by a Majority Vote.

Section 6.6. Separate Insurance. Each unit owner shall have the right to obtain insurance for such unit owner's benefit, at such unit owner's expense, covering the unit and such unit owner's personal property and personal liability, as well as any improvements made to the unit by such unit owner (under coverage normally called "improvements and betterments coverage"); provided, however, that no unit owner shall be entitled to exercise this right to acquire or maintain such insurance coverage so as to decrease the amount which the Board of Directors, on behalf of all unit owners, may realize under any insurance policy maintained by the Board or to cause any insurance coverage maintained by the Board to be brought into contribution with insurance coverage obtained by a unit owner. No unit owner shall obtain separate insurance policies on the Condominium except as provided in this Section. Each unit owner is an insured person under the insurance policy maintained by the Board with respect to liability arising out of his/her ownership of an undivided interest in the common elements in the Council of Unit Owners.

Section 6.7. Insurance Trustee.

(a) All physical damage insurance policies purchased by the Board of Directors shall be for the benefit of the Council of Unit Owners, the unit owners, their Mortgagees and the Declarant, as their interests may appear, and shall provide that all proceeds of such policies shall be paid in trust to the Board as "insurance trustee" to be applied pursuant to the terms of Article 7.

(b) The sole duty of the insurance trustee shall be to receive such proceeds as are paid to it and to hold the same in trust for the purposes elsewhere stated in these Bylaws, for the benefit of the insureds and their beneficiaries thereunder.

ARTICLE 7

Repair and Reconstruction After Fire or Other Casualty

Section 7.1. When Repair and Reconstruction are Required. Except as otherwise provided by law or in Section 7.4, in the event of damage to or destruction of all or any part of any building as a result of fire or other casualty, the Board of Directors shall arrange for and supervise the prompt repair and restoration thereof (including any damaged units, and the floor coverings, kitchen or bathroom fixtures and appliances initially installed therein by the Declarant, and replacements thereof installed by the Declarant, but not including any furniture, furnishings, fixtures, equipment or other personal property supplied or installed by the unit owners in the units). Notwithstanding the foregoing, each unit owner shall have the right to supervise the redecorating of the unit.

Section 7.2. Procedure for Reconstruction and Repair.

(a) Cost Estimates. Immediately after a fire or other casualty causing damage to any portion of the building, the Board of Directors shall obtain reliable and detailed estimates of the cost of repairing and restoring such portion (including any damaged units and any floor coverings and kitchen and bathroom fixtures and appliances initially installed by Declarant, and the replacements thereof installed by the Declarant, but not including any other furniture, furnishings, fixtures or equipment installed by the unit owner in the unit) to a condition as good as that existing before such casualty. Such costs may also include professional fees and premiums for such bonds as the insurance trustee determines to be necessary.

(b) Assessments. If the proceeds of insurance are not sufficient to defray such estimated costs of reconstruction and repair, or if upon completion of reconstruction and repair the funds for the payment of the costs thereof are insufficient, the amount necessary to complete such reconstruction and repair may be obtained from the appropriate reserve for replacement funds and/or shall be deemed a common expense and a special assessment therefor shall be levied.

(c) Plans and Specifications. Any such reconstruction or repair shall be substantially in accordance with the original construction of the Property, subject to any modifications required by changes in applicable governmental regulations, and using contemporary building materials and technology to the extent feasible.

Section 7.3. Disbursements of Construction Funds.

(a) Construction Fund and Disbursement. The proceeds of insurance collected on account of casualty, and the sums received by the insurance trustee from collections of assessments against unit owners on account of such casualty, shall constitute a construction fund which shall be disbursed in payment of the costs of reconstruction and repair in the following manner:

(1) If the estimated cost of reconstruction and repair is less than five percent (5%) of the total annual assessment for common expenses for that fiscal year, then the construction fund shall be disbursed in payment of such costs upon order of the Board of Directors; provided, however, that upon request of twenty percent (20%) of the Mortgagees, such fund shall be disbursed pursuant to paragraph (2).

