

**BYLAWS
OF
COCONUT MALORIE RESORT TIMESHARE OWNER'S ASSOCIATION, INC.**

**ARTICLE I.
Identity.**

COCONUT MALORIE RESORT TIMESHARE OWNER'S ASSOCIATION, INC., (the "Association"), is a Maryland corporation not for profit, organized and existing under the laws of the State of Maryland for the purpose of administering the Condominium created by the Declaration of Condominium to which these Bylaws are attached.

Section 1. The office of the Association shall be at 200 59th Street, Ocean City, Maryland 21842, or at such place as may be subsequently designated by the Board of Directors of the Association.

Section 2. The seal of the Association shall bear the name of the Association, the word "Maryland", the words, "Association not for profit", and the year of incorporation.

Section 3. All terms used herein shall have those meanings as set forth in Title 11 Real Property Volume Maryland Code (the "Condominium Act"), Title 11A Real Property Volume Maryland Code (the "Maryland Real Estate Timesharing Act"), or as otherwise set forth in the Declaration of Condominium for the Condominium.

Section 4. Whenever used herein, the term "Owner(s)", "Owner(s) of a Unit" or "Unit Owner(s)" shall be deemed to include, where applicable, the owner of any timeshare period in a unit committed to interval ownership.

**ARTICLE II.
Membership and Voting Provisions.**

Section 1. Membership. Membership in the Association shall be limited to Owners of units in the Condominium. Transfer of unit ownership, either voluntarily or by operation of law, shall terminate membership in the Association, and said membership shall then become vested in the transferee.

If unit ownership is vested in more than one person, then all of the persons so owning said unit shall be deemed members eligible to hold office, attend meetings, etc., however, voting rights shall be as set forth below.

Section 2. Voting. The Owner(s) of each unit shall be entitled to one vote. If an Owner owns more than one unit, he shall be entitled to one vote for each unit owned. The vote of a unit shall not be divisible.

Notwithstanding the foregoing, each Owner of an Annual timeshare period in a unit committed to interval

ownership shall be entitled to 1/52nd of the total vote assigned to the unit in which he owns his timeshare period for each timeshare period owned. Each Owner of a Biennial timeshare period in a unit committed to interval ownership shall be entitled to 1/104th of the total vote assigned to the unit in which he owns his timeshare period for each timeshare period owned.

A majority of the Owners' total votes represented at a meeting at which a quorum is present shall decide any question, unless the Declaration of Condominium, these Bylaws or the Articles of Incorporation of the Association provide otherwise.

Section 3. Quorum. Unless otherwise provided in these Bylaws, the presence in person or by proxy of fifteen percent (15%) of all Owners entitled to vote shall constitute a quorum.

Section 4. Proxies. Votes may be cast in person or by proxy. All proxies shall be in writing and signed by the person entitled to vote, as set forth below in Section 5. Where a unit is owned jointly by a husband and wife, and if they have not designated one of them as a voting member, a proxy must be signed by both husband and wife where a third person is designated.

Section 5. Designation of Voting Member. If a unit is owned by one person, his right to vote shall be established by the record title to the unit. If a unit is owned by more than one person, the person entitled to cast the vote for the unit shall be the person first named in the deed of conveyance, unless all of the Owners have designated another person in a certificate, signed by all of the record Owners of the unit and filed with the Secretary of the Association. If a unit is owned by a corporation, the officer or employee thereof entitled to cast the vote of the unit for the corporation shall be designated in a certificate for that purpose which is signed by the President or Vice-President and attested to by the Secretary or Assistant Secretary of the corporation, and filed with the Secretary of the Association. The person designated in such certificate who is entitled to cast the vote for a unit shall be known as the "voting member". If such a certificate, where required, is not on file with the Secretary of the Association for a unit owned by more than one person or by a corporation, the vote of the unit concerned shall not be considered in determining the requirement for a quorum, or for any purpose requiring the approval of a person entitled to cast the vote for the unit. Such certificates shall be valid until revoked or until superseded by a subsequent certificate, or until a change in the ownership of the unit concerned. If a unit is owned jointly by a husband and wife, the following provision is applicable thereto:

Where they do not designate a voting member, and only one is present at a meeting, the person present may cast the unit vote just as though he or she owned the unit individually, and without establishing the concurrence of the absent person.

Section 6. Units Committed to Interval Ownership. Notwithstanding any other provisions in these Bylaws, each Owner of a timeshare period in a unit committed to interval ownership shall be a member of the Association and entitled to cast the fractional vote attributable to his timeshare period owned. In the case of a unit committed to interval ownership, the provisions of Section 5, Designation of Voting Member, shall apply to each timeshare period owned.

