

SECTION 1. DEFINITIONS. Unless the context shall plainly require otherwise, the following words when used in this Declaration and/or any and all exhibits attached hereto shall have the following meanings:

(a) "COMMON ELEMENTS" means all of the Property other than Units, and includes both General Common Elements and Limited Common Elements, as defined in Article III hereof.

(b) "CONDOMINIUM" means the Property having the status of a "Condominium" pursuant to and as defined in the Real Property Article, Title 11 of the Annotated Code of Maryland.

(c) "COUNCIL OF UNIT OWNERS" means the unincorporated entity comprised of all Unit Owners.

(d) "DECLARANT" shall mean and refer to SUN VALLEY CONDOMINIUMS, LTD. and its successors and assigns to whom the special rights, reservations, easements, interests, exemptions, privileges and powers of the Declarant are specifically assigned or transferred in writing.

(e) "PERCENTAGE INTEREST" means the undivided interest of each Unit owner, as set forth in Article IV, with respect to Common Elements of the Condominium and the Common Profits and Common Expenses of the Council of Unit Owners.

(f) "UNIT" means a three dimensional area, as described below and as shown on the Condominium Plat, and includes all improvements contained within the area except such as are expressly excluded in this Declaration or on the Condominium Plat. The lower boundary of such Unit is a horizontal plane (or planes) the elevation of which coincides with the elevation of the upper surface of the unfinished subfloor thereof extended to intersect the lateral or perimetrical boundaries thereof. The upper boundary of any such Unit is a horizontal plane (or planes), the elevation of which coincides with the lower surface of the unfinished ceiling thereof, extended to intersect the lateral or perimetrical boundaries thereof. The lateral or perimetrical boundaries of any such Unit are vertical planes which coincide with the unexposed surfaces of the perimeter walls thereof, including the perimeter drywall, windows and doors of any such unit extended to intersect the upper and lower horizontal boundaries thereof and to intersect the other lateral or perimetrical boundaries of the Unit. Unless otherwise designated on the Condominium Plat as a Common Element, mechanical equipment and appurtenances located within or without any Unit and designated to serve only that Unit, such as pipes, wires, cables, conduits, electrical receptacles and outlets, ducts, flues, chutes, appliances, range hoods, fixtures, and the like, shall be considered a part of the Unit.

(g) "UNIT OWNER" means any person, group of persons, corporation, trust or other legal entity, or any combination thereof, which owns a Unit; 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 an obligation shall not be a Unit Owner solely by reason of such interest.

ARTICLE II

SECTION 1. SUBMISSION OF PROPERTY TO THE ACT. The property and all appurtenances thereto shall be held, conveyed, divided or subdivided, leased, rented and occupied, improved, hypothecated and/or encumbered subject to the Act and the covenants, restrictions, uses, limitations, obligations, easements, equitable servitudes, charges and liens (hereinafter sometimes referred to as "Covenants and Restrictions") herein set forth, including the provisions of the By-Laws of the Council of Unit Owners of SUN VALLEY CONDOMINIUM (a copy of which is attached hereto and made a part hereof as EXHIBIT "B"), all of which are declared and agreed to be in aid of a plan for the division of the Property into a Condominium pursuant to the Act, and all of which shall be deemed to run with and bind the land, and shall inure to the benefit of and be enforceable by the Declarant and by any person acquiring or owning an interest in the

Property, including, without limitation, any person, group of persons, corporation, trust or other entity, or any combination thereof, which holds such interest solely as security for the performances of an obligation; provided, however, that the special rights, restrictions, easements interests, exemptions, privileges, and powers of the Declarant shall inure to the benefit of and be enforceable by only those successors and assigns of the Declarant to whom any of the same have been specifically assigned or transferred in writing.

SECTION 2. PROPERTY THAT MAY BE SUBJECTED TO THIS CONDOMINIUM REGIME. The land owned or to be owned by the Declarant which may be in the future submitted to the Condominium form of ownership as part of SUN VALLEY CONDOMINIUM, is described on EXHIBIT "C", and designated as Section II on the Condominium Plat.

SECTION 3. DESCRIPTION OF THE UNITS.

A. The general description and number of each Unit, including its area, location and such other data as may be necessary or appropriate for its identification, is set forth on the Condominium Plat which Condominium Plat is recorded among the Land Records of Anne Arundel County in Plat Book E-19, pages 42 thru 46.

B. In the event that the Declarant, its successors and assigns, elects to include within this Condominium the property described on EXHIBIT "C", the buildings will be of substantially equal quality as the ones described in subparagraph A above.

SECTION 4. NAME OF CONDOMINIUM. The name by which the Condominium shall be known is "SUN VALLEY CONDOMINIUM".

ARTICLE III

SECTION 1. GENERAL COMMON ELEMENTS. The General Common Elements means all of the Common Elements except Limited Common Elements, and shall include the following:

- (a) The Property (other than Units); and
- (b) The foundation(s), bearing walls, perimeter walls, main walls, parking areas, halls, columns, girders, beams, supports, corridors, stairways, and entrances and exits or communication ways; and
- (c) The roof(s); and
- (d) The compartments or installations of central services such as power, light, gas, hot and cold water pumps, and the like (unless designated to serve only one Unit); and
- (e) All other elements of common use or necessary to its existence, upkeep and/or safety.

SECTION 2. LIMITED COMMON ELEMENTS. The Limited Common Elements include those designated as such on the Condominium Plat. All areas designated as Limited Common Elements are reserved for the exclusive use of the Unit owner(s) of the Unit(s) to which they are declared to be appurtenant by appropriate designation on the Condominium Plat. If no such designation is made on the Condominium Plat, then the Limited Common Elements shall be deemed to be appurtenant to Unit(s) to which they are adjacent or which they rationally are designed and/or are intended to serve and benefit. The right of the Unit owner(s) to whose Unit(s) the Limited Common Elements are appurtenant to use and enjoy the same shall be subject to such reasonable rules and regulations as the Board of Directors of the Council of Unit Owners may from time to time enact.

SECTION 1. PERCENTAGE INTEREST IN COMMON ELEMENTS AND COMMON PROFITS AND EXPENSES. Each Unit shall have the same incidents as real property, and the Unit owner shall hold the same in fee simple and shall have a common right to a share with the other Unit owners of an undivided fee simple interest in the Common Elements, which shall be known as the "Percentage Interest in the Common Elements". Each Unit owner shall have a percentage interest in the common elements and in the common expenses and common profits of the Condominium in the proportion that the number of condominium units that a Unit owner owns bears to the total number of Units in the Condominium Regime, including an expansion thereof pursuant to Article VI. Except as otherwise provided in the Act and as provided in Article VI hereof "Additional Sections", the Percentage Interests herein described, a) shall not be changed without the unanimous consent of all of the Unit owners and the mortgagees (as defined in the Act) evidenced by an appropriate amendment to this Declaration recorded among the Land Records of Anne Arundel County, Maryland; b) shall not be separated from the Unit to which they appertain; and c) shall be deemed conveyed or encumbered with the Unit even though such Percentage interest is not expressly mentioned or described in the conveying deed or other instrument.