(2) If the estimated cost of reconstruction and repair is five percent (5%) of the total annual assessment for common expenses for that fiscal year or more, then the construction fund shall be disbursed in payment of such costs upon approval of an architect qualified to practice in Maryland and employed by the insurance trustee to supervise such work, payment to be made from time to time as the work progresses. The architect shall be required to furnish a certificate giving a brief description of the services and materials furnished by various contractors, subcontractors, materialmen, the architect and other persons who have rendered services or furnished materials in connection with the work stating that: (i) the sums requested by them in payment are justly due and owing and that such sums do not exceed the value of the services and materials furnished; (ii) there is no other outstanding indebtedness known to such architect for the services and materials described; and (iii) the cost as estimated by such architect

for the work remaining to be done subsequent to the date of such certificate does not exceed the amount of the construction fund remaining after payment of the sum so requested.

(b) Surplus. The first monies disbursed in payment of the cost of reconstruction and repair shall be from insurance proceeds and, if there is a balance in the construction fund after the payment of all of the costs of the reconstruction and repair for which the fund is established, such balance shall be divided among all unit owners in proportion to their Common Element Interests and shall be distributed in accordance with the priority of interests at law or in equity in each unit.

(c) Common Elements. When the damage is to both common elements and units, the insurance proceeds shall be applied first to the cost of repairing those portions of the common elements which enclose and service the units, then to the cost of repairing the other common elements and thereafter to the cost of repairing the units.

(d) Certificate. The insurance trustee shall be entitled to rely upon a certificate executed by the President or Vice President, and the Secretary, certifying: (i) whether the damaged Property is required to be reconstructed and repaired; (ii) the name of the payee and the amount to be paid with respect to disbursement from any construction fund whether surplus funds to be distributed are less than the assessments paid by the unit owners; and (iii) all other matters concerning the holding and disbursing of any construction fund. Any such certificate shall be delivered to the insurance trustee promptly after request.

Section 7.4. When Reconstruction Is Not Required. Unless the Condominium is terminated, if repair or replacement would be illegal or if eighty percent (80%) of the unit owners, including every unit owner whose unit or appurtenant limited common element will not be rebuilt, vote not to rebuild, the Board of Directors shall use the insurance proceeds to remove all remains of the damaged improvements and restore the site to an acceptable condition compatible with the remainder of the Condominium, distribute the insurance proceeds attributable to the damaged units and limited common elements to the unit owners whose units or appurtenant limited common elements are not to be rebuilt and distribute the balance of any insurance proceeds received on account of such damage shall be distributed among all unit owners in proportion to their respective Common Element Interests, all in accordance with section 11-114 of the Condominium Act. If the Condominium is terminated pursuant to section 11-123 of the Condominium Act, the net assets of the Condominium together with the net proceeds of insurance policies, if any, shall be divided by the insurance trustee among all unit owners in proportion to their respective Common Element Interests, after first paying out of the share of each unit owner, to the extent sufficient therefor, the amount of any unpaid liens on the unit in the order of priority of such liens.

ARTICLE 8

Mortgages

Section 8.1. Notice to Board of Directors. A unit owner who mortgages the unit shall notify the Board of Directors of the name and address of the Mortgagee and, upon request, shall file a conformed copy of the note and Mortgage with the Board.

Section 8.2. Notice of Default, Casualty or Condemnation. The Board of Directors when giving notice to any unit owner of a default in paying an assessment for common expenses (which remains uncured for sixty (60) days) or any other default, shall simultaneously send a copy of such notice to the Mortgagee of such unit. Each Mortgagee shall also be promptly notified of any casualty when required by Section 6.2(c) hereof, of all actions taken under Article 7 and of any taking in condemnation or by eminent domain pursuant to section 11-112 of the Condominium Act and actions of the Council of Unit Owners with respect thereto.

Section 8.3. Notice of Amendment of Condominium Instruments. The Board of Directors shall give notice to all Mortgagees at least seven (7) days prior to the date on which the unit owners, in accordance with the provisions of these Bylaws, materially amend the Condominium Instruments.