ARTICLE III.
Meeting of the Membership.

Section 1. Place. All meetings of the Association membership shall be held at the Condominium property, or at such other place and at such time as shall be designated by the Board of Directors of the Association and stated in the notice of the meeting, and shall be open to all Unit Owners.

Section 2. Notices. Unless an Owner waives in writing the right to receive notice of the annual meeting by mail, it shall be the duty of the Secretary to mail or hand deliver to each Owner of record written notice of each annual meeting, stating the time and place thereof, as well as the agenda of items to come before the meeting, and sample proxy forms, at least thirty (30) but not more than forty-five (45) days prior to such meeting, except in case of an emergency.

Notice of all meetings shall also be posted conspicuously on the Condominium or Association property. Upon notice to Unit Owners, the Board shall by duly adopted rule designate a specific location on the Condominium or Association property upon which all notices shall be posted. However, if there is no Condominium property or Association property upon which notices can be posted, this requirement does not apply. Notice of annual meetings shall be posted at least fourteen (14) continuous days prior to the date of such meetings and notice of special meetings shall be posted at least forty-eight continuous (48) hours in advance, except in case of emergency.

Where a unit is owned by more than one person, the Association shall provide notice for meetings and all other purposes to such address as the Developer initially identifies for that purpose and thereafter as one or more of the Owners of the unit shall so advise the Association in writing. If no address is given or the Owners of the Unit do not agree, then the Association shall use the address provided on the deed of record.

An officer of the Association, or the Manager or other person providing notice of the meeting, shall provide an affidavit or United States Postal Service certificate of mailing, to be included in the official records of the Association affirming that all notices were posted and either mailed or hand delivered in accordance with the provisions of this section to each Unit Owner at the address last furnished to the Association.

Section 3. Annual Meeting. The annual meeting shall be held in December of each year, or such other date, time and place as is determined by the Board, for the purpose of electing Directors and transacting any other business authorized to be transacted by the members, provided, however, that if that day is a legal holiday, the meeting shall be held at the same hour on the next secular day following. At the annual meeting, the members shall elect by plurality vote, (cumulative voting prohibited) a Board of Directors, and shall transact such other business as may properly be brought before the meeting.

Section 4. Special Meeting. Special meetings of the members for any purpose or purposes, unless otherwise prescribed by statute, may be called by the President, and shall be called by the President or Secretary at the request, in writing, of a majority of the Board of Directors, or at the request, in writing, of voting members representing twenty five percent (25%) of the members' total votes, which request shall state the purpose or purposes of the proposed meeting. Business transacted at all special meetings shall be confined to

the objects stated in the Notice thereof.

Notwithstanding the above, a special meeting of the Unit Owners to recall a member or members of the Board of Directors may be called by ten percent (10%) of the members total votes, giving notice as required for herein, and said notice shall state the purpose of the meeting.

Section 5. Waiver and Consent. Whenever the vote of members at a meeting is required or permitted by any provisions of these Bylaws to be taken in connection with any action of the Association, the meeting and vote of members may be dispensed with if not less than a majority of the members who would have been entitled to vote upon the action if such meeting were held, shall consent in writing to such action being taken; however, notice of such action shall be given to all members, unless all members approve such action.

Section 6. Adjourned Meeting. If any meeting of members cannot be organized because a quorum of voting members is not present, either in person or by proxy, the meeting may be adjourned from time to time until a quorum is present.

Section 7. Approval or Disapproval. Approval or disapproval of an Owner upon any matter, whether or not the subject of an Association meeting, shall be by the voting member, provided, however, that where a unit is owned jointly by a husband and wife, and they have not designated one of them as a voting member, in the event only one is present, the person present may cast the vote without establishing the concurrence of the absent person.

Section 8. The Manager. The Manager, as long as any Management Agreement remains in effect, shall be entitled to notice of all Association meetings, and shall be entitled to attend the Association meetings, and may designate such person(s) as it desires to attend such meetings on its behalf.

ARTICLE IV. Directors.

Section 1. Number, Term and Qualifications. The affairs of the Association shall be governed by a Board of Directors composed of not less than three (3) nor more than seven (7) persons, as is determined from time to time by the members. All directors, except those designated by the Developer, shall be members of the Association. All officers of a corporate Owner shall be deemed to be members of the Association so as to qualify as a Director herein. The term of each Director's service shall extend until his successor is duly elected and qualified, or until he is removed in the manner provided in Section 3 below.