SECTION 2. VOTING RIGHTS. Each Unit shall have one (1) vote appurtenant to it, and each Unit owner shall be entitled to cast one (1) vote, in accordance with the By-Laws, for each Unit which the Unit owner owns. Except as otherwise provided in the Act, the votes herein established a) shall not be changed without the unanimous consent of all of the Unit owners and the mortgagees (as defined in the Act) evidenced by an appropriate amendment to this Declaration recorded among the Land Records of Anne Arundel County, Maryland; b) shall not be separated from the Unit to which they appertain; and c) shall be deemed conveyed or encumbered with the Unit even though such votes are not expressly mentioned or described in the conveying deed or other instrument.

SECTION 3. INDIVIDUAL UNIT DEEDS.

A. FUTURE INTERESTS. Each Deed to a condominium unit shall also be deemed to include therein a provision for a future fee estate to the undivided percentage interest in the common elements as set forth in Article IV hereof, that the Declarant has the option to add to the Condominium development, and to take effect in the event of each recording by the Declarant of an Amendment to the Declaration to add Section II.

B. REVERTER. Each Deed to a condominium unit shall also be deemed to include therein a provision for the Automatic Reverter to the Declarant by the operation of law upon each recording by the Declarant of an Amendment and/or Amendments to add the property described on EXHIBIT "C" of the estate of any Grantee of the individual unit deeds for that portion of the undivided interest in the common elements appertaining to the unit prior to the recording of the amendment or amendments which exceeds the undivided interest in the total common elements appertaining to such unit by reason of such amendment or amendments.

C. MORTGAGES. The estate passing to any mortgagee upon the execution of a mortgage by any Grantee of any individual unit shall include and have the benefit of the future interest and be subject to the reverter as set forth in subparagraphs A and B hereof.

ARTICLE V

SECTION 1. COVENANT AGAINST PARTITION. The Common Elements, both General and Limited, shall remain undivided and, except as otherwise provided herein and in the Act, shall remain appurtenant to the designated Unit. No Unit owner or any other person shall bring any action for partition or division thereof except as may be provided for herein and in the Act.

SECTION 2. ENCROACHMENTS. If any portion of the Common Elements encroaches upon any Unit, or if any Unit encroaches upon any other Unit or upon any portion of the Common Elements, as a result of the construction, reconstruction or repair of the Units and/or Common Elements, or if any such encroachment shall occur hereafter as a result of settlement or shifting or otherwise, a valid easement for the encroachment and for the maintenance of the same shall exist so long as the encroaching Unit and/or Common Elements shall stand. In the event any Unit, any adjoining Unit, or any adjoining Common Elements shall be partially or totally destroyed as a result of fire or other casualty or as a result of condemnation or eminent domain proceedings, and then constructed, reconstructed or repaired, encroachment of parts of the Common Elements resulting from such reconstruction, construction or repair shall be permitted, and valid easements for such encroachment and the maintenance thereof shall exist so long as the encroaching improvements shall stand.

For all purposes incident to the interpretation of deeds, the Condominium Plat and all other instruments of title relating to any condominium unit in the condominium project, the existing physical boundaries of any condominium unit constructed or reconstructed in substantial conformity with the Condominium Plat shall be conclusively presumed to be its boundaries, regardless of the shifting, settling or lateral movement of any building and regardless of minor variations between the physical boundaries shown on the Condominium Plat and those of any condominium unit.

SECTION 3. EASEMENTS.

(a) Each Unit and the Common Elements appurtenant thereto shall be subject to an easement in favor of the Unit owners of all of the other Units and to the Board of Directors of the Council of Unit Owners, its managing agent or designees, acting on behalf of the Council of Unit Owners, to and for the unobstructed and uninterrupted use, repair, maintenance or replacement of any and all pipes, ducts, flues, chutes, conduits, cables and wire outlets and utility lines of any kind and other Common Elements located within or accessible only from any particular Unit, and for support.

(b) Each of the sidewalks, paths, walks, lanes, driveways, paved areas, roadways, stairwells and other General Common Elements shall be subject to an easement in favor of all the Unit owners for reasonable and necessary pedestrian and vehicular ingress and egress to and from the improvements to and from public and private roadways and streets.

(c) There is hereby reserved unto the Declarant and its agents a nonexclusive easement over, across and through all of the Common Elements for the purpose of access, the storage of building supplies and materials and equipment and, without any limitation, for any and all purposes reasonably related to the completion of the construction or rehabilitation and repair of the Property.

(d) There is hereby granted to SUN VALLEY CONDOMINIUMS, LTD., a Maryland Limited Partnership, (and its successors and assigns to whom such easement has been specifically assigned in writing), a blanket easement upon, across, and under all of the General Common Elements (Provided such easement does not encroach upon any building within the Property), for ingress, egress, installation, replacement, repair and maintenance of all utilities, including, but not limited to, water, sewer, drainage, gas, cable television, telephones and electricity, and further including the right to connect to and use any such utilities which may exist or be located upon the Property from time to time provided. By virtue of this easement, it shall be expressly permissible to erect and maintain the necessary poles and other equipment on the Property, to affix and maintain electrical or telephone wires and conduits, sewer and water drainage lines, on, above, or below any portion of the Property, including any improvements constructed thereon and to have construction vehicles, equipment and the like exercise the aforesaid right of ingress and egress over the Property. There is further granted to SUN VALLEY CONDOMINIUMS, LTD. and its successors and assigns to whom such right has been specifically assigned in writing, the right to grant specific easements, both temporary and permanent, to any person or entity, including all public authorities and utility companies, over any part of the Property in furtherance of the blanket easement created by this subsection (d).

SECTION 1. ADDITIONAL SECTIONS. The Declarant reserves the irrevocable right for a period of seven (7) years after the date hereof to add to said Condominium the units and common elements which are to be built adjacent to the Property and described on EXHIBIT "C", attached hereto, such land being more particularly shown on Sheet of the Condominium Plat. Each owner of a condominium unit in SUN VALLEY CONDOMINIUM, by acceptance of a Deed to such Unit and each mortgagee of a mortgage on such or beneficiary and trustee of a deed of trust unit shall be deemed to have acquiesced in amendments of this Declaration, By-Laws and Plats for the purpose of adding additional units and common elements as set forth above and shall be deemed to have given the Declarant an irrevocable power of attorney coupled with an interest of effectuate such amendments and to have agreed to and covenanted to execute such further documents, if any, as may be required by the Declarant to properly accomplish such amendments, if any question is raised with respect thereto. Such Amendment or amendments shall be accomplished by the Declarant, its successors and assigns by recording among the Land Records and Plat Records of Anne Arundel County appropriate amendment or amendments to the Declaration and By-Laws certifying that Phase II has been erected in conformity with the plats, and by Declarant making the following declaration therein: "Declarant, by recording of this Amendment automatically activates the conversion of the undivided percentage interest in and the extent of the common elements appertaining to each condominium unit in accordance with the Percentage Interests in Common Elements, in accordance with Article IV of this Declaration, which percentage interest now becomes applicable to the additional common elements added hereby". Construction of the building in Phase II shall be of similar quality as in SUN VALLEY CONDOMINIUM, however the Declarant shall have no duty or obligation to add Phase II to SUN VALLEY CONDOMINIUM, and may sell or dispose of said land or use the same for some other purpose, including separate condominium or condominiums, in which event the power of attorney shall be deemed revoked and the possibilities of reverter established by the Deeds to the unit owners shall be deemed to be extinguished and the unit owners shall henceforth hold their interest in the common elements free and clear of any condition precedent, to the end and intent that each unit owner shall hold the exclusive fee simple ownership of his unit and an undivided fee simple interest in the common elements, in accordance with the percentages set forth in Article IV Section 1 hereof; and each condominium unit, together with the undivided interest in the common elements appurtenant thereto subject to the terms hereof may be conveyed, leased, encumbered, inherited or devised by Will, as though each unit were entirely independent of all other units and of the building in which the condominium units are located.