Section 8.4. Notice of Change in Managing Agent. The Board of Directors shall give notice to all Mortgagees requesting such notice at least thirty (30) days prior to changing the managing agent.

Section 8.5. Other Rights of Mortgagees. All Mortgagees or their representatives shall have the right to attend and to speak at meetings of the Council of Unit Owners. All such Mortgagees shall have the right to examine the Condominium Instruments, rules and books and records of the Condominium, to receive the annual report filed by the Declarant pursuant to section 11-127(d)(2) of the Condominium Act and to require the submission of annual financial reports and other budgetary information.

Section 8.6. Percentage of Mortgagees. Wherever in the Declaration or these Bylaws the approval or consent of a specified percentage of Mortgagees is required, it shall mean the approval or consent of Mortgagees holding security interests in Units which in the aggregate have allocated to them such specified percentage of votes in the Association as compared to the total allocated to all Units then subject to security interests held by Mortgagees. A Mortgagee who is notified of any proposed amendment(s) to the condominium documents or other matter for which it is entitled to notice as provided in the Declaration or these Bylaws (such notice to be delivered by certified or registered mail, return receipt requested), and which fails to respond within sixty (60) days of receipt of such notice shall be deemed to have consented to the proposed amendment(s) or other matter of which the Mortgagee was provided notice.

ARTICLE 9

Compliance and Default

Section 9.1. Relief. Each unit owner shall be governed by, and shall comply with, all of the terms of the Condominium Instruments and the Condominium Act as any of the same may be amended from time to time. In enforcing the terms of the Condominium Instruments and the Condominium Act, the Council of Unit Owners need not follow the procedures set forth in section 11-113 of the Condominium Act. In addition to the remedies provided in of the Condominium Act, a default by a unit owner shall entitle the Council of Unit Owners, acting through its Board of Directors or through the managing agent, to the following relief.

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

(b) Costs and Attorney's Fees. In any proceedings arising out of any alleged default by a unit owner, the prevailing party shall be entitled to recover the costs of such proceeding and such reasonable attorney's fees as may be determined by the court. Any costs, including without limitation legal fees, incurred as a result of a failure to comply with the Condominium Act, the Condominium Instruments and the rules by any unit owner (or any member of such unit owner's household or such unit owner's tenants, agents or employees) may be assessed against such unit owner's unit.

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

(d) Interest. In the event of a default by any unit owner in paying any sum assessed against the condominium unit other than for common expenses which continues for a period in excess of fifteen (15) days, interest at a rate not to exceed the lower of the maximum permissible interest rate which may be charged by a Mortgagee under a Mortgage at such time or

eighteen percent (18%) per annum may be imposed in the discretion of the Board of Directors on the principal amount unpaid from the date due until paid.

(e) Abating and Enjoining Violations by Unit Owners. The violation of any of the rules adopted by the Board of Directors, the breach of any provision of the Condominium Instruments or the Condominium Act shall give the Board of Directors the right, in addition to any other rights set forth in these Bylaws: (i) to enter the unit in which, or as to which, such violation or breach exists and summarily to abate and remove, at the expense of the defaulting unit owner, any structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions hereof, and the Board of Directors shall not thereby be deemed guilty in any manner of trespass; (ii) to use self-help to remove or cure any violation of the Condominium Instruments or the rules on the common elements (including without limitation the towing of vehicles) or in any unit; or (iii) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach; provided, however, that before any construction may be altered or demolished (except in emergencies) judicial proceedings shall be instituted.

(f) Legal Proceedings. Failure to comply with any of the terms of the Condominium Instruments and the rules shall be grounds for relief, including without limitation, an action to recover any sums due for money damages, injunctive relief, foreclosure of the lien for payment of all assessments, any other relief provided for in these Bylaws or any combination thereof and any other relief afforded by a court of competent jurisdiction, all of which relief may be sought by the Council of Unit Owners, the Board of Directors, the managing agent or, if appropriate, by any aggrieved unit owner and shall not constitute an election of remedies.