Section 2. First Board of Directors. The first Board of Directors of the Association, who shall hold office and serve until their successors have been elected and qualified, shall consist of the following:

**STEVEN P. KOSMAS
R. PAUL KOSMAS
HAROLD B. GORDY, JR.**

The organizational meeting of a newly elected Board of Directors of the Association shall be held within ten days of their election, at such place and time as shall be fixed by the Directors at the meeting at which they were elected, and no further notice of the organizational meeting shall be necessary.

Section 3. Removal of Directors. At any duly convened regular or special meeting, any one or more of the Directors may be removed, with or without cause, by the affirmative vote of the voting members casting not less than a majority of the total votes of all members of the Association, and a successor may then and there be elected to fill the vacancy thus created. Should the membership fail to elect said successor, the Board of Directors may fill the vacancy in the manner provided in Section 4, below.

Section 4. Vacancies on Board of Directors. If the office of any Director or Directors becomes vacant by reason of death, resignation, retirement, disqualification, removal from office or otherwise, a majority of the remaining Directors, though less than a quorum, shall choose a successor or successors, who shall hold office for the balance of the unexpired term in respect to which such vacancy occurred. The election held for the purpose of filling said vacancy may be held at any regular or special meeting of the Board of Directors.

Notwithstanding the above, nothing herein shall effect the proportionate representation of Unit Owners during such time as the Developer is entitled to representation on the Board.

Section 5. Disqualification or Resignation of Directors. Any director may resign at any time by sending a written notice of such resignation to the office of the Association, delivered to the Secretary. Unless otherwise specified therein, such resignation shall take effect upon receipt thereof by the Secretary. Commencing with the Directors elected at such first annual meeting of the membership, the transfer of title of his unit by a director shall automatically constitute a resignation, effective when such resignation is accepted by the Board of Directors. No member shall continue to serve on the Board should he be more than thirty (30) days delinquent in the payment of any assessment installment or maintenance fee installment, and said delinquency shall automatically constitute a resignation, effective when such resignation is accepted by the Board of Directors.

Section 6. Regular Meetings. The Board of Directors shall establish a schedule of regular meetings to be held at such time and place as the Board of Directors may designate. Notice of such regular meetings shall nevertheless be given to each Director personally, or by mail, telephone or telegraph at least five (5) days prior to the day named for such meeting. All meetings of the Board of Directors, including special meetings called in accordance with Section 7 below, shall be open to all Unit Owners.

Section 7. Special Meetings. Special meetings of the Board of Directors may be called by the President, and in his absence, by the Vice-President, or by a majority of the members of the Board of Directors, by giving five (5) days notice, in writing, to all of the members of the Board of Directors of the time and place of said meeting. All notices of special meetings shall state the purpose of the meeting.

Section 8. Owner Participation. Meetings of the Board and any committee thereof at which a quorum of the members of that committee is present shall be open to all Unit Owners. Any Owner may tape record or videotape meetings of the Board. The right to attend such meetings includes the right to speak at such meetings with reference to all designated agenda items. The Association may adopt reasonable rules governing

the frequency, duration, and manner of Owner statements.

Section 9. Notice. Adequate notice of all meetings of the Board, stating the time and place thereof, as well as an identification of the agenda items to come before the meeting, shall be posted conspicuously on the Condominium or Association property at least forty-eight (48) continuous hours preceding the meeting, except in case of an emergency. Any item not included on the notice may be taken up on an emergency basis by at least a majority plus one of the members of the Board. Such emergency action shall be noticed and ratified at the next regular meeting of the Board. However, written notice of any meeting at which non-emergency special assessments, or at which amendments to rules regarding unit use will be considered, shall be mailed or delivered to Unit Owners and posted conspicuously on the Condominium property at least fourteen (14) days prior to the meeting. Evidence of compliance with this fourteen (14) day notice shall be made by an affidavit executed by the person providing the notice and filed among the official records of the Association. Upon notice to Unit Owners, the Board shall, by duly adopted rule, designate a specific location on the Condominium or Association property upon which all notices shall be posted. If there is no Condominium or Association property upon which notices can be posted, notice of Board meetings shall be mailed or delivered to each Owner at least fourteen (14) days before the meeting. Notice of any meeting in which regular assessments against Unit Owners are to be considered for any reason shall specifically contain a statement that assessments will be considered and the nature of any such assessments.

Section 10. Directors' Waiver of Notice. Before or at any meeting of the Board of Directors, any Director may waive notice of such meeting and such waiver shall be deemed equivalent to the giving of notice. Attendance by a Director at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice shall be required and any business may transacted at such meeting.

