

EXHIBIT B

SAINT TROPEZ CONDOMINIUM

BY-LAWS

ARTICLE I

Name and Location

Section 1. Name and Location. The name of this unincorporated association (Association) is Saint Tropez Condominium Council of Unit Owners. Its principal office is located at #3 - 81st Street, Ocean City, Maryland 21842, which is also its mailing address.

ARTICLE II

Definitions

Section 1. Declaration. "Declaration" as used herein means that certain Declaration made the 25 day of July, 1984, pursuant to Title 11 of the Real Property Article of the Annotated Code of Maryland, known as the Maryland Condominium Act by which certain described premises (including land) are submitted to a condominium property regime and which Declaration is recorded among the Land Records for Worcester County, Maryland, immediately prior hereto and to which these By-Laws 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 Declaration or in Title 11 of the Real Property Article of the Annotated Code of Maryland, known as the Maryland Condominium Act.

ARTICLE III

Membership

Section 1. Members. Every person, group of persons, 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 Association provided, however, that any person, group of persons, corporation, trust or other legal entity, or any combination thereof, which holds such interest solely as security for the performance of any obligation shall not be a member.

Section 2. Roster. The Association shall maintain a current roster of names and addresses of each unit owner. It shall be the duty of each unit owner to provide this information to the Association, and no unit owner may vote at a meeting of the Council of Unit Owners until such information is provided.

Section 3. Membership Certificates. In the event the Board of Directors considers it necessary or appropriate to issue membership certificates or the like, then each such membership certificate shall state the Association is organized under the laws of

the State of Maryland, the name of the registered holder or holders of the membership represented thereby, and shall be in such form as shall be approved by the Board of Directors. Membership certificates shall be consecutively numbered, bound in one or more books, and shall be issued therefrom upon certification as to the transfer of title to the condominium unit to which such membership is appurtenant. Membership is not otherwise transferrable. Every membership certificate shall be signed by the President of a Vice President and the Secretary or an Assistant Secretary.

**Section 4. Lost Certificates.** The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates previously issued by the Association and alleged to have been destroyed or lost, upon the making of an affidavit of that fact by the person claiming the membership certificate to be lost or destroyed. When authorizing such issuance of a new certificate or certificates, the Board of Directors may, in its discretion, and as a condition precedent to the issuance thereof, require the registered holder of such lost or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as the Board of Directors shall require and to give the Association a bond in such sum as the Board of Directors may require as an indemnity against any claim that may be made against the Association.

**Section 5. Liquidation Rights.** In the event of any voluntary or involuntary dissolution of the Association, each member of the Association shall be entitled to receive out of the assets of the Association available for distribution to the members an amount equal to that proportion of such assets which his percentage interest of the Declaration bears to all percentage interests.

#### ARTICLE IV

##### Meeting of Members

**Section 1. Place of Meetings.** Meetings of the membership shall be held at the principal office of place of business of the Association 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 Association shall be held within sixty (60) days after a majority of the condominium units in the condominium have been sold by the Declarant and title to the same has been conveyed to the Purchasers, or within six (6) months of the date of creation of the condominium whichever shall first occur. Thereafter, the annual meetings of the members of the Association shall be held on the 2nd Saturday in October in 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 5 of Article V of these By-Laws. The members may also transact such other business of the Association 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 five percent (25%) 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 members representing four-fifths (4/5) of the percentage interests as shown in EXHIBIT C 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 Association, or if no 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 such notice to the member in person or to the mailing address given to the Association by the owners. Notice by either such method shall be considered as notice served. Attendance by a member at any meeting of the members shall be a waiver of notice by him of the time, place and purpose thereof.

**Section 5. Quorum.** The presence, either in person or by proxy, of members representing at least fifty-one percent (51%) of the total percentage interests 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.

**Section 6. Adjourned Meetings.** If any meeting of members cannot be organized because a quorum has not attended, the members who are present, either in person or by proxy, may, except as otherwise provided by law, adjourn the meeting to a time not less than fifteen (15) days from the time the original meeting was called, upon proper notice to all members.

