

"EXHIBIT B"

BY-LAWS

MARYLAND MUTUAL NO. SEVEN, INC.

ARTICLE I

Name and Location

Section 1. Name and Location. The name of this Corporation is Maryland Mutual No. Seven, Inc. Its principal office is located at 3700 Rossmoor Boulevard, Silver Spring, Montgomery County, Maryland.

ARTICLE II

Definitions

Section 1. Master Deed. "Master Deed" as used herein means that certain Master Deed made the 14th day of July, 1969, by Rossmoor Corporation, a California corporation, pursuant to Article 21, §117A through §142, Annotated Code of Maryland [1957], by which certain described premises [including land] are subjected to a condominium property regime and which Master Deed is recorded among the Land Records for Montgomery County, Maryland, immediately prior hereto and to which these Bylaws are appended as an Exhibit.

Section 2. Other Definitions. Unless it is plainly evident from the context that a different meaning is intended, all other terms used herein shall have the same meaning as they are defined to have in the Master Deed or the Maryland Condominium Act, found in Maryland Real Property Code Ann §11-101 through §11-142 (1981 and Cumm Supp. 1986).

ARTICLE III

Membership

Section 1. Members. Every person, corporation, trust or other legal entity, or any combination thereof, which owns a condominium unit within the condominium project shall be a member of the Corporation, provided, however, that any person, corporation, trust or other legal entity, or any combination thereof, which holds such interest solely as security for the performance of an obligation shall not be a member.

Section 2. Lien. The Corporation shall have a lien on the outstanding regular memberships in order to secure payment of any sums which may become due from the holders thereof to the Corporation for any reason whatsoever.

Section 3. Liquidation Rights. In the event of any voluntary or involuntary dissolution of the Corporation, each member of the Corporation shall be entitled to receive out of the assets of the Corporation available for distribution to the members an amount equal to that proportion of such assets which the value of his condominium unit bears to the value of the entire project.

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ARTICLE IV

Meeting of Members

Section 1. Place of Meeting. Meetings of the membership shall be held at the principal office or place of business of the Corporation or at such other suitable place convenient to the membership as may be designated by the Board of Directors.

Section 2. Annual Meetings. The first annual meeting of the members of the Corporation shall be held within one hundred twenty [120] days after sixty percent [60%] of the condominium units in the project have been sold and title to the same has been conveyed, or on August 20, 1970, whichever shall first occur. Thereafter, the annual meetings of the members of the Corporation shall be held on the 2nd Tuesday of June each succeeding year. At such meeting there shall be elected by ballot of the members a Board of Directors in accordance with the requirements of Section 4 of Article V of these By-Laws. The members may also transact such other business of the Corporation as may properly come before them.

Section 3. Special Meetings. It shall be the duty of the President to call a special meeting of the members as directed by resolution of the Board of Directors or upon a petition signed by members representing at least twenty percent [20%] of the total value of the project having been presented to the Secretary. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice unless by consent of four-fifths of the members present, either in person or by proxy.

Section 4. Notice of Meeting. It shall be the duty of the Secretary to mail a notice of each annual or special meeting, stating the purpose thereof as well as the time and place where it is to be held, to each member of record, at his address as it appears on the membership book of the Corporation, or if no such address appears, at his last known place of address, at least ten (10) but not more than ninety (90) days prior to such meeting. Service may also be accomplished by the delivery of any such notice to the member at his dwelling unit or last known address. Notice by either such method shall be considered as notice served.

Section 5. Quorum. The presence, either in person or by proxy, of members representing at least fifty-one percent (51%) of the total value of the project shall be requisite for, and shall constitute a quorum for the transaction of business at all meetings of members. If the number of members at a meeting drops below the quorum and the question of a lack of a quorum is raised, no business may thereafter be transacted.

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Section 6. Adjourned Meetings. If any meetings of members cannot be organized because a quorum has not attended, the members who are present, either in person or proxy, may, except as otherwise provided by law, adjourn the meeting to a time not less than forty-eight (48) hours from the time the original meeting was called.

Section 7. Voting. At every meeting of the members, the members shall have the right to cast one vote on each question and never more than one vote. The vote of the members representing fifty-one percent (51%) of the total value of the project, in person or by proxy, shall decide any question brought before such meeting, unless the question is one upon which, by express provision of statute or of the Articles of Incorporation, or of the Master Deed or of these By-laws, a different vote is required, in which case such express provision shall govern and control. No member shall be eligible to vote or to be elected to the Board of Directors who is shown on the books or management accounts of the Corporation to be more than thirty (30) days delinquent in payment due the Corporation.

Section 8. Proxies. A member may appoint any other member as his proxy. In no case may any member cast more than one vote by proxy in addition to his own vote. Any proxy must be filed with the Secretary before the appointed time of each meeting. No proxy shall be effective for a period in excess of 180 days following the issuance thereof.

Section 9. Order of Business. The order of business at all regularly schedule meetings of the regular members shall be as follows:

- (a) Roll call and certification of proxies.
- (b) Proof of notice of meeting or waiver of notice.
- (c) Reading of minutes of preceding meeting.
- (d) Report of officers.
- (e) Reports of committees.
- (f) Election of inspectors of election.
- (g) Election of directors.
- (h) Unfinished business
- (i) New Business

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

ARTICLE V

Directors

Section 1. Number and Qualification. The affairs of the Corporation shall be governed by the Board of Directors composed of not less than three persons, a majority of whom shall be members of the Corporation.