Section 11. 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 such meetings at which a quorum is present shall be acts of the Board of Directors. If at any meeting of the Board of Directors there be less than a quorum present, the majority or those present may adjourn the meeting from time to time until a quorum be present. Notice of the time and place of the adjourned meeting of the Board of Directors shall be given to all Directors. At each such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted. A Director may join in the action of a meeting by signing and concurring in the minutes thereof, but such concurrence shall not constitute the presence of such Director for the purpose of determining a quorum.

Section 12. Compensation. The Directors' fees, if any, shall be determined by the voting members.

Section 13. Developer's Selection of Directors. During the Developer Control Period, the Developer shall have the right to designate the Directors who need not be owners of units or timeshare periods in the Condominium, and said Directors may not be removed by members of the Association, as elsewhere provided herein; and where a vacancy occurs for any reason whatsoever, the vacancy shall be filled by the Developer.

Section 14. The Manager. The Manager, as long as any Management Agreement remains in effect, shall be entitled to notice of all Directors' meetings, and it may designate such persons as it desires to attend such meetings on its behalf.

Section 15. Powers and Duties. The Board of Directors of the Association shall have the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things as are not by law, or by the Declaration of Condominium, or this Association's Articles of Incorporation, or these Bylaws, directed to be exercised and done by Unit Owners. These powers shall specifically include, but shall not be limited to the following:

A. To exercise all powers specifically set forth in the Declaration of Condominium, this Association's Articles of Incorporation, these Bylaws, the Condominium Act and/or the Maryland Real Estate Timesharing Act, and all powers incidental thereto;

B. To make and determine assessments and maintenance fees, collect said assessments and maintenance fees, and use and extend the assessments and maintenance fees to carry out the purposes and powers of the Association;

C. To employ, dismiss and control the personnel necessary for the maintenance and operation of the Condominium, and of the common areas and facilities, including the right and power to employ attorneys, accountants, contractors, and other professionals as the need arises;

D. To make and amend rules and regulations respecting the operation and use of the common elements and Condominium property, and the use and maintenance of the Condominium units therein;

E. To contract for the management of the Condominium and those portions of the common elements susceptible to the separate management or operation thereof, and to lease or concession such portions;

F. The further improvement of the Condominium property, both real and personal, and the right to purchase realty and items of furniture, furnishings, fixtures and equipment for the foregoing, and the right to acquire and enter into agreements pursuant to the Condominium Act and/or the Maryland Real Estate Timesharing Act, subject to the provisions of the Declaration of Condominium, this Association's Articles of Incorporation and these Bylaws;

G. Designate one or more committees which, to the extent provided in the resolution designating said committee, shall have the powers of the Board of Directors in the management and affairs and business of the Association. Such committee(s) shall consist of at least three (3) members of the Association. The committee or committees shall have such name or names as may be determined from time to time by the Board of Directors, and said committee(s) shall keep regular minutes of their proceedings and report the same to the Board of Directors, as required. The foregoing powers shall be exercised by the Board of Directors, or its contractor or employees, subject only to approval of Unit Owners when such is specifically required; and

H. Subject to the rights of the Developer, to enter into and terminate agreements with

organizations providing owners of timeshare periods the opportunity to exchange their timeshare period(s) with owners of timeshare periods at other resorts.

ARTICLE V. Officers.

Section 1. Elective Officers. 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.

One person may not hold more than one of the aforementioned offices, except one person may be Treasurer and hold another office. The President shall be a member of the Board of Directors. Notwithstanding the foregoing, the restriction as to one person holding only one of the aforementioned offices, or the President being a member of the Board of Directors, shall not apply while the Association is under the control of the Developer, the control being the right of the Developer to select a majority of the Board of Directors of the Condominium Act and/or the Maryland Real Estate Timesharing Act.

Section 2. Election. The officers of the Association designated in Section 1 above shall be elected annually by the Board of Directors at the organizational meeting of each new Board following the meeting of the members.

Section 3. Appointed Officers. The Board may appoint Assistant Secretaries and Assistant Treasurers, and such other officers as the Board of Directors deems necessary.

Section 4. Term. The officers of the Association shall hold office until their successors are chosen and qualify in their stead. Any officer elected or appointed by the Board of Directors may be removed at any time, with or without cause, by the Board of Directors, provided, however, that no officer shall be removed except by the affirmative vote for removal by a majority of the whole Board of Directors (e.g., if the Board of Directors is composed of five persons, then three of said Directors must vote for removal). If the office of any officer becomes vacant for any reason, the vacancy shall be filled by the Board of Directors.