**Section 7. Voting.** At any meeting of the members, each unit owner shall have the right, on each question, to cast the number of votes assigned to the member's respective unit under the heading "Voting Rights" as set forth on "EXHIBIT C" to the Declaration. The vote of the members representing at least fifty-one percent (51%) of the percentage interests, 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 the Declaration or of these By-Laws, a different vote is required, in which case such express provision shall govern and control. The vote for any membership which is owned by more than one person may be exercised by any of them present at any meeting unless any objection or protest by any other owner of such membership is noted at such meeting. No member shall be eligible to vote, either in person or by proxy, or to be elected to the Board of Directors if the Council of Unit Owners has recorded a lien for non-payment of condominium fees or assessments against that owner's unit, and the amount necessary to release the lien has not been paid at the time of the meeting.

**Section 8. Proxies.** A member may appoint any person as his proxy. Any proxy must be in writing and must be filed with the Secretary in form approved by the Board of Directors before the appointed time of each meeting. Unless limited by its terms, or granted to a lessee or mortgagee, any proxy shall continue until revoked by a written notice of revocation filed with the Secretary or for a period of one hundred eighty (180) days, whichever shall first occur.

**Section 9. Order of Business.** The order of business at all regularly scheduled 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) Reports of officers, if any.
- (e) Reports of committees, if any.
- (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 the items specified in the notice of the meeting.

#### ARTICLE V

##### Directors

**Section 1. Number and Qualification.** The affairs of the Association shall be governed by the Board of Directors composed of at least three (3) natural persons and not more than seven (7) natural persons, all of whom (after the first annual meeting of members) shall be members of the Association.

**Section 2. Initial Directors.** The initial Directors shall be selected by the Declarant and need not be members of the Association. The names of the Directors who shall act as such from the date upon which the Declaration is recorded among the Land Records for Worcester County, Maryland, and until the first annual meeting of the members or until such time as their successors are duly chosen and qualified are as follows: H. Lloyd Hensley, David Alexander and Jimmy E. Peters.

**Section 3. Powers and Duties.** The Board of Directors shall have all the powers and duties necessary for the administration of the affairs of the Association and the condominium project 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 are not limited to, the following:

To provide for the

- (a) Care, upkeep and surveillance of the condominium project and its general and limited common elements and services in a manner consistent with law and the provisions of these By-Laws and the Declaration.
- (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 law and the provisions of these By-Laws and the Declaration.
- (c) Designation, hiring and/or dismissal of the personnel necessary for the good working order of the condominium 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 law and the provisions of these By-Laws and the Declaration.
- (d) To promulgate and enforce such rules and regulations and such restrictions 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 by the

members, all of which shall be consistent with law and the provisions of these By-Laws and the Declaration.

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

Section 4. Management Agent. The Board of Directors may employ for the Association 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 from time to time authorize in writing, which may include, but not necessarily be limited to, the duties set out in subsections (1) through (d) of Section 3 of this Article.

Section 5. Election and Term of Office. The term of the Directors named herein shall expire when their successors have been elected at the first annual meeting of the members and are duly qualified. 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 other Director or Directors 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.

Section 6. 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. All the Directors appointed by the Declarant, prior to the time that a majority of the units have been sold by the Declarant and transferred may be removed only the Declarant and their successors shall be chosen only by the Declarant.

Section 7. Removal of Directors. Subject to Section 6 above, 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 sixty (60) days delinquent in payment of any assessments and/or carrying charges due the Association shall be automatically terminated and the remaining Directors shall appoint his successor as provided in Section 6 of this Article.

Section 8. Compensation. No compensation shall be paid to Directors for their services as Directors. After the first annual meeting of the members, no remuneration shall be paid to any Director who is also a member of the Association for services performed by him for the Association in any other capacity unless a resolution authorizing such remuneration shall have been adopted by the Board of Directors before the services are undertaken, without the vote of the Director offering said service.

Section 9. Organization Meetings. The first meeting of a newly elected Board of Directors shall be held within ten (10) days of

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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 to legally constitute such meeting, provided a majority of the whole Board of Directors shall be present.

**Section 10. 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 at least two (2) such meetings shall be held during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each Director and shall be posted conspicuously on the condominium premises, at least fifteen (15) days but not more than ninety (90) days prior to the day named for such meeting.

**Section 11. Special Meetings.** Special meetings of the Board of Directors may be called by the President on fifteen (15) days but not more than ninety (90) days notice to each Director, and unit conspicuous posting of said notice on the condominium premises, 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 twenty five percent (25%) of the Directors. Meetings shall not be held unless this notice is given and meetings shall be open to the owners, unless such notice is not required to be given and the meeting not required to be open pursuant to Section 11-109.1 of the Real Property Volume of the Annotated Code of Maryland.