SECTION 2. NON-COMPLETION AND/OR NON-EXPANSION. In the event that any improvement in any phase of the Property is not completed or, if the additional phase is not added to the Condominium Regime described in the Declaration, the Declarant, its successors or assigns shall not make any conveyance of any portion of the property shown on the Condominium Plat not in the Condominium Regime described in the Declaration until it shall have made such conveyances and taken all other actions as may be required in order to assure that all phases of the Property are in compliance with the applicable laws and regulations of Anne Arundel County, Maryland.

ARTICLE VII

SECTION 1. UNITS SUBJECT TO DECLARATION AND BY-LAWS. All present and future owners, tenants and occupants of units shall be subject to, and comply with the provisions of the Condominium Act, of this Declaration and the By-Laws, as provided for in the By-Laws, as they may be amended from time to time. The acceptance of a deed or conveyance or the entering into of a Lease or the entering into occupancy of any unit shall constitute an agreement that the provisions of this Declaration and the By-Laws, as they may be amended from time to time, and all of such provisions shall be deemed and taken to be covenants running with the land and shall bind any person having at any time any interest or estate in such unit, as though such provisions were recited and stipulated at length in each and every deed or conveyance or lease thereof.

SECTION 1. AMENDMENT OF DECLARATION. Except as is provided for in Article VII hereof and in the Condominium Act, this Declaration may be amended only with the written consent of all of the unit owners and the holders of all mortgages on the condominium units in the Condominium. Any such amendment shall be effective only upon the recordation of a Declaration of Amendment among the Land Records of Anne Arundel County, Maryland.

ARTICLE IX

SECTION 1. DECLARANT'S RIGHT TO RENT OR SELL UNITS. Anything contained in this Declaration or the By-Laws of the Council of Unit Owners to the contrary notwithstanding, the Declarant shall have the right to transact any business on the Property (including the Common Elements) necessary or desirable to consummate sales or rentals of Units owned by it, including, but not limited to, the right to maintain employees in the sales or rental office, and to show Units for sale or rent. The sales or rental office, the furniture and furnishings in the model Units, signs and all items pertaining to the sale or rental of Units by the Declarant shall not be considered Common Elements but shall remain the property of the Declarant.

ARTICLE X

SECTION 1. CONSTRUCTION AND ENFORCEMENT.

(a) The provisions hereof shall be liberally construed to achieve the purpose of creating a uniform plan for the operation of the Property as a Condominium. Enforcement of these Covenants and Restrictions and of the By-Laws attached hereto shall be by any proceeding at law or in equity against any person or persons violating any of the same, either to restrain or enjoin violation or to recover damages, or both, and against any Unit to enforce any lien created hereby; and the failure or forbearance by the Council of Unit Owners or the Unit owner of any Unit to enforce any of the covenants or restrictions herein or in the By-Laws contained shall in no event be deemed a waiver of the right to do so thereafter.

(b) There shall be and there is hereby created and declared to be a conclusive presumption that any violation or breach or any attempted violation or breach of any of the within Covenants and Restrictions cannot be adequately remedied by action at law or exclusively by recovery of damages.

SECTION 2. SEVERABILITY. Invalidation of any part of this Declaration by judgment, decree or order shall in no way affect any other provisions hereof, each of which shall remain in full force and effect.

SECTION 3. CAPTIONS. The captions contained in this Declaration are for convenience only, are not a part of this Declaration and are not intended in any way to limit or enlarge the terms and provisions of this Declaration.

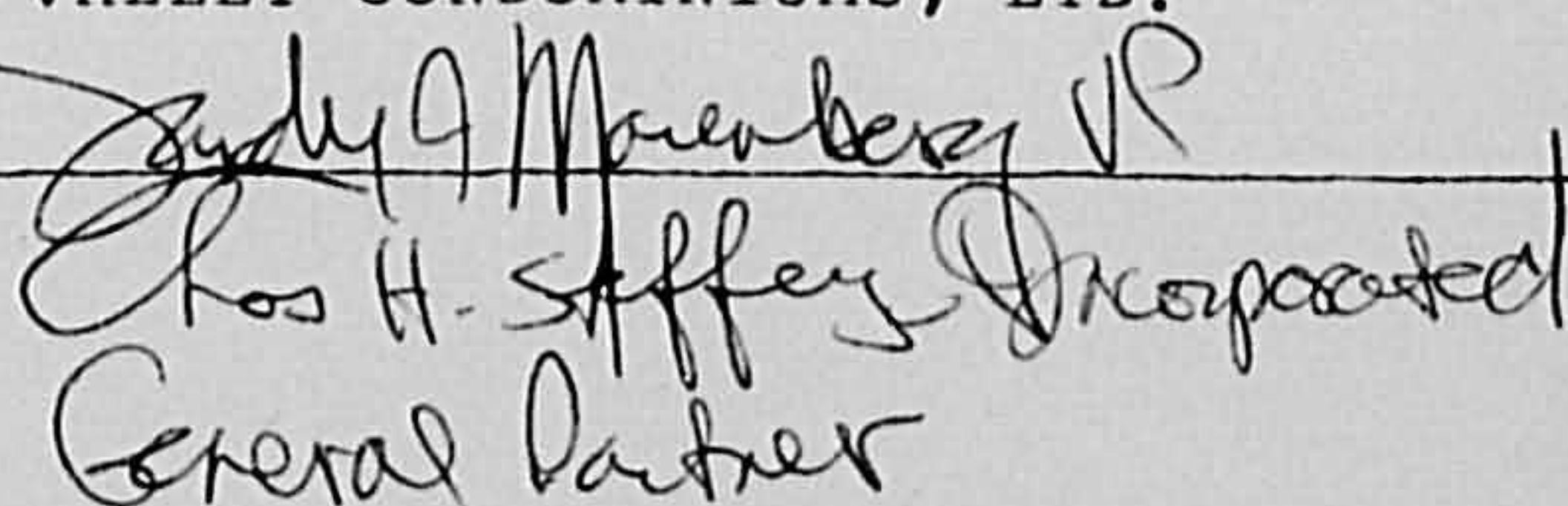
IN WITNESS WHEREOF, the Declarant has caused this writing to be executed and delivered in its name and on its behalf on the day and year first above written.

WITNESS:



SUN VALLEY CONDOMINIUMS, LTD.