Section 5. The President. He shall be the chief executive officer of the Association; he shall preside at all meetings of the Unit Owners and of the Board of Directors. He shall have executive powers and general supervision over the affairs of the Association and other officers. He shall sign all written contracts to perform all of the duties incident to his office and which may be delegated to him from time to time by the Board of Directors.

Section 6. The Vice-President. He shall perform all of the duties of the President in his absence, and such other duties as may be required of him from time to time by the Board of Directors of the Association.

Section 7. The Secretary. He shall issue notices of all Board of Director's meetings and all meetings of the Unit Owners; he shall attend and keep the minutes of same; he shall have charge of all of the Association's books, records and papers, except those kept by the Treasurer. The Assistant Secretary shall

perform the duties of the Secretary when the Secretary is absent.

Section 8. The Treasurer.

A. He shall have custody of the Association funds and securities, and shall keep full and accurate account of receipts and disbursements in books belonging to the Association, and shall cause to be deposited all monies and other valuable effects in the name of and to the credit of the Association, in such depositories as may be designated from time to time by the Board of Directors. The books shall reflect an account for each Unit in the manner required by the Condominium Act and/or the Maryland Real Estate Timesharing Act.

B. He shall disburse the funds of the Association as may be ordered by the Board of Directors in accordance with these Bylaws, making proper vouchers for such disbursements, and shall render to the President and Board of Directors at the regular meetings of the Board of Directors, or whenever they may require it, an account of all of his transactions as the Treasurer and of the financial condition of the Association.

C. He shall collect the assessments and maintenance fees and shall promptly report the status of collections of all delinquencies to the Board of Directors.

D. He shall give status reports to potential transferees on which reports the transferees may rely.

E. The Assistant Treasurer shall perform the duties of the Treasurer when the Treasurer is absent.

F. The duties of the Treasurer may be fulfilled by a Manager employed by the Association, and said Manager shall fulfill the duties of the Treasurer, and shall have custody of such books of the Association as the Board of Directors determines in its sole discretion, and the foregoing may include any books required to be kept by the Secretary of the Association.

ARTICLE VI.

Finances, Assessments and Maintenance Fees.

Section 1. Depositories. The funds of the Association shall be deposited in such banks and depositories as may be determined by the Board of Directors from time to time upon resolutions approved by the Board of Directors, and shall be withdrawn only upon checks and demands for money signed by such officer or officers of the Association as may be designated in writing by the Board of Directors. Obligations of the Association shall be signed by at least two officers of the Association; provided, however, that the provisions of any Management Agreement between the Association and a Manager relative to the subject matter in this Section shall supersede the provisions hereof.

Section 2. Fidelity Bonds. A fidelity bond shall be required for all persons who control or disburse funds of the Association, including, but not limited to, any individuals authorized to sign checks, and the President, Secretary and Treasurer of the Association. If the Association's annual gross receipts do not

exceed \$100,000.00, the bond shall be in the amount of not less than \$10,000.00 for each person; if the gross receipts exceed \$100,000.00 but do not exceed \$300,000.00, the bond shall be in an amount of \$30,000.00 for each person; if the gross receipts exceed \$300,000.00 the bond shall be in an amount of not less than \$50,000.00 for each person. The premiums on such bonds shall be paid by the Association.

Section 3. Fiscal Year. The fiscal year for the Association shall begin on the first day of January of each year, provided, however, that the Board of Directors is expressly authorized to change to a different fiscal year in accordance with the provisions and regulations from time to time prescribed by the Internal Revenue Code of the United States of America, at such times as the Board of Directors deems it advisable.

Section 4. Determination of Assessments. The Board of Directors of the Association shall fix and determine from time to time, the sum or sums necessary and adequate for the common expenses of the Condominium. Common expenses shall include expenses for the operation, maintenance, repair or replacement of the common elements, costs of carrying out the powers and duties of the Association, all insurance premiums and expenses relating thereto, including fire insurance and extended coverage, and any other expenses designated as common expenses from time to time by the Board of Directors of the Association, or under the provisions of the Declaration of Condominium to which these Bylaws are attached, or by the Condominium Act and/or the Maryland Real Estate Timesharing Act. The Board of Directors is specifically empowered on behalf of the Association to make and collect assessments and to lease, maintain, repair and replace the common elements of the Condominium. Funds for the payment of common expenses shall be assessed against the Unit Owners in the proportions or percentages of sharing common expenses, as provided in the Declaration. Regular assessments shall be due and payable monthly on the first day of each month. Maintenance fees for units committed to interval ownership shall be payable annually and shall be due on the first day of January, in advance, unless otherwise ordered by the Board of Directors. Special assessments, should such be required by the Board of Directors, shall be levied in the same manner as hereinbefore provided for regular assessments, and shall be payable in the manner determined by the Board of Directors.