**Section 12. 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 13. 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 a 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 meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

**Section 14. Action Without Meeting.** Any action by the Board of Directors, except the consideration of budgetary matters, 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 15. Fidelity Bonds.** The Board of Directors shall require that all officers and employees of the Association handling or responsible for association or trust funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Association.

**Section 16. Parking Spaces.** The Developer has assigned one (1) designated parking space to the owner of each unit for his exclusive use, as set forth on the condominium plat. The twenty four

(24) parking spaces which are not assigned shall be for the use of all the owners in common, or can be assigned by the Board of Directors. There shall be no change in or revocation of any assignment of designated parking spaces without the consent of the unit owner or owners affected thereby.

ARTICLE VI

Officers

Section 1. Designation. The principal officers of the Association shall be a President, a Vice President, a Secretary, and a Treasurer, all of whom shall be elected by the Board of Directors. The officers of the Association need not be members of the Association. 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. Elect of Officers. The officers of the Association shall be elected annually by the Board of Directors at a regular meeting of the 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 elected at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors called for any purpose, may be removed 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 any purpose.

Section 4. President. The President shall be the chief executive officer of the Association. 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 officers from among the membership from time to time as he may, in his discretion, decide it appropriate to assist in the conduct of the affairs of the Association. The President shall preside at all meetings of the Council of Unit Owners.

Section 5. Vice President. The Vice President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board of Directors may 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 delegated to him by the Board of Directors.

Section 6. Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the members of the Association; 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 the duties incident to the office of Secretary. The Secretary shall count the votes at all meetings of the Council of Unit Owners.

Section 7. Treasurer. The Treasurer shall have the responsibility for association funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association.

in accordance with the Maryland Condominium Act. He shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit, of the Association in such depositories as may from time to time be designated by the Board of Directors.

ARTICLE VII

Liability and Indemnification of Officers and Directors

Section 1. Liability and Indemnification of Officers and Directors. As set forth in Section 2-418 of the Corporations and Associations Article of the Annotated Code of Maryland, the Association may indemnify every officer and director of the Association against any and all expenses.

Section 2. Common or Interested Directors. The Directors shall exercise their powers and duties in good faith and with a view to the interests of the Association and condominium project. No contract or other transaction between the Association and any corporation, firm or association (including the Declarant) in which one or more of the Directors of this Association are directors or officers or are pecuniarily or otherwise interested, is either void or voidable because such Director or Directors are present at the meeting of the Board of Directors or any committee thereof which authorizes or approves the contract or transaction, if any of the conditions specified in any of the following subparagraphs exist:

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

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

(c) The contract or transaction is commercially reasonable and fair to the Association at the time it is authorized, ratified, approved or executed.

Common or interested Directors may not 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 not vote thereat to authorize any contract or transaction with like force and effect as if he were not such director or officer of such other corporation or not so interested.

ARTICLE VIII

Management

Section 1. Management and Common Expenses. The Association, acting by and through its Board of Directors, 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 shall pay out of the common expense fund hereinafter provided for, the following:

- (a) The cost of providing water, sewer, garbage and trash collection, electrical, and other necessary utility services for the common elements, and, to the extent that same are not separately metered or billed to each condominium unit, for the condominium units.
- (b) The cost of property and extended liability insurance on the condominium project and the cost of such other insurance as the Association may effect, as provided by Section 11-114 of the Real Property Volume of the Annotated Code of Maryland.
- (c) The cost of the services of a person or firm to manage the project to the extent deemed advisable by the Association together with the services of such other personnel as the Board of Directors of the Association shall consider necessary for the operation of the condominium project.
- (d) The cost of providing such legal and accounting services as may be considered necessary to the operation of the condominium project.
- (e) The cost of painting, maintaining, replacing, repairing or landscaping the common elements and such furnishings and equipment for the common elements as the Board of Directors shall have the exclusive right and duty to acquire the same; provided, however, that nothing herein contained shall require the Association to paint, repair or otherwise maintain the interior of any condominium unit or any fixtures, appliances or equipment located therein.
- (f) The cost of any and all other materials, supplies, labor, services, maintenance, repairs, taxes, assessments or the like which the Association 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 or 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 elements or to preserve the appearance or value of the condominium 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 repaired, 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 promptly to the then owner of said condominium unit, at which time the assessment shall become due and payable and upon recordation, shall become a continuing lien and obligation of said owner in all respects as provided in Article IX of these By-Laws.
- (h) Any amount necessary to discharge any lien or encumbrance levied against the condominium project, or any portion thereof, including taxes, which may, in the opinion of the Board

of Directors, constitute a lien against the common elements rather than the interest therein of the owner of any individual condominium unit.