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Section 2. Powers and Duties. The Board of Directors shall have all the powers and duties necessary for the administration of the affairs of the Corporation and may do all such acts and things as are not by law or by these By-Laws directed to be exercised and done by the members. The powers and duties of the Board of Directors shall include, but not be limited to, the following:

To provide for the

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

(b) To establish and provide for the collection of assessments and/or carrying charges from the members and for the assessment and/or enforcement of liens therefor in a manner consistent with the provisions of these By-Laws and the Master Deed; and

(c) Designation, hiring and/or dismissal of the personnel necessary for the good working order of the project and for the proper care of the general or limited common elements and to provide services for the project in

a manner consistent with the provisions of these By-Laws and the Master Deed.

(d) To promulgate and enforce such rules and regulations and such restrictions on or requirements as may be deemed proper respecting the use, occupancy and maintenance of the project and the use of the general and limited common elements as are designated to prevent unreasonable interference with the use and occupancy of the project and of the general and limited common elements by the members, all of which shall be consistent with the provisions of these By-Laws and the Master Deed.

(e) To authorize, in their discretion, patronage refunds from residual receipts when and as reflected in the annual report.

Section 3. Management Agent. The Board of Directors shall employ for the Corporation a management agent [the "Management Agent"] at a rate of compensation established by the Board of Directors to perform such duties and services as the Board of Directors shall authorize including, but not necessarily limited to, the duties set out in subsections (a) through (d) of Section 2 of this Article.

Section 4. Election and Term of Office. The term of the Directors named in the Articles of Incorporation shall expire when their successors have been elected at the first annual meeting of members. At the first annual meeting of the members the term of office of the Director receiving the greatest number of votes shall be fixed for three (3) years. The term of office of the Director receiving the second greatest number of votes shall be fixed at two (2) years and the term of office of the Director receiving the third greatest number of votes shall be fixed at one (1) year. At the expiration of the initial term of office of each respective Director, his successor shall be elected to serve a term of three (3) years. The Directors shall hold office until their successors have been elected and hold their first meeting.

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

Section 6. Removal of Directors. At a regular or special meeting duly called, any Director may be removed with or without cause by the affirmative vote of the majority of the entire regular membership of record and a successor may then and there be elected to fill the vacancy thus created. Any Director whose removal has been proposed by the members shall be given an opportunity to be heard at the meeting. The term of any Director who becomes more than thirty (30) days delinquent in payment of any assessments and/or carrying charges shall be automatically terminated and the remaining Directors shall appoint his successor as provided in Section 5 of this Article.

Section 7. Compensation. No compensation shall be paid to Directors for their services as Directors. No remuneration shall be paid to a Director for services performed by him for the Corporation in any other capacity unless a resolution authorizing such remuneration shall have been unanimously adopted by the Board of Directors before the services are undertaken. Except for Directors named in the Articles of Incorporation, a Director may not be an employee of the Corporation or the Management Agent.

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

Section 9. 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 as least four such meetings shall be held during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each Director, personally or by mail, telephone or telegraph, at least three (3) days prior to the day named for such meeting.

Section 10. Special Meetings. Special meetings of the Board of Directors may be called by the President on three (3) days notice to each Director, given personally or by mail, telephone or telegraph, which notice shall state the time, place (as hereinabove provided) 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 Directors.

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Section 11. Waiver of Notice. Before or at any meeting of the Board of Directors, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board of Directors shall be a waiver of notice by him of the time, place and purpose thereof. If all the Directors are present at any meeting of the Board of Directors, no notice shall be required and any business may be transacted at such meeting.

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

Section 13. Action Without Meeting. Any action by the Board of Directors required or permitted to be taken at any meeting may be taken without a meeting if all of the members of the Board of Directors shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board of Directors.

Section 14. Fidelity Bonds. The Board of Directors shall require that all officers and employees of the Corporation handling or responsible for corporate or trust funds shall furnish adequate fidelity bonds. The premiums on such bonds or insurance shall be paid by the Corporation.

ARTICLE VI

Officers

Section 1. Designation. The principal officers of the Corporation shall be a President, a Vice President, a Secretary, and a Treasurer, all of whom shall be elected by the Board of Directors. The Directors may appoint an assistant secretary and an assistant treasurer and such other officers as in their judgment may be necessary. The offices of Secretary and Treasurer may be filled by the same person.

Section 2. Election of Officers. The officers of Liber 7966

the Corporation 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 of Directors.

Section 3. Removal of Officers. Upon an affirmative vote of a majority of the members of the Board of Directors, any officer may be removed either with or without cause, and his successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors called for such purpose.

Section 4. President. The President shall be the chief executive officer of the Corporation. He shall preside at all meetings of the members and of the Board of Directors. He shall have all of the general powers and duties which are usually vested in the office of president of a corporation, including, but not limited to, the power to appoint such committees from among the membership from time to time as he may, in his discretion, decide it is appropriate to assist in the conduct of the affairs of the Corporation.

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

Section 6. Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the members of the Corporation; he shall have custody of the seal of the Corporation; he shall have charge of the membership transfer books and of such other books and papers as the Board of Directors may direct; and he shall, in general, perform all of the duties incident to the office of Secretary.