BY:


 Charles H. Saffery Incorporated
 General Partner

STATE OF MARYLAND, ANNE ARUNDEL COUNTY, to wit:

I HEREBY CERTIFY, That on this 20th day of May, 1981, before me, the subscriber, a Notary Public of the State aforesaid, personally appeared SANDY J. MARENBERG, GENERAL PARTNER, CHAS. H. STEFFEY, INCORPORATED known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument, and acknowledged that he executed the same for the purposes therein contained, and in my presence signed and sealed the same.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.



Shirley A. Farrell
NOTARY PUBLIC

MY COMMISSION EXPIRES: 7/1/82

EXHIBIT "A"

ANAREX, INC.
DEVELOPMENT SERVICES
ENGINEERS - SURVEYORS
EXPEDITORS - PLANNERS
503 RITCHIE HIGHWAY SUITE 1E
SEVERNA PARK, MARYLAND 21146

September 24, 1980

TELEPHONE
544-0234
544-0279

DESCRIPTION OF PHASE I
SUN VALLEY CONDOMINIUM APARTMENTS
THIRD DISTRICT
ANNE ARUNDEL COUNTY, MARYLAND

Beginning for the same on the North side of Mountain Road at a point located at the end of the North 80 degrees 02 minutes 10 seconds West 376.64 foot line as shown on the plat of "Sun Valley Condominium Apartments" recorded among the plat records of Anne Arundel County, Maryland in Plat Book 19, Page 13; thence leaving said point of beginning, and running along the boundary of "Phase I" as shown on said plat, the eight following courses and distances:

- 1) North 09 degrees 57 minutes 50 seconds East 96.21 feet,
- 2) North 80 degrees 02 minutes 10 seconds West 30.00 feet,
- 3) North 09 degrees 57 minutes 50 seconds East 153.79 feet,
- 4) North 80 degrees 02 minutes 10 seconds West 644.50 feet,
- 5) South 09 degrees 57 minutes 50 seconds West 49.93 feet,
- 6) South 80 degrees 02 minutes 10 seconds East 250.34 feet,
- 7) South 09 degrees 57 minutes 50 seconds West 200.07 feet, and
- 8) South 80 degrees 02 minutes 10 seconds East 424.16 feet to the point of beginning.

Containing in all 2.482 acres of land, more or less.

EXHIBIT "C"

LIBER 3408 PAGE 255

ANAREX, INC.

DEVELOPMENT SERVICES
ENGINEERS - SURVEYORS
EXPEDITORS - PLANNERS
503 RITCHIE HIGHWAY SUITE 1E
SEVERNA PARK, MARYLAND 21146

September 24, 1980

TELEPHONE
544-0234
544-0279

DESCRIPTION OF PHASE 2
SUN VALLEY CONDOMINIUM APARTMENTS
THIRD DISTRICT
ANNE ARUNDEL COUNTY, MARYLAND

Beginning for the same on the North side of Mountain Road at a point located at the end of the North 80 degrees 02 minutes 10 seconds West 376.64 foot line as shown on the plat of "Sun Valley Condominium Apartments" recorded among the Plat Records of Anne Arundel County, Maryland in Plat Book 19, Page 13; thence leaving said point of beginning and running along the boundary of "Phase 2" as shown on said plat, the eight following courses and distances:

- 1) North 09 degrees 57 minutes 50 seconds East 96.21 feet,
- 2) North 80 degrees 02 minutes 10 seconds West 30.00 feet,
- 3) North 09 degrees 57 minutes 50 seconds East 153.79 feet,
- 4) South 80 degrees 02 minutes 10 seconds East 592.91 feet,
- 5) South 23 degrees 55 minutes 11 seconds West 53.52 feet,
- 6) North 80 degrees 02 minutes 10 seconds West 173.36 feet,
- 7) South 09 degrees 57 minutes 50 seconds West 198.06 feet,
- 8) North 80 degrees 02 minutes 10 seconds West 376.64 feet to the point of beginning.

Containing in all 2.615 acres of land, more or less.

E X H I B I T " B "

BY - LAWS

OF

LIBER 3408 PAGE 256

COUNCIL OF UNIT OWNERS

OF

SUN VALLEY CONDOMINIUM

ARTICLE I

PLAN OF CONDOMINIUM OWNERSHIP

SECTION 1. THE CONDOMINIUM. The property described on EXHIBIT "A" to the Declaration has been established as a Condominium pursuant to the Act. These By-Laws are attached to and made part of the Declaration as EXHIBIT "B" and are intended by the Declarant to set forth, inter alia, a plan by which the affairs of the Condominium shall be administered and governed by the Unit Owner's Association pursuant to the Act.

SECTION 2. DEFINITIONS. In these By-Laws, all words shall have the same meanings as designated in the Declaration unless otherwise apparent from the context, provided that the Council of Unit Owners shall be sometimes designated in these By-Laws as the "Association".

SECTION 3. APPLICABILITY OF BY-LAWS. The provisions of these By-Laws are applicable to the Association and to the Condominium. All present and future Unit owners, lessees and occupants of Units, and any other persons who may use the Property or the facilities of the Condominium in any manner, are subject to these By-Laws, the Declaration and the rules and regulations (hereinafter called the "Rules and Regulations") from time to time promulgated by the board of directors (hereinafter called the "Board of Directors" and each member thereof a "member" or a "Director") of the Association. The acceptance of a deed of conveyance to a Unit shall constitute an agreement that these By-Laws, the Rules and Regulations and the provisions of the Declaration, as they may be amended from time to time, are accepted, ratified and will be complied with.

ARTICLE II

COUNCIL OF UNIT OWNERS

SECTION 1. PURPOSE AND STATUS OF ASSOCIATION. The purpose of the Association shall be to operate and maintain the Property for the benefit of the Unit owners and to exercise the powers conferred upon it by the Act and these By-Laws. The Association shall be an unincorporated entity.

SECTION 2. NAME AND MAILING ADDRESS. The Association hereby organized and formed for the purposes set forth above shall be known as "Council of Unit Owners of Sun Valley Condominium". Unless changed from time to time by the Board of Directors, the office and mailing address of the Association and the Board of Directors shall be located at 2 East Fayette Street, Baltimore, Maryland 21202.

SECTION 3. POWERS OF THE ASSOCIATION. The Association shall have all of those powers enumerated in Section 11-109(d) of the Act, as the same may be amended from time to time. All powers residing in the Association, except for such as in the Act are expressly reserved to the Association, shall be delegated to and exercised by the Board of Directors of the Association and/or the managing agent employed by the Board of Directors on behalf of the Association.

SECTION 4. MEMBERS. The Association shall have as its members every person, group of persons, corporation, trust or other legal entity, or any combination thereof, who or which owns a Unit (herein called "Unit owner"); provided, however, that any person, group of persons, corporation, trust or other legal entity, or any combination thereof, who or which holds such interest solely as security for the performance of an obligation shall not be a member solely on account of such interest.