(g) Fines. Pursuant to section 11-109 of the Condominium Act, the Board of Directors and the Covenants Committee may levy reasonable fines against unit owners for violations of the rules, the Condominium Instruments or the Condominium Act. No fine may be levied for more than one percent (1%) of such unit owner's annual assessment for any one violation; but each day a violation continues, after notice is given to the unit owner, is a separate violation. If a unit owner requests in writing a hearing before the fine is imposed, the imposition of the fine shall be suspended until the hearing is held. As provided above, the Council of Unit Owners need not follow the procedures set forth in section 11-113 of the Condominium Act. Fines are special assessments and shall be collectible as such.

(h) Other Remedies. The Board of Directors may suspend or revoke a unit owner's recreational or other privileges for a reasonable period not to exceed the duration of the default or violation if payment of the assessment on the unit is delinquent more than thirty (30) days or for any other violation of the Condominium Instruments or the rules.

Section 9.2. Lien for Assessments.

(a) Lien. The total annual assessment of each unit owner for common expenses or any special assessment, or any other sum duly levied (including without limitation fines, interest, late charges, etc.), made pursuant to these Bylaws, is hereby declared to be a lien levied against the condominium unit of such unit owner as provided in section 11-110 of the Condominium Act and the Maryland Contract Lien Act, which lien shall, with respect to annual assessments, be effective on the first (1st) day of each fiscal year of the Condominium and, as to special assessments and other sums duly levied, on the first (1st) day of the next month which begins more than seven (7) days after delivery to the unit owner of notice of such special assessment or levy. The Board of Directors or the managing agent may file or record such other or further notice of any such lien, or such other or further document, as may be required to confirm the establishment and priority of such lien.

(b) Acceleration. In any case where an assessment against a unit owner is payable in installments, upon a default by such unit owner in the timely payment of any two (2) consecutive installments, the maturity of the remaining total of the unpaid installments of such assessments may be accelerated, at the option of the Board of Directors, and the entire balance of the annual assessment may be declared due and payable in full by the service of notice to such effect upon the defaulting unit owner and such unit owner's Mortgagee by the Board of Directors or the managing agent, in accordance with the Condominium Act.

(c) Enforcement. The lien for assessments may be enforced and foreclosed in any manner permitted by the laws of the State of Maryland, pursuant to section 11-110 of the Condominium Act and the Maryland Contract Lien Act or by action in the name of the Board of Directors, or the managing agent, acting on behalf of the Council of Unit Owners. During the pendency of such proceeding the unit owner shall be required to pay a reasonable rental for the unit for any period prior to sale pursuant to any judgment or order of any court having jurisdiction over such sale. The plaintiff in such proceeding shall have the right to the appointment of a receiver, if available under the laws of the State of Maryland.

(d) Remedies Cumulative. A suit to recover a money judgment for unpaid assessments may be maintained without foreclosing or waiving the lien securing the same, and a foreclosure may be maintained notwithstanding the pendency of any suit to recover a money judgment.

Section 9.3. Supplemental Enforcement of the Lien. In addition to the proceedings at law or in equity for the enforcement of the lien established by the Condominium Instruments, the Condominium Act or the Contract Lien Act, all of the unit owners may be required by the Declarant or the Board of Directors to execute bonds conditioned upon the faithful performance and payment of the installments of the lien established thereby and may likewise be required to secure the payment of such obligations by recording a declaration of trust in the land records where the Condominium Instruments are recorded granting unto one or more trustees appropriate powers to the end that, upon default in the performance of such bond such declaration of trust may be foreclosed by such trustees acting at the direction of the Board of Directors upon reasonable notice to the unit owner, and after a reasonable opportunity to be heard. If any such bonds have been executed and such declaration of trust is recorded, then any subsequent

purchaser of a unit shall take title subject thereto and shall assume the obligations provided for therein.