A copy of the proposed annual budget of common expenses shall be mailed to the Unit Owners not less than thirty (30) days prior to the meeting at which the budget will be considered, together with a notice of that meeting. The Unit Owners shall be given written notice of the time and place at which the meeting of the Board of Directors shall be held to consider the proposed annual budget of common expenses, and such meeting shall be open to the Unit Owners. When the Board of Directors has determined the amount of the assessment, the Treasurer of the Association shall mail or present to each Owner a statement of said Owner's assessment. The assessments shall be payable to the Treasurer of the association, and upon request, said Treasurer shall give a receipt for each payment made to him.

Section 5. Determination of Maintenance Fees. The Board of Directors of the Association shall fix and determine from time to time, the sums necessary and adequate for the maintenance fee on condominium units committed to interval ownership. The maintenance fee on such units shall include the items specified in the Declaration of Condominium to which these Bylaws are attached. When the Board of Directors has determined the amount of the maintenance fee, the Treasurer of the Association shall cause to be mailed or presented to each Owner of a timeshare period a statement of said maintenance fee. All maintenance fees shall be payable to the Treasurer of the Association. The Treasurer shall give a receipt for each payment made to him

if requested by a Unit Owner.

Section 6. Application of Payments. Except as otherwise provided for herein or in any other Condominium Documents or in the Condominium Act and/or the Maryland Real Estate Timesharing Act, all sums collected by the Association from Assessments, or from any other receipts of the Association, shall be maintained separately in the Association's name. All Assessment payments by an Owner shall be applied first in reduction of interest, delinquencies, costs and attorney's fees, other charges, expenses and advances attributable to the Unit, as provided for herein and in the Declaration.

Section 7. Acceleration of Assessment Installments Upon Default. If an Owner shall be in default in the payment of an installment upon any assessment or maintenance fee, the Board of Directors may accelerate the remaining assessments for the fiscal year upon notice thereof to the Owner, and thereupon the unpaid balance of the assessments or maintenance fee shall become due upon the filing of a claim of lien as required by law.

Section 8. Audits. An audit of the accounts of the Association shall be made annually. Such report shall be available not later than three (3) months after the end of the year for which the report is made.

Section 9. Application of Surplus. Any payments or receipts to the Association, whether from Unit Owners or otherwise, paid during the year in excess of the operating expenses and other common expenses of the Association shall be kept by the Association and applied against the Association's expenses for the following year, and shall be shown as an item on the annual budget.

Section 10. Certain Unpaid Assessments to Become Common Expenses. If any unpaid share of common expenses or assessments is extinguished by foreclosure of a superior lien or by a deed-in-lieu of foreclosure, the unpaid share of common expenses or assessments are common expenses collectable from all the Unit Owners in the Condominium.

ARTICLE VII. Compliance and Default.

Section 1. Violations. In the event of a violation (other than the non-payment of an assessment or maintenance fee) by an Owner of any of the provisions of the Declaration of Condominium, these Bylaws, or of the applicable portions of the Maryland Condominium or Timesharing Act, the Association, by direction of its Board of Directors, shall notify the Owner by written notice of said breach, transmitted by mail, and if such violation shall continue for a period of seven (7) days from date of notice, the Association, through its Board of Directors, shall have the right to treat such violation as an intentional and material breach of the Declaration, or of these Bylaws, or of the pertinent provisions of the Maryland Condominium and Timesharing Act, and the Association may then, at its option, elect the following remedies:

A. An action at law to recover for its damage, on behalf of the Association or on behalf of the other Unit Owners;

B. An action in equity to enforce performance on the part of the Owner; or

C. An action in equity for such equitable relief as may be necessary under the circumstances, including injunctive relief.

Any violations which are deemed by the Board of Directors to be a hazard to public health may be corrected immediately as an emergency matter by the Association, and the cost thereof shall be charged to the Owner as a specific item, which shall be a lien against said Owner's unit or Timeshare Period, with the same force and effect as if the charge were a part of the common expenses.