SECTION 5. ANNUAL MEETINGS. Promptly after (1) 120 days after the date of which 75% of the total units (72), have been conveyed to purchasers, or (2) three years from the date of the conveyance of the first Unit to a purchaser, whichever first occurs, or upon such earlier date as the Declarant may establish, the Declarant shall notify the Unit owners and the first annual meeting of the Association shall be held within 30 days. Notice of such meeting shall be given in accordance with the provisions of Section 8 of this Article II. Subsequent annual meetings of the Association should be held on the same date of each year as the first annual meeting, unless such date shall occur on a Saturday or Sunday or holiday, in which event the meeting shall be held on the next succeeding Monday which is not a holiday.

SECTION 6. SPECIAL MEETINGS. It shall be the duty of the President of the Association to call a special meeting (a) if so directed by resolution of the Board of Directors, or (b) upon a petition signed and presented to the Secretary of the Association by not less than 25% of the Unit owners; provided, however, that except on resolution of the Board of Directors, no special meetings shall be called prior to the first annual meeting of the Association as hereinabove provided for. No business shall be transacted at a special meeting except such as shall have been stated in the notice thereof.

SECTION 7. PLACE OF MEETINGS. Meetings of the Association shall be held at the principal office of the Association or at such other suitable place convenient to the Unit owners as may be designated in the notice of meeting by the Board of Directors.

SECTION 8. NOTICE OF MEETINGS. It shall be the duty of the Secretary to mail a notice of each annual or special meeting of the Association at least 15 but not more than 40 days prior to such meeting, stating the purpose thereof as well as the time and place where it is to be held, to each Unit owner of record, at his address shown on the roster (hereinafter called the "Roster") required to be kept pursuant to Section 11-109(c) of the Act. If the purpose of any meeting shall be to act upon a proposed amendment to the Declaration or to these By-Laws, the notice of meeting shall be mailed at least 30 days prior to such meeting. The mailing of a notice of meeting in the manner provided in this Section shall be considered service of notice as of the date of such mailing. In addition to the mailing of the notice of each annual and special meeting, notice may be personally delivered to each Unit owner at his address as shown on the Roster. Service of notice shall be proven by affidavit of the person serving such notice. Attendance by a Unit owner at a meeting in person or by proxy shall constitute waiver of notice of the time, place and purpose of such meeting.

SECTION 9. ADJOURNMENT OF MEETING. If any meeting of the Association cannot be held because a quorum of members has not attended, a majority vote of the Unit owners who are present at such meeting, either in person or by proxy, may adjourn the meeting to a time not less than 48 hours from the time the original meeting was called. No further notice thereof shall be required.

SECTION 10. ORDER OF BUSINESS. The order of business at all meetings of the Association shall be as follows:

- (a) Roll Call.
- (b) Proof of notice of meeting.
- (c) Reading of minutes of preceding meeting.
- (d) Reports of officers.
- (e) Report of Board of Directors.
- (f) Report of committees.
- (g) Appointment of inspector of election (when so required).
- (h) Nomination of Directors from the floor (when so required).

- (i) Election of members of the Board of Directors (when so required).
- (j) Unfinished business.
- (k) New business.

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

SECTION 11. VOTING. Each Unit owner, or some person designated by such Unit owner to act as proxy on his behalf (and who need not be a Unit owner), shall be entitled to cast the vote appurtenant to his Unit at all meetings of the Association. The designation of any such proxy shall be made in writing to the Secretary, shall be revocable at any time by written notice to the Secretary by the Unit owner so designated the proxy, and shall automatically expire 90 days following its issuance unless granted to a mortgagee or lessee. In the case of a Unit which is owned by more than one person or entity, any or all of such owners may be present at any meeting of the Association and (those constituting a group acting unanimously) may vote or take any other action as a Unit owner, either in person or by proxy. A fiduciary shall be the voting member with respect to any Unit owned in a fiduciary capacity. Where title to a Unit is in more than one person or entity, such multiple owners shall be entitled to cast, in the aggregate and as a solid block, the vote allocated to the Unit. If such multiple owners shall be unable to agree upon their vote upon any subject at any meeting they shall lose their right to vote on such subject, but if all of them shall not be present at a meeting, either in person or by proxy, the collective vote of the one or more present shall be the vote of all of the owners of the Unit. Whenever the vote of the Unit owners at a meeting is required or permitted by any provisions of the Act, the Declaration or by these By-Laws to be taken, the meeting and vote of Unit Owners may be dispensed with if all of the Unit owners who would have been entitled to vote thereat upon the action, if such meeting were held, consent in writing to such action being taken.

A Unit owner shall not be entitled to vote at any meeting of the Association if the Association has recorded a statement of condominium lien with respect to his Unit in accordance with Section 11-110 of the Act, and the amount necessary to release such lien has not been paid as of the date of the meeting.

No Unit owner shall be entitled to vote at a meeting of the Association unless and until he shall have furnished the Association with his name and current mailing address for listing on the Roster in accordance with Section 11-109(c) of the Act.

SECTION 12. MAJORITY OF UNIT OWNERS. As used in these By-Laws, the term "majority of Unit owners" shall mean those Unit owners having more than 50% of the total authorized votes of all Unit owners present, in person or by proxy, and voting at any meeting of the Association.

SECTION 13. QUORUM. Except as otherwise provided in these By-Laws or in the Act, the presence in person or by proxy of Unit owners having more than 50% of the total authorized votes of all Unit owners constitutes a quorum at all meetings of the Association.

SECTION 14. MAJORITY VOTE. The vote of a majority of the total authorized votes of Unit owners present at a meeting which has been duly called shall be binding upon all Unit owners for all purposes except where in the Declaration, under the Act or pursuant to these By-Laws a higher percentage vote is required.

SECTION 15. LIQUIDATION RIGHTS. In the event of any voluntary or involuntary dissolution of the Association, each Unit owner shall be entitled to receive out of the assets of the Association available for distribution to the members thereof an amount equal to his Percentage Interest in the Common Profits and Common Expenses of the Association.

SECTION 1. NUMBER AND QUALIFICATION. The affairs of the Association shall be governed by a Board of Directors acting on behalf of the Association. Until deeds for 72 Units have been delivered by the Declarant and title closed thereon, or until 5 years from the date of recordation of the Declaration, whichever occurs first, and thereafter until their successors shall have been elected by the Unit owners, the Board of Directors shall consist of 3 members to be designated by the Declarant. Thereafter, the Board of Directors shall be composed of 5 members, all of whom shall be elected by the Unit owners.