Section 9.4. Subordination and Mortgage Protection. Notwithstanding any other provisions hereof to the contrary, the lien of any assessment levied pursuant to these Bylaws upon any unit (and any penalties, interest on assessments, late charges or the like) shall be subordinate to, and shall in no way affect the rights of the holder of a Mortgage made in good faith for value received; provided, however, that such subordination shall apply only to assessments which have become due and payable prior to a sale or transfer of such unit pursuant to foreclosure, or any proceeding in lieu of foreclosure. Such sale or transfer shall not relieve the purchaser of the unit at such sale from liability for any assessments thereafter becoming due, nor from the lien of any such subsequent assessment, which lien shall have the same effect and be enforced in the same manner as provided herein.

ARTICLE 10

Amendments to Bylaws

Section 10.1. Amendments. These Bylaws may not be modified or amended except as provided in section 11-104(e) of the Condominium Act, as amended, from time to time; provided, however, that the Bylaws may be amended only with the approval of the Declarant during the Declarant Control Period. Any amendments to Article 11 shall be applicable as to only those claims asserted against the Declarant by the Council of Unit Owners and/or an Owner or Owners after the effective date of such amendment. All amendments to the Bylaws shall be prepared and recorded by the Secretary.

ARTICLE 11

Dispute Resolution; Arbitration

Section 11.1. Claim Notice; Inspection. Except to the extent provided in the Limited Warranty Certificate issued by the Declarant to the Council of Unit Owners or the Unit Owner, every claim against the Declarant (including any of the Declarant's employees, agents or contractors) by the Council of Unit Owners and/or any Owner or Owners (each of the foregoing a "Claimant") regarding the design, construction, or warranty of the Common Elements, any Unit or other portion of the Condominium, shall be resolved pursuant to the requirements of this Article 11. Notwithstanding this provision, the Council of Unit Owners or the Unit Owner, as applicable, shall first comply with the Limited Warranty Procedures that are outlined in the Limited Warranty Certificate before initiating a claim under this Article 11.

(a) The Claimant shall make a prudent and reasonable attempt to mail or otherwise deliver written notice to the Declarant, but no later than the warranty period for Common Elements and Units as provided in Section 11-131 of the Act, specifying the defect or defects that are the subject of its claim that have not been resolved through the Limited Warranty Certificate procedure, including identification of all Common Elements, Unit(s) and other

portions of the Condominium that have manifested damage or otherwise indicate existence of a defect (the "Claim Notice").

(b) Within thirty (30) days after the receipt of the Claim Notice, the Declarant's representative will make arrangements to meet with the Claimant or the Claimant's representative and/or to inspect the items identified in the Claim Notice.

(c) At the scheduled inspection referred to in subparagraph (b) above, the Claimant shall make available for inspection all portions of the Condominium identified in the Claim Notice during normal working hours or other mutually agreed upon times. If necessary, interior inspections of Units shall occur only during normal business hours or other mutually agreed upon times, only upon prior notice to the Owner or occupant of the Unit, and only with the consent of the Owner of the Unit, which consent may not be unreasonably withheld or delayed. If the Declarant requires, the Claimant or the Claimant's representative shall be present during the inspection.

(d) Such inspection shall be completed within fifteen (15) days after the date the portions of the Condominium identified in the Claim Notice are made available to the Declarant by the Claimant for inspection; provided, however, that if such inspection is not reasonably capable of being completed within such fifteen (15) day period, and provided further that the Declarant commences good faith efforts to commence such inspection within such fifteen (15) day period and thereafter diligently prosecutes such efforts to completion, such fifteen (15) day period shall be extended for the period of time reasonably necessary for the Declarant to commence and complete such inspection. The Declarant shall pay all costs of such inspection. Within five (5) days after the completion of such inspection, Declarant shall reasonably restore such portions of the Condominium that have been damaged or disturbed as a result of the inspection to the condition that existed immediately before such inspection, and shall indemnify the Claimant for any and all damages resulting from such inspection; provided, however, that if such restoration is not reasonably capable of being completed within such five (5) day period, and provided further that the Declarant commences good faith efforts to commence such restoration within such five (5) day period and thereafter diligently prosecutes such efforts to completion, such five (5) day period shall be extended for the period of time reasonably necessary for the Declarant to commence and complete such restoration.