**Section 2. Management Agent.** The Association may, by contract in writing, delegate any of its duties, power or functions to the Management Agent, provided that such delegation shall be revocable upon thirty (30) days written notice without cause shown. The Association 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 Association, if any, the owner of any condominium unit shall, at his own expense be responsible for the maintenance, repair and replacement of any interior walls, interior ceiling and floors of his unit and shall, at his own expense, maintain the interior of his condominium unit and any and all equipment, appliances, or fixtures therein situate, and its other appurtenances, (including, without limitation, any balcony, deck, terrace or patio appurtenant to such condominium unit and designated on the Record Plat as a limited common element reserved for exclusive use by the owner of a particular condominium unit), 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 and such appurtenances. In addition to the foregoing, the owner of any condominium unit, shall, at his own expense and option maintain, repair, or replace any plumbing and electrical fixtures, outlets, and receptacles, lighting fixtures, and/or other equipment that may be in or appurtenant to such condominium unit. The owner of any condominium unit also, at his own expense, maintain any other limited common elements which may be appurtenant to such condominium unit and reserved for his exclusive use in a clean, orderly and sanitary condition.

**Section 4. Windows and Doors.** The owner of any condominium unit shall, at his own expense, clean, maintain, and replace all windows and glass doors of the condominium unit and shall, at his own expense, clean and maintain the interior surfaces of all entry doors of the condominium unit which are not glass.

**Section 5. 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 Association, through its duly authorized agents or employees, shall have the right, after reasonable efforts to give notice to the owner or occupant, to enter any condominium unit at any hour considered to be reasonable under the circumstances.

**Section 6. Easements For Utilities And Related Purposes.** The Association is authorized and empowered, subject to the provisions of the Condominium Act, to grant such licenses, easements and/or rights of way for sewer lines, water lines, electrical cables, telephone cables, storm drains, underground conduits and/or such other purposes related to the provision of public utilities to the condominium project 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 or the Declarant.

Section 7. Limitation Of Liability. The Association shall not be liable for any failure of water supply or other services to be obtained by the Association 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 wire, pipe, drain, conduit, appliance or equipment. The Association 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 common elements. No diminution or abatement of common expense assessments, as hereinafter provided, shall be claimed or allowed for inconvenience or discomfort arising from the making of repairs or improvements to the common elements, or to any condominium unit or from any action taken by the Association to comply with any law, ordinance or with the order or directive of any municipal or other governmental authority.

## ARTICLE IX

## Assessments And Carrying Charges

Section 1. Annual Assessments And Carrying Charges. Each member shall pay to the Association a quarterly sum (hereinafter sometimes referred to as "assessments" or "carrying charges") equal to one-fourth (1/4) of the member's proportionate share of the sum required by the Association, 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 condominium project and services furnished, including charges by the Association for facilities and services furnished by it; and
- (b) The cost of necessary management and administration, including fees paid to any Management Agent; and
- (c) The amount of all taxes and assessments levied against the Association or upon any property which it may own or which it is otherwise required to pay; and
- (d) The cost of property and extended liability insurance on the project and the cost of such other insurance as the Association may effect; and
- (e) The cost of furnishing water, electricity, heat, gas, garbage and trash collection and/or other utilities, to the extent furnished by the Association for the condominium project; and
- (f) The cost of funding all reserves established by the Association including, when appropriate, a general operating reserve and/or a reserve for replacements; and
- (g) The estimated cost of repairs, maintenance, and replacements of the condominium project to be made by the Association.

The Board of Directors shall determine the amount of the assessment annually, and shall submit a copy of the annual proposed budget to the unit owners at least 30 days before its adoption at a regularly scheduled meeting of the Board of

Directors. Assessment shall be made against the unit owners in proportion to their percentage interest in the common expenses and common profits.

The annual budget shall provide for at least the following items: 1) income; 2) administration; 3) maintenance; 4) utilities; 5) general expenses; 6) reserves; 7) capital items.

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 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 any condominium unit belonging to him.