SECTION 2. POWERS AND DUTIES. The Board of Directors shall have and shall exercise the powers and duties of the Association as set forth in ARTICLE II, Section 3 hereof, and may do all such acts and things except as by law or by the Declaration or by these By-Laws may not be delegated to the Board of Directors by the Unit owners. Without limiting the generality of the foregoing, the Board of Directors' powers shall include the following:

- (a) Operation, care, upkeep and maintenance of the common elements.
- (b) Determination of the common expenses required for the affairs of the Association.
- (c) Collection of the common charges and expenses from the Unit owners.
- (d) Employment and dismissal of the personnel necessary for the maintenance and operation of the common elements.
- (e) Opening of bank accounts on behalf of the Association and designating the signatories required therefor.
- (f) Purchasing of Units at foreclosure or other judicial sale in the name of the Board of Directors, or its designee, corporate or otherwise, on behalf of the Association.
- (g) Obtaining of insurance for the Property.
- (h) Making of repairs, additions, replacements and improvements to or alterations of the common elements in accordance with the other provisions of these By-Laws after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings.
- (i) Enacting uniform Rules and Regulations from time to time for the use of the Property, as well as the conduct and the enjoyment of the Unit owners; provided, however, that no such Rules or Regulations so adopted shall be in conflict with the Act or the Declaration or these By-Laws; and provided further that no such Rules or Regulations shall be so construed so as to impair in any manner the lien of any mortgage or deed of trust with respect to any Unit and/or the common elements if such Rules or Regulations are promulgated after the recordation of said mortgage or deed of trust.
- (j) Enforcing obligations of Unit owners, allocating common profits and common expenses, if any, and doing anything and everything else necessary and proper for the sound management of the Property. In this connection, the Board of Directors shall have the power to levy fines against Unit owners for violation of the Rules and Regulations. No fine may be levied for more than \$5.00 for any one violation; but for each day that a violation continues, after notice, it shall be considered a separate violation. Collection of fines may be enforced against the Unit owner or Unit owners involved as if the fines are a common charge owed by the particular Unit owner or Unit owners. Where a Unit owner persists in violating the Rules and Regulations, the Board of Directors may require him to post a bond, satisfactory to it, to secure future compliance with the Rules and Regulations.
- (k) Controlling the use of all common elements, including, but not limited to, designating parking spaces thereon for use by Unit owners and/or their guests.

(1). Establishing reasonable reserve funds for emergencies and unforeseen contingencies and for the repair and replacement of common elements.

SECTION 3. MANAGING AGENT. The Board of Directors shall employ for the Association a professional managing agent at a compensation established by the Board of Directors. The Board of Directors shall not employ any new managing agent without 30 days' prior written notice to the institutional holders of all first mortgages on the Units, and the Board of Directors shall not undertake "self-management" or otherwise fail to employ a professional managing agent without the prior written approval of all of the institutional holders of such first mortgages. All management agreements entered into on behalf of the Association shall (a) be for a term not in excess of 1 year, (b) provide that either party may terminate the agreement, without cause, upon 90 days' written notice, and (c) provide that the Board of Directors may, for cause, terminate such agreement upon 30 days' written notice.

SECTION 4. ELECTION AND TERM OF OFFICE. The Directors of the Association who shall be designated by the Declarant in accordance with ARTICLE III, SECTION 1, above, shall hold office at the pleasure of the Declarant, and otherwise until the first annual meeting of the Association, which first annual meeting shall be held not later than 30 days after (1) 120 days after the date by which 75% of the total units (72) have been conveyed to purchasers, or (2) three years from the date of the conveyance of the first unit to a purchaser.

At the first annual meeting of the Association, 5 members of the Board of Directors shall be elected by the Unit owners from among the Unit owners. Commencing with the first annual meeting of the Association, the term of office of the 2 Directors receiving the greatest number of votes shall be fixed for 2 years. The term of office of the remaining Directors shall be fixed at 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 2 years. Each Director shall hold office until the next meeting of the Board of Directors following the election of his successors.

Members of the Board of Directors shall be elected by written secret ballot.

SECTION 5. REMOVAL OF MEMBERS OF THE BOARD OF DIRECTORS. At any regular or special meeting of the Association after the first annual meeting of the Association, any one or more of the members of the Board of Directors elected by the Unit owners may be removed, with or without cause, by a majority of the Unit owners. Any member of the Board of Directors whose removal has been proposed by the Unit owners shall be given an opportunity to be heard at the meeting. The term of office of any Director who becomes more than 45 days delinquent in the payment of common charges against the Unit of which he is the owner shall automatically terminate on the 46th day, and his successor shall thereupon be appointed by the Board of Directors from among the Unit owners to fill out the unexpired portion of his term.

SECTION 6. VACANCIES. Vacancies on the Board of Directors shall be filled by vote of a majority of the remaining Directors at a special meeting of the Board of Directors held for that purpose promptly after the occurrence of any such vacancy, even though the members present at such meeting may constitute less than a quorum, and each person so elected shall be a member of the Board of Directors for the remainder of the term of the predecessor member.

SECTION 7. ORGANIZATION MEETING. The first regular meeting of the Board of Directors following an annual meeting of the Unit owners shall be held within 10 days thereafter, at such time and place as shall be fixed by a majority of the members of the Board of Directors, and no notice shall be necessary to the newly elected members of the Board of Directors in order legally to constitute such meeting, provided that a majority of the whole Board of Directors shall be present thereat.

SECTION 8. REGULAR MEETINGS. Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by a majority of the members of the Board of Directors, but at least 2 such meetings shall be held during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each member of the Board of Directors, personally (in writing), by mail or by telegraph, at least 5 days prior to the day named for such meeting.

SECTION 9. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by the President of the Association on 3 business days' notice to each member of the Board of Directors, given by mail, personally (in writing) or by telegraph, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President of the Association in like manner and on like notice on the written request of at least 2 members of the Board of Directors.

SECTION 10. WAIVER OF NOTICE. Any member of the Board of Directors may at any time waive notice of any meeting of the Board of Directors, in writing, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a member of the Board of Directors at any meeting of the Board shall constitute a waiver of notice by him of the time, place and purpose thereof. If all the members of the Board of Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

SECTION 11. QUORUM OF BOARD OF DIRECTORS. At all meetings of the Board of Directors a majority of the members thereof shall constitute a quorum for the transaction of business, and the votes of a majority of the members of the Board of Directors present at a meeting at which a quorum is present shall constitute the decision of the Board of Directors. If at any meeting of the Board of Directors there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time. At any such adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

SECTION 12. FIDELITY BONDS. The Board of Directors shall obtain adequate fidelity bonds for itself and all officers, employees of the Association, and others handling or responsible for Association funds. Such bonds or insurance shall name the Association as the insured and shall be written in an amount not less than one and one-half times the amount of the Condominium's estimated annual operating expenses and reserves and shall contain waivers of any defense based upon the exclusion of persons who serve without compensation from any definition of "employee" or similar expression. Such bonds shall provide that they may not be cancelled or substantially modified (including cancellation for non-payment of premium) without at least 30 days notice to each first mortgagee. The premiums on such bonds shall constitute a common expense of the Association.

SECTION 13. COMPENSATION. No member of the Board of Directors shall receive any compensation for acting as such, but a Director may be reimbursed for actual out-of-pocket expenses incurred by him in the proper performance of his duties.

SECTION 14. LIABILITY OF THE BOARD OF DIRECTORS; INDEMNIFICATION.

(a) The members of the Board of Directors shall not be liable to the Unit owners for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith.

(b) The Association shall indemnify every Director against any and all expenses, including counsel fees, reasonably incurred by or imposed upon any Director in connection with any action, suit or other proceeding (including the settlement of any such suit or proceeding if approved by the then Board of Directors of the Association) to which he may be made a party by reason of being or having been a Director of the Association, whether or not such person is a Director at the time such expenses are incurred. The Board of Directors shall, to the extent available at rates which in their opinion are reasonable, obtain adequate directors and officers insurance. The Directors of the Association shall have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Association (except in their

capacity as Unit owners) and the Association shall indemnify and forever hold each such Director free and harmless against any and all liability to others on account of any such contract or commitment. Any right to indemnification provided for herein shall not be exclusive of any other rights to which any Director of the Association or former Director of the Association may be entitled.