Section 7. Treasurer. The Treasurer shall have responsibility for corporate funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Corporation. He shall be responsible for the deposit of all moneys and other valuable effects in the name, and to the credit, of the Corporation in such depositaries as may from time to time be designated by the Board of Directors.

ARTICLE VII

Management

Section 1. Management and Common Expenses. The Corporation shall manage, operate and maintain the condominium project and, for the benefit of the condominium units and the owners thereof, shall enforce the provisions hereof and may pay out of the common expenses fund hereinafter provided for, the following:

(a) The cost of provided water, sewer, garbage and trash collection, electrical, gas, and other necessary utility services for the common elements and, to the extent that the same are not separately metered or billed, for the condominium units.

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(b) The cost of fire and extended liability insurance on the project and the cost of such other insurance as the Corporation may effect.

(c) The cost of the services of a person or firm to manage the project to the extent deemed advisable by the Corporation together with the services of such other personnel as the Board of Directors of the Corporation shall consider necessary for the operation of the project.

(d) The cost of providing such legal and accounting services as may be considered necessary to the operation of the project.

(e) The cost of painting, maintaining, repairing and landscaping the common elements and such furnishings and equipment for the common elements as the Board of Directors shall determine are necessary and proper, and the Board of Directors shall have the exclusive right and duty to acquire the same; provided, however, that nothing herein contained shall require the Corporation to paint, repair or otherwise maintain the interior of any condominium unit or any fixtures or equipment located therein.

(f) The cost of any and all other materials, supplies, labor, services, maintenance, repairs, taxes, assessments of the like which the Corporation is required to secure or pay for by law, or otherwise, or which in the discretion of the Board of Directors shall be necessary or proper for the operation of the common elements; provided, however, that if any of the aforementioned are provided or paid for the benefit of a particular condominium unit or units, the cost thereof shall be specially assessed to the owner or owners thereof in the manner provided in subsection (g) of Section 1 of this Article.

(g) The cost of the maintenance of repair of any condominium unit in the event such maintenance or repair is reasonably necessary in the discretion of the Board of Directors to protect the common areas or to preserve the appearance of value of the project or is otherwise in the interest of the general welfare of all owners of the condominium units; provided, however, that no such maintenance or repair shall be undertaken without a resolution by the Board of Directors and not without reasonable written notice to the owner of the condominium unit proposed to be maintained and provided further that the cost thereof shall be assessed against the condominium unit on which such maintenance or repair is performed and, when so assessed a statement for the amount thereof shall be rendered to the then owner of said condominium unit at which time the assessment shall become due and payable and a continuing lien and obligation of said owner in all respects as provided in Article VIII of these By-laws.

(h) Any amount necessary to discharge any lien or encumbrance levied against the project, or any portion thereof, which may, in the opinion of the Board of Directors, constitute a lien against any of the common elements rather than the interest of the owner of an individual condominium unit.

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Section 2. Management Agent. The Corporation may delegate any of its duties, powers or functions to the Management Agent, provided that such delegation shall be revocable upon sixty (60) days written notice. The Corporation and the Board of Directors shall not be liable for any omission or improper exercise by the Management Agent of any such duty, power or function so delegated.

Section 3. Duty to Maintain. Except for maintenance requirements herein imposed upon the Corporation, if any, the owner of any condominium unit shall, at his own expense, maintain the interior of his condominium unit and any and all equipment therein situate, and its other appurtenances, in good order, condition and repair and in a clean and sanitary condition, and shall do all redecorating, painting and the like which may at any time be necessary to maintain the good appearance of his condominium unit. In addition to the foregoing, the owner of any condominium unit shall, at his own expense, maintain, repair or replace any plumbing fixtures, refrigerators, freezers, dishwashers, clothes washers, clothes dryers, disposal, ranges and/or other equipment that may be in/or appurtenant to such condominium unit. The owner of any condominium unit shall also, at his own expense, maintain any limited common elements which may be

appurtenant to such condominium unit in a clean, orderly and sanitary condition. The unit owner shall be responsible for any damage to other condominium units due to unit owners neglect to maintain or repair his unit as required.

Section 4. Access at Reasonable Times. For the purpose solely of performing any of the repairs or maintenance required or authorized by these By-laws, or in the event of a bona fide emergency involving illness or potential danger to life or property, the Corporation, through its duly authorized agents or employees, shall have the right, after reasonable notice to the owner, to enter any condominium unit at any hour considered to be reasonable under the circumstances.

Section 5. Easements for Utilities and Related Purposes. The Corporation is authorized and empowered to grant such licenses, easements and/or rights-of-way for sewer lines, water lines, electrical cables, telephone cables, gas lines, storm drains, underground conduits and/or such other purposes related to the provision of public utilities to the project or other similar projects as may be considered necessary and appropriate by the Board of Directors for the orderly maintenance, preservation and enjoyment of the common elements or for the preservation of the health, safety, convenience and/or welfare of the owners of the condominium units. The same may be granted only over those portions of the common elements upon which no building or structure has been erected.

Section 6. Limitation of Liability. The Corporation shall not be liable for any failure of water supply or other Services to be obtained by the Corporation or paid for out of the common expense funds, or for injury or damage to person or property caused by the elements or by the owner of any condominium unit, or any other person, or resulting from electricity, water, snow or ice which may leak or flow from any portion of the common elements or from any pipe, drain, conduit, appliance or equipment. The Corporation shall not be liable to the owner of any condominium unit for loss or damage, by theft or otherwise, of articles which may be stored upon any of the limited common elements. No diminution or abatement of common expense assessments, as hereinelsewhere 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 Corporation to comply with any law, ordinance or with the order or directive of any municipal or other governmental authority.