**Section 2. Special Assessments.** In addition to the regular assessments authorized by this Article, the Association 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 related thereto, or for such other purposes 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 percentage interests. A meeting of the members shall be duly called for this purpose, written notice of which shall be sent to all members at least fifteen (15) days but not more than thirty (30) days in advance of such meeting, which notice shall set forth the purpose of the meeting.

**Section 3. Reserve For Replacements.** The Association shall establish and maintain a reserve fund for replacements by the allocation and payment yearly to such reserve fund of an amount to be designated from time to time by the Board of Directors and which shall not be less than two percent (2%) of the aggregate yearly installment levied pursuant to the provisions of this Article IX. Such fund shall be conclusively deemed to be a common expense. Such fund shall be deposited in a special account with a lending institution, the accounts of which are insured by an agency of the United States of America or may, in the discretion of the Board of Directors, be invested in obligations of, or fully guaranteed to as principal by, the United States of America. The reserve for replacements may be expended only for the purpose of effecting the replacement of the common elements and equipment of the project and for operating contingencies of a non-recurring nature. The amounts required to be allocated to the reserve for replacements may be reduced, by appropriate resolution of the Board of Directors, upon the accumulation in such reserve for replacements of a sum equal to twenty-five percent (25%) of the full replacement value of the condominium project as such full replacement value is annually determined by the Board of Directors for casualty insurance purposes. The proportionate interest of any owner in any reserve for replacements shall be considered an appurtenance of his condominium unit and shall not be separately withdrawn, assigned or transferred or otherwise separated from the condominium unit to which it appertains and shall be deemed to be transferred with such condominium unit.

Section 4. Non-Payment Of Assessment. 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 the cost of collection thereof, as hereinafter provided, thereupon, if recorded, become a continuing lien upon the condominium unit or units belonging to the member against whom such assessment is levied and shall bind such 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 Title 11 of the Real Property Article of the Annotated Code Of Maryland. 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 or installment thereof levied pursuant to the Declaration or the By-Laws, which is not paid within fifteen (15) days after it is due, maybe subject to a late charge of Fifteen Dollars (\$15.00) or ten percent (10%) of the total amount of any delinquent assessment or installment thereof, and may bear interest at a rate not to exceed eighteen percent (18%) per annum from the due date, at the option of the Council of Unit Owners, and the association may bring an action at law against the member personally obligated to pay the same, or foreclose the lien against the condominium unit or units then belonging to said member, after notice as provided in Title 11 of the Real Property Article of the Annotated Code Of Maryland, in either of which events interest, late charges, costs and reasonable attorney's fees at the option of the Council of Unit Owners, may be added to the amount of each assessment, at the option of the Board of Directors. The Association shall notify the holder of the first mortgage of any condominium unit for which any assessment levied pursuant to these By-Laws becomes delinquent for a period in excess of sixty (60) days and in any other case where the owner of such condominium unit is in default with respect to the performance of any other obligation hereunder for a period in excess of sixty (60) days.

Section 5. Assessment Certificates. The Association shall upon demand at any time furnish to any member liable for any assessments levied pursuant to these By-Laws (or any other party legitimately interested in the same, including first mortgagees), a certificate in writing signed by an officer of the Association setting forth the status of said assessment, i.e., whether the same is paid or unpaid. Such certificate shall be conclusive evidence of the payment of any assessment therein stated to have been paid. A charge not to exceed Thirty Dollars (\$30.00), may be levied in advance by the Association for each certificate so delivered.

Section 6. Priority of Lien. The lien established by this Article and by Title 11 of the Real Property Article of the Annotated Code of Maryland, 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 deed of trust, mortgage or encumbrance 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 of the condominium unit from liability for any assessments thereafter becoming due and attributable to any period of time subsequent to the date of such transfer or sale, 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 of this Section shall affect the rights of the holder of any such mortgage (or of the indebtedness secured thereby shall join in the execution of such amendment.

**Section 8. Definition.** As used in these By-Laws, the term "mortgage" shall include deed of trust, and the term "holder" or "mortgagee" shall include the party secured by any deed of trust or any beneficiary thereof.