Section 2. Negligence or Carelessness of Owner, Etc. All Unit Owners shall be liable for the expense of any maintenance, repair or replacement rendered necessary by his act, neglect or carelessness, or by that of any member of his family, or his or their guests, employees, agents or lessees, but only to the extent that such expense is not met by the proceeds of insurance carried by the Association. Such liability shall include any increase in insurance rates occasioned by use, misuse, or abandonment of any unit or its appurtenances. Nothing herein contained, however, shall be construed so as to modify any waiver by any insurance company of its rights of subrogation. The expense for any maintenance, repair or replacement required, as provided in this section, shall be charged to said Owner as a specific item.

Section 3. Costs and Attorney's Fees. In any proceeding arising because of an alleged default by a Owner, the prevailing party shall be entitled to recover the costs of the proceeding and such reasonable attorney's fees as may be determined by the court.

Section 4. No Waiver of Rights. The failure of the Association or of a Owner to enforce any right, provision, covenant or condition which may be granted by the Condominium documents shall not constitute a waiver of the right of the Association or Owner to enforce such right, provisions, covenants or condition in the future.

Section 5. Election of Remedies. All rights, remedies and privileges granted to the Association or Unit Owners, pursuant to any terms, provisions, covenants or conditions of the Condominium documents, shall be deemed to be cumulative and the exercise of any one or more shall not be deemed to constitute an election of remedies, nor shall it preclude the party thus exercising the same from exercising such other and additional rights, remedies, or privileges as may be granted to such other party by the Condominium documents, or at law or in equity.

Section 6. Units Committed to Interval Ownership. Any liens or sanctions against an Owner of a timeshare period in a unit committed to interval ownership for an alleged default as set forth in Article VIII shall be limited to the timeshare period owned by such Owner and shall be of no force and effect as to any other timeshare period or Owner thereof.

Section 7. Action by Association upon Receipt of Owner Complaint. When a Owner files a written complaint by certified mail with the Board, the Board shall respond in writing to the Owner within thirty

(30) days of receipt of the complaint. The Board's response shall either give a substantive response to the complainant, notify the complainant that a legal opinion has been requested, or notify the complainant that advice has been requested from the Division. If the Board requests advice from the Division, the Board shall, within ten (10) days of its receipt of its advice, provide in writing a substantive response to the complainant. If a legal opinion is requested, the Board shall, within sixty (60) days from the receipt of the complaint, provide in writing a substantive response to the complainant. The failure to provide a substantive response to the complainant as provided herein precludes the Board from recovering attorney's fees and costs in any subsequent litigation, administrative proceeding or arbitration arising out of the complaint.

ARTICLE VIII. Additions and Alterations.

There shall be no additions or alterations to the common elements of the Condominium except as specifically provided for in the Declaration of Condominium.

ARTICLE IX. Acquisition of Units or Timeshare Periods on Foreclosure.

Section 1. At any foreclosure sale of a unit or timeshare period, the Board of Directors may, with the authorization and approval by the affirmative vote of at least a majority of the Board, acquire in the name of the Association, or its designee, the Condominium parcel or timeshare period being foreclosed. The term "foreclosure", as used in this section shall mean and include foreclosure of any lien, including the Association's lien for assessments or maintenance fees.

The power of the Board of Directors to acquire a Condominium parcel or timeshare period at a foreclosure sale shall never be interpreted as any requirement or obligation on the part of the said Board of Directors or of the Association. The provisions hereof are permissive and are for the purpose of setting forth the power in the Board of Directors to do so.

Section 2. Transfer of Units. Each owner of a unit or timeshare period in a unit committed to interval ownership shall notify the Association of any transfer, by sale or otherwise, of said unit or timeshare period within fifteen (15) days after the date of transfer. Said notice shall include the name, address and telephone number of the Buyer and Seller. The Association may send all necessary notices to the person shown as Owner of said unit or timeshare period in its records, and said notice shall be binding as to any other Owner of said unit or timeshare period where the Association has not been notified as provided herein. The Association reserves the right to assess a transfer fee not to exceed \$100.00 per applicant other than husband/wife or parent/dependant child, which are considered one applicant.

ARTICLE X.
Amendments to the Bylaws.

These Bylaws may be altered, amended or added to at any duly called meeting of the Unit Owners, provided:

- A. Notice of the meeting shall contain a statement of the proposed amendment;
- B. If the amendment has received the unanimous approval of the full Board of Directors, then it shall be approved upon the affirmative vote of the voting members casting a majority of the total votes of the members of the Association;
- C. If the Amendment has not been approved by the unanimous vote of the Board of Directors, then the amendment shall be approved by the affirmative vote of the voting members casting not less than seventy five (75%) of the total votes of the members of the Association; and
- D. Said amendment shall be recorded and certified as required by the Condominium Act and/or the Maryland Real Estate Timesharing Act, including identification on the first page of the amendment of the book and page of the public records where the Declaration of Condominium is recorded.