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ARTICLE VIII

Assessments and Carrying Charge

Section 1. Annual Assessments and Carrying Charges.

Each member shall pay to the Corporation a monthly sum [hereinafter sometimes referred to as "carrying charges"] equal to one-twelfth (1/12) of the member's proportionate share of the sum required by the Corporation, as estimated by its Board of Directors, to meet its annual expenses, including but in no way limited to the following:

(a) The cost of all operating expenses of the project and services furnished, including charges by the Corporation for facilities and services furnished by it and charges by the community facilities and services furnished by it and charges by the community facilities trustee of facilities and services furnished by it.

(b) The cost of necessary management and administration, including fees paid to any management agent.

(c) The amount of all taxes and assessments levied against the Corporation or upon any property which it may own or which it is otherwise required to pay, if any.

(d) The cost of fire and extended liability insurance on the project and the cost of such other insurance as the Corporation may effect.

(e) The cost of furnishing water, electricity, heat, gas, garbage and trash collection and/or other utilities, to the extent furnished by the Corporation.

(f) The cost of funding all reserves established by the Corporation, including, when appropriate, a general operating reserve and/or a reserve for replacements.

(g) The estimated cost of repairs, maintenance and replacements of the project to be made by the Corporation.

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The Board of Directors shall determine the amount of the Assessment annually, but may do so at more frequent intervals should circumstances so require.

The Board of Directors of the Corporation shall make reasonable efforts to fix the amount of the assessment against each member for each assessment period and shall, at that time, prepare a roster of the membership and assessments applicable thereto which shall be kept in the office of the Corporation and shall be open to inspection

by any owner upon reasonable notice to the Board. Written notice of the assessments shall thereupon be sent to the members. The omission of the Board of Directors, before the expiration of any assessment period, to fix the assessments hereunder for that or the next period, shall not be deemed a waiver or modification in any respect of the provisions of this Article, or a release of any member from the obligation to pay the assessment, or any installment thereof, for that or any subsequent assessment period, but the assessment fixed for the preceding period shall continue until a new assessment is fixed. No member may exempt himself from liability for assessments or carrying charges by a waiver of the use or enjoyment of any of the common elements or by abandonment of the condominium unit belonging to him.

Section 2. Special Assessments. In addition to the regular assessments authorized by this Article, the Corporation may levy in any assessment year a special assessment or assessments, applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, unexpected repair or replacement of a described capital improvement located upon the project, including the necessary fixtures and personal property related thereto, or for such other purpose as the Board of Directors may consider appropriate, provided that any such assessment shall have the assent of the members representing two-thirds (2/3) of the total value of the project. A meeting of the members shall be duly called for this purpose, written notice of which shall be sent to all members at least ten (10) but not more than thirty (30) days in advance of such meeting, which notice shall set forth the purpose of the meeting.

Section 3. Non-Payment of Assessments. Any assessment levied pursuant to these By-laws, or any installment thereof, which is not paid on the date when due shall be delinquent and shall, together with interest thereon and cost of collection thereof, as herein provided, thereupon become a continuing lien upon the condominium unit or units in the hands of the then owner, his heirs, devisees, personal representatives and assigns, all in accordance with the provisions of The Maryland Condominium Act. The personal obligation of the member to pay such assessment, shall, however, remain his personal obligation for the statutory period and a suit to recover a money judgment for non-payment of any assessment levied pursuant to these By-laws, or any installment thereof, may be maintained without foreclosing or waiving the lien herein and by the aforesaid statute created to secure the same.

Any assessment levied pursuant to these By-laws, or any

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installment thereof, which is not paid within fifteen (15) days after it is due shall bear interest at the rate of ten percent (10%) per annum, and the Corporation may bring an action at law against the member personally obligated to pay the same, or foreclose thereon against the condominium unit or units then belonging to said member, in either of which events interest, costs and reasonable attorneys' fees of not less than fifteen percent (15%) of the sum claimed shall be added to the amount of each assessment.

Section 4. Assessment Certificates. The Corporation shall upon demand at any time furnish to any member liable for any assessment levied pursuant to these By-laws (or any other party legitimately interested in the same) a certificate in writing signed by an officer of the Corporation, setting for the status of said assessment, i.e., whether the same is paid or unpaid. Such certificate shall be conclusive evidence of the payment of any assessment therein stated to have been paid. A charge not to exceed Thirty Dollars (\$30.00) may be levied in advance by the Corporation for each certificate so delivered.

Section 5. Acceleration of Installments. Upon default in the payment of any one or more monthly installments of any assessment levied pursuant to these By-Laws, or any other installment thereof, the entire balance of said assessment may be accelerated at the option of the Board of Directors and be declared due and payable in full.

Section 6. Priority of Lien. The lien established by this Article and by The Maryland Condominium Lien Act. found in Maryland Real Prop Code Ann §14-201 through §14-206 (Cumm Sup 1986) shall have preference over any other assessments, liens, judgments or charges of whatever nature, except the following:

(a) General and special assessments for real estate taxes on the condominium unit; and

(b) The liens of any deeds of trust, mortgage instruments or encumbrances duly recorded on the condominium unit prior to the assessment of the lien thereon or duly recorded on said unit after receipt of a written statement from the Board of Directors reflecting that payments on said lien were current as of the date of recordation of said deed of trust, mortgage instrument or encumbrance.