#### ARTICLE X

#### Restrictions and Rules

1. The common elements and each condominium unit located on the property shall be used, occupied and maintained for residential purposes only.
2. No noxious or offensive trade or activity shall be carried on upon the common elements or in any condominium unit nor shall anything be done upon the property or in any condominium unit which may be or become a violation of any health, fire or police or other governmental law, rule or regulation, or a nuisance or annoyance to the unit owners or neighborhood. Any violation of any law, order, rule or regulation, or requirement of any governmental authority or the Board of Directors shall be remedied by and at the sole cost and expense of the unit owner or unit owners whose unit or units are the subject of such violation.
3. No noise, disturbing to the unit owners, shall be made upon the common elements or in any condominium unit, and nothing shall be done or permitted to be done in or about the common elements or in any unit that interferes with, obstructs or violates the rights, reasonable comforts or convenience of the unit owners.
4. Nothing shall be kept in any condominium unit which may in any way increase the rate of insurance on the buildings, or

other common elements, beyond the rate established therefor when and as used for the purposes permitted under the Declaration and By-Laws; and further, nothing shall be done or permitted to be done that will conflict with any law, rule or regulation.

5. No vermin, insects or other pests shall be allowed to remain in any condominium unit, nor shall any such unit be permitted to remain in an unclean or unsanitary condition. In order to assure compliance with this subparagraph, the Board of Directors, its agents, servants, employees and contractors may enter any room or any unit in the building at any reasonable hour of the day, after reasonable notice, for the purposes of inspecting such room or unit for the presence of any vermin, insects or other pests, and for the purpose of taking such measures as may be necessary to control or exterminate such vermin, insects or other pests.

6. Neither clothing, curtains, rugs, towels or other articles shall be shaken from or on the walkways, stairways, windows, doors, landings, porches, and/or balconies nor shall anything be placed on or hung from the windows, porches, and/or balconies or the front facade, or thrown from doors, windows, porches and/or balconies, nor shall any sign of any kind be displayed upon the property except to the extent permitted by the Board of Directors.

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

8. All units shall be maintained with a minimum interior temperature sufficient to avoid freezing pipes in the winter months.

9. There shall be no violation of any rules for the use of the common elements, or other "house rules" which may from time to time be adopted by the Board of Directors and promulgated among the membership by them in writing, and the Board of Directors is hereby and elsewhere by these By-Laws authorized to adopt such rules.

ARTICLE XI

Architectural Control

Section 1. Architectural Control Committee. Except for the original construction of the condominium units situate within the project by the Declarant and any improvements to any condominium unit or to the common elements accomplished concurrently with said original 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 contract 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, walls, or to make any change or otherwise alter (including any alteration in color) in any manner whatsoever to 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 other proposed form 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 Association, 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, approval will not be required and this Article shall be deemed to have been fully complied with.

#### ARTICLE XII

##### Insurance

Section 1. Pursuant to the provisions of Section 11-114 of the Real Property Article of the Annotated Code of Maryland, the Council of Unit Owners shall obtain and maintain, to the extent reasonably available, at least the following:

(1) Property insurance on the common elements and units, exclusive of improvements and betterments installed in units by the unit owners, insuring against all risks of direct physical loss commonly insured against or, in the case of a conversion condominium, against fire and extended coverage perils. The total amount of insurance after application of any deductibles may not be less than eighty percent (80%) of the actual cash value of the insured property, exclusive of land, excavations, foundations, and other items normally excluded from property policies; and

(2) Comprehensive general liability insurance, including medical payments insurance, in an amount determined by the Board of Directors but not less than any amount specified in the Declaration, covering all occurrences commonly insured against for death, bodily injury, and property damage arising out of or in connection with the use, ownership, or maintenance of the common elements.

(3) Flood insurance on the common elements and units, in such amounts and upon such terms as may be available through the National Flood Insurance Program.

Section 2. Nothing herein contained shall prevent an individual owner from obtaining insurance for his own benefit, especially insurance for improvements and betterments installed by each unit owner.

#### ARTICLE XIII

##### Casualty Damage -- Reconstruction or Repair

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, subject to the limitations set forth in Section 11-114(G) of the Real Property Article of the Annotated Code of Maryland.

ARTICLE XIV

Fiscal Management

Section 1. Fiscal Year. The fiscal year of the Association shall begin on the first day of January, every year, except that the first fiscal year of the Association shall begin at the date of recordation of the Declaration. The commencement date of the fiscal year herein established shall be subject to change by the Board of Directors.