Notwithstanding the foregoing, these Bylaws may only be amended with the written approval when required of the parties specified in the Declaration of Condominium to which these Bylaws are attached.

ARTICLE XI.
Notices.

Whatever notices are required to be sent hereunder shall be delivered or sent in accordance with the applicable provisions for notices as set forth in the Declaration of Condominium to which these Bylaws are attached.

ARTICLE XII.
Indemnifications.

The Association shall indemnify every Director and every Officer, and their heirs, executors and administrators against all loss, cost and expense reasonably incurred by him in connection with an action, suit or proceeding to which he may be made a party by reason of his being or having been a Director or Officer of the Association, except as to matters wherein he shall be finally adjudged in such action, suit or proceeding to be liable for or guilty of gross negligence or willful misconduct. The foregoing rights shall be in addition to and not exclusive of all other rights to which such director or officer may be entitled.

ARTICLE XIII.
Liability Survives Termination of Membership.

The termination of membership in the Condominium shall not relieve or release any such former Owner or member from any liability or obligations incurred under or in any way connected with the Condominium during the period of such ownership and membership, or impair any rights or remedies which the Association may have against such former Owner and member arising out of or in any way connected with such ownership and membership, and the covenants and obligations incident thereto.

ARTICLE XIV.
Parliamentary Rules.

Roberts Rule of Order (latest edition) shall govern the conduct of the Association meetings when not in conflict with the Condominium Act and/or the Maryland Real Estate Timesharing Act, the Declaration or these Bylaws. Unless otherwise determined by the Board of Directors, the order of business at annual members' meetings and as far as practical at other meetings of the members will be:

- A. Roll Call;
- B. Proof of Notice of Meeting or Waiver of Notice;
- C. Reading of Minutes of Prior Meeting;
- D. Officers' Reports;
- E. Committee Reports;
- F. Elections;
- G. Unfinished Business;
- H. New Business;
- I. Adjournment.

ARTICLE XV.
Liens.

Section 1. Protection of Property. All liens against a unit or timeshare period, other than for mortgages, taxes or special assessments, shall be satisfied or otherwise removed within thirty (30) days of the date the lien attached. All taxes and special assessments upon a unit or timeshare period shall be paid before becoming delinquent, as provided in these Condominium documents or by law, whichever is sooner.

Section 2. Notice of Lien. Unit Owners shall give notice to the Association of every lien upon their unit, other than for mortgages, taxes and special assessments, within five days after the attaching of the lien.

Section 3. Notice of Suit. Unit Owners shall give notice to the Association of every suit or other proceeding which will or may affect title to any unit or any part of the property, such notice to be given within five days after the Owner receives notice thereof.

Section 4. Failure to Comply. Failure to comply with this Article concerning liens will not affect the validity of any judicial sale.

Section 5. Units Committed to Interval Ownership. In the case of a unit committed to interval ownership, an Owner of a timeshare period in such unit shall be required to give notices under Section 2 and 3 of this article only as to liens, suits, and proceedings affecting title to the timeshare period which he owns. Any lien against an Owner of a timeshare period in a unit committed to interval ownership, or against the timeshare period owned by him, shall be limited to the timeshare period owned by him and shall not encumber the property, real or personal, of any other Owner of a timeshare period in said unit.

ARTICLE XVI. Rules and Regulations.

The Board of Directors may from time to time adopt or amend previously adopted Rules and Regulations governing and restricting the use and maintenance of the units provided, however, that copies of such Rules and Regulations, prior to the time the same become effective, shall be posted in a conspicuous place on the Condominium and/or copies of same shall be furnished to each Owner.

The Board of Directors may adopt or amend previously adopted administrative Rules and Regulations governing the details of the operation, use, maintenance, management and control of the common elements of the Condominium and of the Condominium property and any facilities or services made available to the Unit Owners. A copy of the Rules and Regulations shall be posted in a conspicuous place and/or copies of same shall be furnished each Owner. In the event of any conflict between the Rules and Regulations adopted, or from time to time amended, and the Condominium documents, or the Condominium Act and/or the Maryland Real Estate Timesharing Act, the latter documents shall prevail. If any unreconciled conflict should exist or hereafter arise with respect to the interpretation of these Bylaws and the Declaration of Condominium, the provisions of said Declaration shall prevail.