Section 11.2. Settlement Statement; Conference.

(a) Within fifteen (15) days after completion of the inspection under Section 12.1 of this Article, the Declarant shall submit a written statement to the Claimant stating the Declarant's proposed resolution of the claim or claims identified in the Claim Notice, and stating whether the Declarant proposes to do any remedial work, pay the Claimant a cash amount, or both (the "Settlement Statement").

(b) If the Declarant delivers a timely Settlement Statement, then within fifteen (15) days after receipt of the Settlement Statement, the Claimant shall hold a settlement conference with the Declarant to discuss the claim or claims identified in the Claim Notice and the proposed settlement stated in the Settlement Statement (the "Settlement Conference"). The

Claimant and the Declarant may be represented by attorneys and consultants at the Settlement Conference, and any mutually agreed upon continuation thereof.

(c) If a settlement of the claim or claims identified in the Claim Notice is not reached within fifteen (15) days after the Settlement Conference, or any mutually agreed upon continuation thereof, the Claimant or the Declarant may deliver to the other party a written demand for binding arbitration as set forth in Section 11.3.

(d) Any notice, request, statement, or other communication required to be sent to the Declarant or a Claimant under this Article shall be mailed by first-class registered or certified mail, return receipt requested, or sent by facsimile (with evidence of transmission and receipt), or personally served on the party entitled to receive such notice, request statement or other communication.

Section 11.3. Commencement of Arbitration; Notice to Unit Owners.

(a) Notice to Unit Owners. Before the Council of Unit Owners may demand for arbitration against the Declarant based on any claim or claims identified in the Claim Notice, the Council of Unit Owners shall make reasonable efforts to disseminate to each unit owner the following:

(1) A statement of the claim of the Council of Unit Owners against the Declarant;

(2) A copy of the written response of the Declarant to the claim of the Council of Unit Owners, including any proposed settlement delivered by the Declarant to the Council of Unit Owners;

(3) Summary information about the Settlement Conference and the mediation;

(4) A statement of the reasonably anticipated consequences of proceeding with the binding arbitration (the form and content of such statement to be subject to the reasonable judgment of the Board of Directors); and

(5) A statement that if ten percent (10%) of the unit owners (other than the Declarant) request a special meeting of the Council of Unit Owners to discuss the proposed arbitration within thirty (30) days after the date the notice is mailed or otherwise delivered to the unit owners, then a special meeting must be held.

(b) Commencement of Arbitration. Every claim against the Declarant by a Claimant regarding the design, construction, or warranty of the Common Elements, Unit(s) or other portion of the Condominium which has not been resolved pursuant to Sections 11.1 and Section 11.2 above, shall be submitted to binding arbitration in accordance with this Section 11.3, unless the parties to such dispute agree otherwise in writing.

(c) Either party may commence the arbitration process called for in this Section by filing a written demand for arbitration with the other party. The arbitration shall be

conducted at a location determined by the arbitrator in the Washington, D.C. metropolitan area and will be administered in accordance with the provisions of the Commercial Arbitration Rules of the American Arbitration Association in effect at the time of filing of the demand for arbitration, or such other rules and procedures that are agreed to in writing by all parties. The parties covenant that they will participate in the arbitration in good faith and that they will share equally in the fees and expenses of the arbitrator and the arbitration administration costs that may be charged by the American Arbitration Association or other arbitration forum agreed upon by the parties. If the parties cannot agree otherwise, the arbitration will be administered by the American Arbitration Association. Should a Claimant, in violation of this Article 11, commence legal action in a court, Declarant shall have the right to have such legal action dismissed and to recover the costs, including attorneys' fees, of obtaining the dismissal.

(d) The arbitrator shall determine which is the prevailing party and shall include in the award payment by the non-prevailing party of the prevailing party's reasonable attorneys' fees and expenses. The provisions of this Section 11.3 and any judgment rendered by the arbitrator may be enforced by any court of competent jurisdiction, and the party seeking enforcement shall be entitled to an award of all costs, fees and expenses, including attorneys' fees, to be paid by the party against whom enforcement is ordered.