Section 2. Books and Accounts. Books and accounts of the Association 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 condominium 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. That amount of any assessment required for payment on any capital expenditures of the Association shall be credited upon the books of the Association to the "Paid-in-Surplus" account as a capital contribution.

Section 3. Auditing. At the close of each fiscal year, the books and records of the Association 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 Association shall furnish its members with an annual financial statement including the income and disbursements of the Association.

Section 4. Inspection of Books. The books and accounts of the Association, and vouchers accrediting the entries made thereupon, shall be available for examination by the members of the Association and/or their duly authorized agents or attorneys, and to the institutional holder of any first mortgage on any condominium unit, and/or its duly authorized agents or attorneys, during normal business hours, and after reasonable notice.

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

ARTICLE XV

Amendment

Section 1. Amendments. These By-Laws may be amended by the affirmative vote of members representing seventy-five percent (75%) of the voting interests of the condominium project at any meeting of the members duly called for such purpose, in accordance with the provisions of Title 11 of the Real Property

Article of the Annotated Code of Maryland, effective only upon the recordation among the Land Records for Worcester County, Maryland, of an amendment to the By-Laws attached as "EXHIBIT B" to the Declaration setting forth such amendments to these By-Laws. A description of the proposed amendment shall accompany the notice of any regular or special meeting at which such proposed amendment is to be voted upon.

#### ARTICLE XVI

##### Mortgages - Notes

Section 1. Notice to Board of Directors. Any owner of any condominium unit in the condominium project who mortgages such unit shall promptly notify the Board of Directors of the name and address of his mortgagee and, if requested so to do, shall file a conformed copy of such mortgage with the Board of Directors. The Board of Directors shall maintain suitable records pertaining to such mortgages, and all notices of default sent to any member shall also be sent, certified mail return receipt requested, to the holder of any first mortgage on the unit owned by the said member, at the sole expense of said member.

Section 2. Consents. Any other provision of these By-Laws or of the Declaration to the contrary notwithstanding, the Association shall not, and neither the members nor the Board of Directors shall institute any proceeding without the prior written consent of all holders of mortgages of record, to modify or amend the provisions of the Declaration.

Section 3. Definition. As used in this Article, the term "mortgagee" shall mean any mortgagee and shall not be limited to institutional mortgagees, and the term "mortgage" shall include deed of trust. As used generally in these By-Laws, the term "institutional holder" or "institutional mortgagee" savings and loan associations, pension funds, and any corporation, including a corporation of, or affiliated with, the United States Government or any agency thereof.

#### ARTICLE XVII

##### Compliance - Interpretation - Miscellaneous

Section 1. Compliance. These By-Laws are set forth in compliance with the requirements of Title 11 of the Real Property Article of the Annotated Code of Maryland.

Section 2. Conflict. These By-Laws are subordinate and subject to all provisions of the Declaration and to the provisions of Title 11 of the Real Property Article of the Annotated Code of Maryland, known as the Maryland Condominium Act. All of the terms hereof, except where clearly repugnant to the context, shall have the same meaning as in the Declaration or the aforesaid statute. In the event of any conflict between these By-Laws and the Declaration, the provisions of the Declaration shall control; and in the event of any conflict between the aforesaid Declaration and Title 11 of the Real Property Article of the Annotated Code of Maryland, the provisions of the statute shall control.

Section 3. Resident Agent. David Alexander of P.O. Box 1849 MBS, Ocean City, Maryland 21842, shall be designated as the person authorized to accept service or process in any action relating to two or more condominium units or to the common elements as authorized under the Real Property Article of the Annotated Code of Maryland. The Council of Unit Owners shall annually cause the names of the Resident Agent, Officers and Directors of the Association to be filed with the State Department of Assessments and Taxation, 301 West Preston Street, Baltimore, Maryland.

Section 4. Notices. Unless another type of notice is herein-elsewhere specifically provided for, any and all notices called for in the Declaration or in these By-Laws shall be given in writing.

Section 5. Severability. In the event any provision or provisions of these By-Laws shall be determined to be invalid, void or unenforceable, such determination shall not render invalid, void or unenforceable any other provisions hereof which can be given effect.

Section 6. Waiver. No restriction, condition, obligation or provision of these By-Laws shall be deemed to have been abrogated or waived by reason of any failure of failures to enforce the same.

Section 7. 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 8. Gender etc. Whenever in these By-Laws the context so requires, the singular number shall include the plural and the converse; and the use of any gender shall be deemed to include all genders.

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