(c) The provision of "(a)" and "(b)" above shall also apply to each and every officer of the Association.

SECTION 15. EXECUTIVE COMMITTEE. The Board of Directors may, by resolution duly adopted, appoint an Executive Committee to consist of 3 members of the Board of Directors. The Executive Committee shall have and may exercise all of the powers of the Board of Directors in the management of the business and affairs of the Association during the intervals between the meetings of the Board of Directors insofar as may be permitted by law, except that the Executive Committee shall not have power (a) to determine the common charges and expenses required for the affairs of the Association, or (b) to adopt or amend the Rules and Regulations covering the details of the operation and use of the Property.

SECTION 16. ACTION WITHOUT MEETING. Any action required or permitted to be taken by the Board of Directors 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 17. COMMON OR INTERESTED DIRECTORS.

(a) The Directors shall exercise their powers and duties in good faith and with a view to the interests of the Association and consistent with the purposes set forth in the Declaration. No contract or other transaction between the Association and one or more of its Directors, or between the Association and any corporation, firm, entity or association in which one or more of the Directors are directors or officers or are pecuniarily or otherwise interested, shall be either void or voidable because such Director or Directors are present at the meeting of the Board of Directors or any committee thereof which authorizes or approves the contract or transaction, or because his or their votes are counted for such purpose, if the contract or transaction is commercially reasonable to the Association at the time that it is authorized, ratified, approved or executed and either of the conditions specified in the following subparagraphs exist:

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

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

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

SECTION 18. BOARD AS ATTORNEY-IN-FACT. The Board of Directors is hereby irrevocably appointed as attorney-in-fact for the owners of all of the Units, and for each of them, to manage, control and deal with the interest of such owners in the common elements of the Condominium so as to permit the Board of Directors to fulfill all of its powers, functions and duties under the provisions of the Act, the Declaration and these By-Laws, and to exercise all of its rights thereunder and to deal with the Property upon its destruction and/or the proceeds of any insurance indemnity as herein-after provided and to grant easements in accordance with Article XI hereof.

The foregoing shall be deemed to be a power of attorney coupled with an interest, and the acceptance by any person or entity of any interest in any Unit shall constitute an appointment of the Board of Directors as attorney-in-fact as aforesaid.

ARTICLE IV
OFFICERS

SECTION 1. DESIGNATION. The principal officers of the Association shall be the President (who shall also act as chairman of the Board of Directors of the Association), the Vice President, the Secretary, and the Treasurer, all of whom shall be elected by the Board of Directors. The Board of Directors may appoint an assistant treasurer, an assistant secretary, and such other officers as in its judgment may be necessary or desirable. The President and Vice President, but no other officers, must be members of the Board of Directors.

SECTION 2. ELECTION OF OFFICERS. The officers of the Association shall be elected annually by the Board of Directors and shall hold office at the pleasure of the Board of Directors.

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

SECTION 4. PRESIDENT. The President shall be the chief executive and operating officer of the Association. He shall preside at all meetings of the Association. He shall have all of the general powers and duties which are incident to the office of president of a stock corporation organized and existing under the laws of the State of Maryland.

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 or Vice President is able to act, the Board of Directors shall appoint some other member of the Board of Directors to act in the place of the President on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors or by the President, including, without limitation, the counting of votes at meetings of the Association.

SECTION 6. SECRETARY. The Secretary shall keep the minutes of all meetings of the Association (including copies of all resolutions adopted thereat), and of the Board of Directors; he shall have charge of such books and papers as the Board of Directors may direct; and he shall, in general, perform all the duties incident to the office of secretary of a stock corporation organized and existing under the laws of the State of Maryland.

SECTION 7. TREASURER. The Treasurer shall have the responsibility for Association funds and securities and shall be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements, and for the preparation of all required financial data. He shall be responsible for the deposit of all moneys and other valuable effects in the name of the Association in such depositories as may from time to time be designated by the Board of Directors, and he shall, in general, perform all the duties incident to the office of treasurer of a stock corporation organized and existing under the laws of the State of Maryland.

If required by the Board of Directors, he shall give a bond, the premium therefor to be considered a common expense, in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control.

SECTION 8. COMPENSATION OF OFFICERS. No officer shall receive any compensation from the Association for acting as such.

SECTION 1. DETERMINATION OF COMMON EXPENSES AND FIXING OF COMMON CHARGES.

(a) Unless otherwise expressly provided herein, common expenses of the Association, in general, shall include maintenance, operation, repair, or replacement of the common elements. They include, but are not limited to:

1. Management fees;
2. Insurance premiums;
3. Charges for landscaping, snow removal and maintenance of the walks, driveways, parking areas and retaining walls;
4. Audit, 'attorneys' fees, and like administrative costs;
5. Reserves for replacements or other expenses of a nonrecurring nature;
6. Service contracts and employees' salaries;
7. Payment of utility bills and like expenses (except to the extent that such bills or expenses are individually metered for any Unit, in which event such bills or expenses shall be the responsibility of the Unit owner receiving the benefit of such individually metered service); and
8. Such other expenses as shall be necessary or desirable in the judgment of the Board of Directors for the administration and operation of the Property, or which may be declared to be common expenses by the Act, the Declaration, these By-Laws or by resolution of the Unit owners.

(b) The proportionate interest of any Unit owner in any reserve fund shall be considered an appurtenance to his Unit and shall not be separately withdrawn, assigned or transferred or otherwise separated from the Unit to which it is appurtenant, and shall be deemed to be transferred with such Unit.

SECTION 2. PREPARATION AND APPROVAL OF BUDGET.

Each year at least 30 days before the end of the current fiscal year, the Board of Directors shall make reasonable efforts to adopt a budget for the Condominium containing an estimate of the total amount which it considers necessary to pay the cost of maintenance, management, operation, repair and replacement of the common elements as to which it is the responsibility of the Association to maintain, manage, operate, repair, and/or replace, and the cost of wages, materials, insurance premiums, services, supplies and other expenses that may be declared to be common expenses by the Act, these By-Laws or a resolution of the Association, and which will be required during the ensuing fiscal year for the maintenance, management, operation, and/or repair of the Property as required by the Declaration and these By-Laws. The Board of Directors shall send to each Unit owner a copy of the budget, in a reasonably itemized form which sets forth the amount of the common expenses payable by each Unit owner, on or before 15 days preceding the beginning of the fiscal year to which the budget applies or as soon thereafter as is possible. The said budget shall constitute the basis for determining each Unit owner's contribution for the common expenses of the Condominium. The failure or delay of the Board of Directors to prepare or adopt the annual budget for any fiscal year shall not constitute a waiver or release in any manner of a Unit owner's obligation to pay his allocable share of the common expenses, as herein provided, whenever the same shall be determined, and in the absence of any annual budget, each Unit owner shall continue to pay his allocable share of the common expenses at the then existing rate established for the previous fiscal period until the new payment is established.