Section 7. Subordination and Mortgage Protection. Notwithstanding any other provisions hereof to the contrary, the lien of any assessment levied pursuant to these By-laws, upon any condominium unit in the project shall be

subordinate to, and shall in no way affect the rights of the holder of any indebtedness secured by any recorded first mortgage [meaning a mortgage with priority over other mortgages] upon such interest made in good faith and 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 condominium unit pursuant to a decree of foreclosure, or any other proceeding in lieu of foreclosure. Such sale or transfer shall not relieve the purchaser at such sale or the condominium unit from liability for any assessments thereafter becoming due, nor from the lien of any such subsequent assessment, which said lien, if any, claimed, shall have the same effect and be enforced in the same manner as provided herein.

No amendment to this Section shall affect the rights of the holder of any such mortgage [or the indebtedness secured thereby] recorded prior to recordation of such amendment unless the holder thereof [or of the indebtedness secured thereby] shall join in the execution of such amendment.

The Board of Directors may, in their own and absolute discretion, extend the provisions of this Section the lenders of mortgages [or the indebtedness secured thereby] not otherwise entitled thereto.

ARTICLE IX

Use Restrictions

Section 1. Residential Use. All condominium units shall be used for private residential purposes exclusively except for such temporary non-residential uses as may be permitted by the Board of Directors from time to time. No more than two (2) persons may reside in any one-bedroom condominium unit and no more than three (3) persons may reside in any two-bedroom condominium unit without the prior written approval of the Board of Directors.

Section 2. Age, etc. It is the intention of this Mutual to provide housing for older persons. In furtherance of this:

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- (1) At least one of the persons who reside in any unit in this Mutual must be 55 years of age or older;
- (2) No other resident of the unit may be under the age of 50 years, except as follows:
 - (i) a person under the age of 18 years may reside in the unit, but not for an

aggregate of more than 30 days in any calendar year;

- (ii) any other person under the age of 50 years may reside in the unit, but not for an aggregate of more than 90 days in any calendar year; and
- (iii) a disable relative of a resident of the unit, if such resident is 50 years of age or older, may reside with such resident in the unit.

If a resident of a unit in the Mutual who is 55 years of age or older dies or ceases to be such a resident and no other resident of the unit is 55 years of age or older, the provisions of clause (1) of the preceding sentence do not apply to that unit if (as provided by law) at least 80 percent of the units in the Mutual do meet the requirement of that sub-paragraph.

The right to use or occupy any condominium unit within the project, reside therein permanently or otherwise, and the right to sell, lease or otherwise transfer or convey any condominium unit may be subject to such uniform objective standards relating to financial responsibility, age, and/or character as may now or hereafter be set forth in these By-laws. No such restriction shall be based upon race, religion, sex or place of national origin.

Section 3. Leasing. No condominium unit within the project shall be rented for transient or hotel purposes or in any event, for any period less than three (3) months. Each Lease Agreement will be examined and approved by the Board of Directors to determine that the unit owner (lessor) has complied with the licensing requirements of Montgomery County; that the lessee has been furnished with or advised of the By-laws and other rules and regulations of the Mutual Corporation; and the unit owner (lessor), if permanently absent from the Leisure World premises, can be contacted for service of notice of Annual Meetings and other matters affecting the Mutual Corporation.

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Section 4. Prohibited Uses and Nuisances.

(a) No noxious or offensive trade or activity shall be carried on within any condominium unit situate thereon, nor shall anything be done therein or thereon which may be or become an annoyance to the neighborhood or the other unit owners.

(b) There shall be no obstruction of any common elements. Nothing shall be stored upon any common elements without the approval of the Board of Directors. Vehicular parking upon common elements shall be regulated by the Board of Directors, provided, however, that at least one parking space shall be assigned by the Board of Directors for use by the owner of each condominium unit.

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

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

(e) The maintenance, keeping, boarding and/or raising of animals, livestock or poultry of any kind, regardless of number, shall be and is hereby prohibited within any condominium unit or upon any common elements, except that this shall not prohibit the keeping of dogs, cats and/or caged birds as domestic pets provided they are not kept or maintained for commercial purposes.

(f) No signs of any character shall be erected, posted or displayed upon, in, from or about any condominium unit or common elements, provided, however, that one temporary real estate sign of customary and reasonable dimensions may be displayed upon, in or from any condominium unit placed upon the market for sale or rent.

(g) Except as hereinelsewhere provided, no junk vehicle or other vehicle on which current registration plates are not displayed, trailer, truck camper, camp truck, house trailer, boat or the like shall be kept upon any common elements, nor shall the repair or extraordinary maintenance of automobiles or other vehicles be carried out thereon. The Corporation may, in the discretion of its Board of Directors, provide and maintain a suitable area designated for the parking of such vehicles or the like. [The foregoing is not intended to prohibit the parking of golf carts in any portion of the common elements designated by the Board of Directors for that purpose.]

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(h) No part of the common elements shall be used for commercial activities of any character.

(i) No burning of any trash and no unreasonable or unsightly accumulation or storage of litter, new or used building materials, or trash of any other kind shall be permitted within any condominium unit or upon any of the common elements. Trash and garbage containers shall not be permitted to remain in public view, except on days of collection.