(e) EACH CLAIMANT COVENANTS AND AGREES TO HAVE ALL DISPUTES COVERED BY THIS ARTICLE 11 DECIDED BY NEUTRAL ARBITRATION IN ACCORDANCE WITH THIS SECTION 11.3 AND RELINQUISHES ANY RIGHTS THAT MAY BE AVAILABLE TO HAVE SUCH MATTERS LITIGATED IN A COURT OR BY JURY TRIAL, INCLUDING JUDICIAL RIGHTS TO DISCOVERY AND APPEAL. THE REFUSAL BY A PARTY TO SUBMIT TO ARBITRATION IN ACCORDANCE WITH THIS SECTION 11.3 MAY RESULT IN THE PARTY BEING COMPELLED TO ARBITRATE UNDER FEDERAL OR STATE LAW.

Section 11.4. Statute of Limitations

(a) Timely delivery of the Claim Notice to the Declarant shall, upon receipt by the Declarant, toll any applicable statutes of limitation regarding the claim or claims identified in the Claim Notice for the period of time specified in this Section, except for any statutes of limitation that have already expired pursuant to applicable law.

(b) If the Declarant fails to deliver a timely Inspection Request, the tolling of applicable statutes of limitation provided for by this Section shall cease on the thirtieth (30th) day after delivery of the Claim Notice. In all other cases, the tolling of applicable statutes of limitations provided for in this Section shall cease on the first to occur of (i) the twentieth (20th) day after the Declarant's failure to deliver a timely Settlement Statement, or (ii) the sixtieth (60th) day after the Settlement Conference, or any mutually agreed upon continuation thereof.

(c) Other than as provided herein, no action taken by the Declarant pursuant to this Article shall extend any statutory warranties or other warranties given by the Declarant.

(d) Any claim submitted for arbitration shall be filed within the applicable statute of limitations as governed by the laws of Maryland and as provided herein.

ARTICLE 12

Miscellaneous

Section 12.1. Notices. All notices, demands, bills, statements or other communications under these Bylaws shall be in writing and shall be deemed to have been duly given if delivered personally or sent by United States mail, postage prepaid, or if notification is of a default or lien, sent by registered or certified United States mail, return receipt requested, postage prepaid, (i) if to a unit owner, at the address which the unit owner shall designate in writing and file with the Secretary or, if no such address is designated, at the address of the unit of such unit owner, or (ii) if to the Council of Unit Owners, the Board of Directors or to the managing agent, at the principal office of the managing agent or at such other address as shall be designated by notice in writing to the unit owners pursuant to this Section. If a unit is owned by more than one person, each such person who so designates an address in writing to the Secretary shall be entitled to receive all notices hereunder.

Section 12.2. Captions. The captions herein are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of these Bylaws or the intent of any provision thereof.

Section 12.3. Gender. The use of the masculine gender in these Bylaws shall be deemed to include the feminine and neuter genders and the use of the singular shall be deemed to include the plural, and vice versa, whenever the context so requires.

Section 12.4. Construction. These Condominium Instruments are intended to comply with all of the applicable provisions of the Condominium Act and shall be so interpreted and applied. The failure to comply strictly with the time periods required by the Condominium Instruments, unless also required by the Condominium Act, shall not invalidate any action of the Board of Directors or the Council of Unit Owners in the absence of a written objection by the Declarant, a unit owner or a Mortgagee within ten (10) days after the failure to comply.

Exhibit A
to the Bylaws

CREEKSIDE AT LEISURE WORLD,
A CONDOMINIUM
CERTIFICATE FOR RESALE

TO: _____

FROM: Creekside at Leisure World, A Condominium Council of Unit Owners

RE: Condominium Unit No. _____ (and limited common element parking
space(s) _____
Creekside at Leisure World, A Condominium
2901 S. Leisure World Blvd.
Silver Spring, Maryland 20906

Pursuant to section 11-135 of the Condominium Act, as amended, we hereby certify that as of the date hereof, except as herein stated:

A. The status of assessments with respect to the condominium unit is as follows:

| | | |
|---|-------|----------|
| Current assessment due | _____ | \$ _____ |
| Assessment in arrears | _____ | \$ _____ |
| Assessments, fees and charges for the current fiscal year not yet due | _____ | \$ _____ |
| TOTAL DUE | | \$ _____ |

B. The Condominium Instruments do not create any rights of first refusal or other restraints on free alienability of any of the condominium units.

C. The following, if any, is a list of all capital expenditures currently planned by the Council of Unit Owners which are not reflected in the current operating budget:

[Fill in if applicable.]

D. As of the date of this certificate, there is an outstanding balance in the reserve for replacement fund (reserve account) of approximately \$_____. Of that balance, the following amounts, if any, have been designated by the Board of Directors for the following specific projects:

[Fill in if applicable.]

E. Attached to this certificate is a copy of the statement of financial condition (balance sheet), and income and expense statement (if any), and the current operating budget of the Council of Unit Owners for the year ended _____, 200_, the most recent fiscal year for which such statement is available.

F. There are no unsatisfied judgments against the Council of Unit Owners nor any pending suits in which the Council of Unit Owners is a party except as follows:

[Fill in status and nature if applicable.]

G. The Council of Unit Owners holds hazard, property damage and liability insurance policies covering the common elements and the units as required by the Bylaws. The precise terms of the insurance policies prevail over any general descriptions of coverage here or elsewhere. It is suggested that each unit owner obtain insurance covering property damage to betterments and improvements installed in the unit and personal property contained therein (not covered by the Council of Unit Owners policy) as well as insurance covering personal liability. You are urged to consult with your insurance agent. Copies of insurance policies currently held by the Council of Unit Owners are available for inspection at:

[Fill in address.]

H. The Council of Unit Owners has no knowledge of whether improvements or alterations made to the condominium unit or the limited common elements assigned thereto are in violation of the Condominium Instruments except as follows:

[Fill in if applicable.]

I. There is no leasehold estate affecting the Condominium.

J. The Council of Unit Owners has no knowledge of any violation of the health or building codes with respect to the unit or the limited common elements assigned thereto, or with respect to any other portion of the Condominium, except as follows:

[Fill in if applicable.]

K. The following, if any, is a list of recreational or other facilities to be used by the unit owners or maintained by them or by the Council of Unit Owners, with a statement as to whether or not such facilities are part of the common elements.

[Fill in if applicable.]

The information contained in this Certificate for Resale, issued pursuant to section 11-135 of the Condominium Act, as amended, based on the best knowledge and belief of the Council of Unit Owners, is current as of the date hereof.

The name and address of the President of the Council of Unit Owners is:

_____.

The Council of Unit Owners may charge a fee for the preparation of this Certificate for Resale as allowed by law.

Dated: _____, 200__.

CREEKSIDE AT LEISURE WORLD, A
CONDOMINIUM COUNCIL OF UNIT OWNERS

By: _____

Officer: _____

I hereby acknowledge that I received this Certificate for Resale on _____, 200__.

Unit Owner

UNIT OWNER'S CERTIFICATE

A. The Unit Owner has no knowledge of whether improvements or alterations made to the condominium unit or the limited common elements assigned thereto are in violation of the Condominium Instruments, except as follows:

[Fill in if applicable.]

A. The Unit Owner has no knowledge of any violation of the health or building codes with respect to the unit or the limited common elements assigned thereto, except as follows:

[Fill in if applicable.]

The information contained in this Unit Owner's Certificate, issued pursuant to section 11-135 of the Condominium Act, as amended, based on the best knowledge and belief of the Unit Owner, is current as of the date hereof.

Dated: _____, 200__.

Unit Owner

I hereby acknowledge that I have received and read the information contained in this Certificate for Resale on _____, 200__.

Purchaser

Purchaser

Exhibit B
to the Bylaws
Chart of Maintenance
Responsibilities