(j) No structure of a temporary character, trailer, tent, shack, barn or other outbuilding shall be maintained upon any common elements at any time. Outdoor clothes dryers or clothes lines shall not be maintained upon any of the common elements at any time.

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

(l) There shall be no violation of any rules for the use of the common elements which may from time to time be adopted by the Board of Directors and promulgated among the membership by them in writing, and the Board of Directors is hereby and elsewhere in these Bylaws authorized to adopt such rules.

ARTICLE X

Architectural Control

Section 1. Architectural Control Committee. Except for the original construction of the condominium units situate within the project and any improvements to any common elements accomplished concurrently with said construction, and except for purposes of proper maintenance and repair or as otherwise in these By-Laws provided, it shall be prohibited to install, erect, attach, apply, paste, hinge, screw, nail, build, alter, remove or construct any lighting, shades, screens, awnings, patio covers, decorations, fences, aerials, antennas, radio or television broadcasting or receiving devices, slabs, sidewalks, curbs, gutters, patios, porches, driveways, fences, walls or to make any change or otherwise alter (including any alteration in color) in any manner whatsoever the exterior of any condominium unit or upon any of the common elements within the project until the complete plans and specifications, showing the location, nature, shape, height, material, color, type of construction and/or any

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other proposed for of change (including, without limitation, any other information specified by the Board of Directors or its designated committee) shall have been submitted to and approved in writing as to harmony of external design, color and location in relation to surrounding structures and topography, by the Board of Directors of the Corporation, or by an Architectural Control Committee designated by it.

In the event the Board of Directors, or its designated committee, fails to approve or disapprove such design and location, within sixty (60) days after said plans and specifications have been submitted to it, or in any event, if no suit to enjoin the addition, alteration or change has commenced prior to the completion thereof, approval will not be required and this Article will be deemed to have been fully complied with.

ARTICLE XI

Resale of Unit

Section 1. Right of First Refusal. In the event the owner of any condominium unit wishes to transfer the title thereto (and as a condition precedent to each and every such transfer) and shall have received a bona fide offer to purchase same, such owner shall notify the Board of Directors in writing that the condominium unit is for sale and shall supply the Board of Directors with an executed copy of such offer and the terms thereof, including the name and age of the prospective purchaser and such other information as the Board of Directors, in the reasonable exercise of its discretion, may request. For a period of thirty (30) days following receipt of the aforesaid notice by the Board of Directors, the Corporation shall have the right to purchase the subject condominium unit upon the same terms and conditions as set forth in the offer therefor. The failure or refusal by the Board of Directors to exercise the right of first refusal shall not constitute or be deemed a waiver of such right in the event the owner of any condominium unit receives any subsequent bona fide offer to purchase the same from the same or a different party.

Section 2. Application. The right of first refusal provided for in this Article shall not apply to transfers made solely for the purpose of securing the performance of an obligation, transfers involving a foreclosure sale or other judicial sale or any transfer to a mortgagee in lieu of foreclosure, the transfer of one joint tenant's interest to another, by operation of law or otherwise, or transfers by will or interstate distribution.

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Section 3. Condominium Resale Certificate.

(a) The Corporation, through its Management Agent, shall, within twenty (20) days after written request by a unit owner of a reasonable fee not to exceed the cost therefore, furnish a unit owner who is selling his unit with a resale certificate containing the necessary information to enable the unit owner to comply with §11-135 of the Maryland Condominium Act, in connection with the sale of his unit.

ARTICLE XII

Insurance

Section 1. Insurance. The Board of Directors shall obtain and maintain, to the extent available, at least the following:

(a) Casualty or physical damage insurance in an amount equal to the full replacement value of the condominium project [as determined annually by the Board of Directors with the assistance of the insurance company affording such coverage], such coverage to afford protection against at least the following:

- (i) loss or damage by fire and other hazards covered by the standard extended coverage endorsement together with coverage for common expenses with respect to condominium units during any period of reconstruction;
- (ii) such other risks as shall customarily be covered with respect to projects similar in construction, location and use, including, but not limited to, vandalism, malicious mischief, windstorm, water machinery explosion or damage, plate glass damage and such other insurance as the Board of Directors may from time to time determine and

(b) public liability insurance in such amounts and in such forms as may be considered appropriate by the Board of Directors, including, but not limited to water damage, legal liability, hired automobile, non-owned automobile, off-premises employee coverage and any and all other liability incident to the ownership and/or use of the condominium project or any portion thereof.

(c) Workmen's compensation insurance to the extent necessary to comply with any applicable law.

- (d) Such other policies of insurance, including insu-

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rance for other risks of a similar or dissimilar nature, as are or shall hereafter be considered appropriate by the Board of Directors.

Section 2. Limitations. Any insurance obtained pursuant to the requirements of this Article shall be subject to the following provisions:

(a) all policies shall be written with a company or companies licensed to do business in the State of Maryland and holding a rating of equivalent to "AA" or better in Best's Insurance Reports.

(b) Exclusive authority to adjust losses under said policies shall be vested in the Board of Directors or its authorized representative.

(c) In no event shall the insurance coverage obtained and maintained pursuant to the requirements of this Article be brought into contribution with insurance purchased by the owners of the condominium units or their mortgagees, as herein permitted, and any "no other insurance" or similar clause in any policy obtained by the Corporation pursuant to the requirements of this Article shall exclude such policies from consideration.

(d) All policies provide that such policies may not be cancelled or substantially modified without at least thirty (30) days prior written notice to the insured.

(e) All policies of casualty insurance shall provide that, notwithstanding any provisions thereof which give the carrier the right to elect to restore damage in lieu of making a cash settlement, such option shall not be exercisable without the prior written approval of the Board of Directors or when in conflict with the provisions of these By-Laws.

(f) All policies shall contain a waiver of subrogation by the insurer as to any and all claims against the Corporation, the Board of Directors, the owner of any condominium unit and/or their respective agents, employees or invitee, and of any defenses based upon co-insurance or invalidity arising from the acts of the insured.

Section 3. Individual Policies. The owner of any condominium unit (including the holder of any mortgage thereon) may obtain additional insurance at his own expense. Such insurance shall be written by the same carrier as that purchased by the Board of Directors pursuant to this Article or shall provide that it shall be without contribution as against the same. Such insurance

shall contain the same waiver of subrogation provision as that set forth in Section 2 (f) of this Article.

ARTICLE XIII

Casualty Damage - Reconstruction or Repair

Section 1. Use of Insurance Proceeds. In the event of damage or destruction by fire or other casualty, the same shall be promptly repaired or reconstructed in substantial conformity with the original plans and specifications with the proceeds of insurance available for that purpose, if any.

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Section 2. Proceeds Insufficient. In the event that the proceeds of insurance are not sufficient to repair damage or destruction by fire or other casualty, or in the event such damage or destruction is caused by any casualty not herein required to be insured against, then the repair or reconstruction of the damaged common elements shall be accomplished promptly by the Corporation at its common expense and the repair of reconstruction of any condominium unit shall be accomplished promptly by the Corporation at the expense of the owner of the affected condominium unit. The ratable share of the expense of such repairs or reconstruction may be assessed and the lien for the same shall have all the priorities provided for in Article VIII of these By-Laws.

Section 3. Restoration Not Required. In the event more than two-thirds (2/3) of the entire project is substantially damaged or destroyed by fire or other casualty and members representing three-fourths (3/4) of the total value of the project do not promptly resolve to proceed with repair or reconstruction, then and in that event the project shall be deemed to be owned in common by the owners of all of the condominium units in the same proportions as that previously established for ownership of appurtenant undivided interests in the common elements and the project shall be subject to an action for partition at the suit of the owner of any condominium unit or the holder of any lien thereon, in which event the net proceeds of sale, together with the net proceeds of any insurance paid to the Corporation or its members in common, shall be considered as one fund and shall be divided among the owners of all the condominium units in the same proportion as that previously established for ownership of appurtenant undivided interests in the common elements after first paying out of the share of the owner of any condominium unit, to the extent such share is sufficient for the purpose, all liens upon said condominium unit.

ARTICLE XIV

Fiscal Management

Section 1. Fiscal Year. The fiscal year of the Corporation shall begin on the first day of January every year, except that the first fiscal year of the Corporation shall begin at the date of incorporation. The commencement date of the fiscal year herein established shall be subject to change by the Board of Directors should corporate practice subsequently dictate.

Section 2. Books and Accounts. Books and accounts of the Corporation shall be kept under the direction of the Treasurer in accordance with good accounting practices. The same shall include books with detailed accounts, in chronological order, of receipts and of the expenditures affecting the project and its administration and shall specify the maintenance and repair expenses of the general and limited common elements and services and any other expenses incurred. The amount of any assessment required for payment of any capital expenditures of the Corporation shall be credited upon the books of the Corporation to the "Paid-in-Surplus" account as a capital contribution by the members.

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Section 3. Auditing. At the close of each fiscal year, the books and records of the Corporation shall be audited by an independent Certified Public Accountant whose report shall be prepared and certified in accordance with generally accepted auditing standards. Based upon such report, the Corporation shall furnish its members with an annual financial statement, including the income and disbursements of the Corporation.

Section 4. Inspection of Books. The books and accounts of the Corporation, and vouchers accrediting the entries made thereupon, shall be available for examination by the members of the Corporation, and/or their duly authorized agents or attorneys, during normal business hours and for purposes reasonably related to their interests as members.

Section 5. Execution of Corporate Documents. With the prior authorization of the Board of Directors, all notes and contracts shall be executed on behalf of the Corporation by either the President or a Vice President, and all checks shall be executed on behalf of the Corporation by such officers, agents or other persons as are from time to time so authorized by the Board of Directors.

Section 6. Budget and Reserves.

(a) The Board of Directors shall prepare an annual budget to be presented to and adopted by the members (unit owners) in an open meeting which budget shall include but not be limited to the following items.

- 1) Income
- 2) Administration
- 3) Maintenance
- 4) Utilities
- 5) General Expenses
- 6) Reserves
- 7) Capital Items

(b) The Board of Directors is further empowered to establish reserve funds for the maintenance and replacement of resident units and common elements within the Mutual and to levy and collect assessments from the members to cover Mutual expenses.

ARTICLE XV

Amendment

Section 1. Amendments. These By-laws may be amended by the affirmative vote of members representing two-thirds (2/3) of the total value of the project at any meeting of the members duly called for such purpose, effective only upon the recordation among the Land Records for Montgomery County, Maryland, of an amendment to the Master Deed setting forth such amendment to these By-Laws. Amendments may be proposed by the Board of Directors or by petition signed by members representing at least twenty percent (20%) of the total value of the project. A description of any proposed amendment shall accompany the notice of any regular or special meeting at which such proposed amendment is to be voted upon.

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ARTICLE XVI

Compliance - Interpretation - Miscellaneous

Section 1. Compliance. These By-Laws are set forth in compliance with the requirements of the Maryland Condominium Act.

Section 2. Conflict. These By-Laws are subordinate and subject to all provisions of the Master Deed and the Maryland Condominium Act. All of the terms hereof, except where clearly repugnant to the context, shall have the same meaning as in the Master Deed or the aforesaid statute. In

the event of any conflict between these By-Laws and the Master Deed, the provisions of the Master Deed shall control; and in the event of any conflict between the aforesaid Master Deed and the Maryland Condominium Act, the statute shall control.

Section 3. Resident Agent. The Leisure World of Maryland Corporation, 3701 Rossmoor Boulevard, Silver Spring, Maryland shall be designated as the person authorized to accept service of process in and as Resident Agent of the Corporation.

Section 4. Severability. In the event any provision or provisions of these By-Laws shall be determined to be invalid, void or unenforceable any other provisions hereof which can be given effect.

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

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

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

Section 8. Rules and Regulations.

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(a) The Board of Directors are empowered to enact rules and regulations covering the Mutual. Prior to adopting a rule or regulation the Board will:

- (1) Mail or deliver a copy of the proposed rule to each member or tenant with notice that members and tenant are permitted to submit written comments on the proposed rule;
- (2) Notice of the date the proposed rule is to become effective;
- (3) Prior to voting on the proposed rule, members are to be given 15 days notice of the open meeting at which members or tenant may attend and comment on the proposed rule. A quorum of the Board must be present at the meeting.

(4) The vote on the proposed rule shall be final unless:

(i) Within fifteen (15) days after the vote to adopt the proposed rule, fifteen percent (15%) of the members file a petition with the Board of Directors calling for a special meeting.

(ii) A quorum of the members attend the meeting and fifty (50) percent of the members present vote to disapprove the proposed rule which voters are more than thirty-three (33%) percent of the total votes in the condominium.

(b) Individual Exceptions. Each member or tenant or mortgagee may request an individual exception to the rule adopted while a unit owner or tenant. The request will be:

(i) Written

(ii) File with the Board of Directors and

(iii) Filed within thirty (30) days after the effective date of the rule.

(c) General Requirements. Each rule adopted under this section shall state that it was adopted under the provisions of Section 11-111 of the Maryland Condominium Act.

Section 9. Disputes, Settlement Mechanism

(a) The Board of Directors are empowered to enforce compliance with the Mutual By-Laws, Rules and Regulations. The Board may not impose a fine, suspend voting, or infringe upon any other rights of a member or tenant for violations until the following procedure is undertaken:

(1) Written demand to cease and desist from alleged violation is served on the violator.

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(2) The demand will specify the alleged violation, the action required to abate the violation and a time period, not less than ten (10) days during which the violation may be abated without further sanction.

- (3) If the violation continues beyond the time period granted it may result in a sanction being imposed after a notice and hearing.

(b) If the violation continues or the rule is again violated subsequently, a written notice of a hearing to be held by the Board will be served on the violator. The notice shall contain:

- (1) The nature of the violation
- (2) Time and place of the hearing which hearing may not be less than ten (10) days from the giving of notice.
- (3) An invitation to attend the hearing and produce any statement, evidence, and witnesses on member of tenants behalf.
- (4) The proposed sanction to be imposed.
- (5) Prior to imposing a sanction the Minutes of the hearing will include proof of notice that the invitation to be heard was delivered. Appearance of the member or tenant at the meeting will be sufficient proof of notice. The Minutes shall contain the results of the hearing and the sanction, if any, was imposed.
- (6) A decision of the Board pursuant to these procedures shall be appealable to the courts of Maryland.

(c) Liability for Damages - Injunction. If any member fails to comply with this section (Title 11-113) Annotated Code of Maryland (1986), the Declaration, or By-Laws or decision rendered pursuant to this section, the member may be sued for damaged caused by the failure or for injunctive relief, or both by the members of the Mutual or by any other member. The prevailing party in any such proceeding is entitled to an award for counsel fees as determined by the court.

(d) Effect of Failure to Enforce Provisions. The failure of the Board, members of the Mutual to enforce any of the provisions of this section, Declaration or By-Laws or rules is not a waiver of the right to enforce the provision or rule on any other occasion.

A. Adversary Proceedings

Whenever there is an adverse hearing whether it is an open, closed or special meeting involving a dispute or other matter pertaining to Mutual 7; the Board of Directors will prepare a fully summary record of the proceedings and all documents, or copies thereof, entered in the hearing will be maintained in the Mutual files. If the adverse part of parties should request a transcribed record of the hearing, they will arrange for the same prior to the hearing and such transcription shall be at their sole expense.

B. Right to Counsel

The adverse party or parties shall have a right to appear before the Board in person and on their own behalf, or to be represented by their representative, or by legal counsel of their own choice and at their own expense.

C. Access to Records

The Board of Directors will maintain a record of the proceedings with documents in the Mutual file. The file, or certified copies thereof shall be made available only on a formal request or subpoena from an administrative or judicial agency in the event of an appeal. Adverse parties or their representative may examine the record and documents but may not remove them from the file. Reproduction of the record and documents must be arranged by the adverse parties and at their own expense.