SECTION 3. RESERVES. As a part of the annual budget the Board of Directors shall build up and maintain an adequate reserve for working capital and contingencies, and an adequate reserve for replacement of the common elements required to be replaced by the Association. All funds accumulated for reserves shall be kept in a separate bank account, segregated from the general operating funds, and, if the Board of Directors deems it advisable, funds accumulated for each type of reserve shall be kept in a separate bank account, identified by reference to the specific category of reserve. Extraordinary expenditures not originally included in the annual budget which may become necessary during the year shall be charged first against such reserves. Except where an emergency requires an expenditure to prevent or minimize loss from further damage to, or deterioration of, the common elements, reserves accumulated for one purpose may not be expended for any other purpose unless approved by the Association. If the reserves are inadequate for any reason, including non-payment of any Unit owner's assessment, the Board of Directors may at any time levy a further assessment, which shall be assessed against the Unit owners according to their proportionate share, and which may be payable in a lump sum or in installments as the Board of Directors may determine. The Board of Directors shall serve notice of any such further assessment on all Unit owners by a statement in writing giving the amount and reasons therefor, and such further assessment shall, unless otherwise specified in the notice, become effective with the next regular payment which is due more than 10 days after the delivery or mailing of such notice of further assessment.

SECTION 4. INITIAL ASSESSMENT. When the first Board of Directors takes office, it shall determine the budget for the period commencing upon the conveyance of legal title to the first Unit by the Declarant and ending on the last day of the fiscal year established by the Board of Directors in which such conveyance occurs. The Board of Directors may establish an initial working capital fund through special assessment of each Unit owner upon purchase of his Unit from the Declarant.

SECTION 5. PAYMENT OF COMMON CHARGES: LIEN. Each Unit owner shall be obligated to pay, in advance, the common expenses and charges assessed by the Board of Directors against his Unit.

The amount levied and assessed against each Unit for common expenses shall constitute a lien against said Unit from the date of assessment until the date of full payment, provided that a "Statement of Lien" is recorded against the Unit as provided in Section 11-110 of the Act. At the option of the Board of Directors, said amount may be payable in annual quarterly, monthly or other convenient installments, and to the Board of Directors or to such person or entity who or which the Board of Directors shall designate.

The lien hereinabove set forth shall be inferior only to deeds of trust, mortgages or other encumbrances recorded prior to the date of assessment of said lien, or recorded promptly after receipt of a written statement from the Board of Directors that payments due on said Unit were current as of the date of such written statement.

Upon the voluntary sale or conveyance of a Unit there shall be paid or provided from the sale proceeds an amount sufficient to satisfy any unpaid portion of the assessments due and payable as of the date of sale or conveyance. Upon an involuntary sale through foreclosure of a deed of trust, mortgage or encumbrance not a first trust, first mortgage or first encumbrance (any such first trust, first mortgage or first encumbrance having the priority rights set forth in the immediately succeeding paragraph) having a preference as set forth in the preceding paragraph, or in the event of any proceeding or other conveyance in lieu of foreclosure, a purchaser thereunder shall not be liable for any installments of such lien as become due prior to the recording of such deed of trust, mortgage or encumbrance.

Notwithstanding any other provisions hereof to the contrary, the lien of any assessments levied pursuant to these By-Laws upon any Unit shall be subordinate to and shall in no way affect the rights of the holder of any indebtedness secured by any recorded first mortgage or deed of trust upon such interest made in good faith and for value received, provided, however, that such subordination shall apply only to assess-

ments which have become due and payable prior to a sale or transfer of such 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 Unit from liability for any assessments thereafter becoming due, nor from the lien of any such subsequent assessments, which lien, if any, claimed shall have the same effect and may be enforced in the same manner as provided herein.

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

SECTION 6. COLLECTION OF ASSESSMENTS. The Board of Directors shall take prompt action to collect any common charges due from any Unit owner which remain unpaid for more than 30 days from the due date for payment thereof. Upon default in the payment of any one or more installments of any assessment levied pursuant to the Declaration and/or these By-Laws, the entire balance of said assessments may be accelerated at the option of the Board of Directors and be declared due and payable, in full, together with interest thereon at the rate of 8% per annum.

SECTION 7. DEFAULT IN PAYMENT OF COMMON CHARGES. The lien for unpaid assessments for common expenses may be enforced and foreclosed in such manner as may from time to time be provided in the Act. Any assessment, until paid, may at the election of the Board of Directors bear interest at the rate of 8% per annum in accordance with Section 11-110(d) of the Act. In addition, the Board of Directors may impose late charges and/or the costs of collection (including reasonable attorneys' fees), if any, with respect to any assessment which has not been fully paid when due. Such late charges and other costs shall not exceed the permissible amounts provided for in Sections 11-110(d) and (e) of the Act, and shall otherwise comply therewith. All such interests, late charges and other costs shall constitute a lien upon the Unit until fully paid as provided in ARTICLE V, SECTION 5 above.

In any action brought by the Board of Directors to foreclose a lien against a Unit because of unpaid common charges, the Unit owner shall be required to pay a reasonable rental for the use of his Unit, and the plaintiff in such foreclosure action shall be entitled to the appointment of a receiver to collect the same, such rent to accrue from the date that an action to recover possession of the Unit is commenced.

No suit or other proceeding may be brought by the Association to foreclose the lien for any assessments levied pursuant to the Declaration or these By-Laws except after 10 days' written notice to the holder of the first mortgage which is a lien on the Unit that is the subject matter of the proceeding.

SECTION 8. STATEMENT OF COMMON CHARGES. Any owner, first mortgagee or any purchaser in connection with any sale or conveyance of a Unit, shall be entitled to a statement furnished by the Board of Directors setting forth in detail the amount of any unpaid assessments owed by the Unit owner, and such party shall be entitled to rely on such statement and shall have no liability for, nor shall the Unit be encumbered with an amount of unpaid assessments greater than that shown on such statement.

SECTION 9. INSURANCE. The Board of Directors shall be required to obtain and maintain, to the extent obtainable, the following insurance: (1) all risks of physical damage coverage, which coverage shall include, but not be limited to, fire insurance with extended coverage, sprinkler leakage, debris removal, cost of demolition, windstorm, water damage, vandalism and malicious mischief endorsements, insuring the building(s) and all other improvements which are part of the Property (including all of the Units and the bathroom and kitchen fixtures installed therein as of the date of recordation of the Declaration, but not including any wall, ceiling or floor decorations or coverings or other furniture, furnishings or other personal property supplied or installed by Unit owners), together with all service machinery contained therein, and covering the interests of the Association, the Board of Directors and all Unit owners and their mortgagees, as their interests may appear, in an amount equal to the full replacement value of the building(s) and all other improvements which are part of the Property (less land, excavation and founda-

tion), with an "agreed amount" endorsement and a "condominium replacement cost" endorsement, without deduction for depreciation. Each of said policies shall contain a standard mortgagee clause in favor of each first mortgagee of a Unit, which shall provide that the loss, if any, thereunder shall be payable to such mortgagee as its interest may appear, subject, however, to the loss payment provisions in favor of the Board of Directors and the Insurance Trustee hereinafter set forth; (2) workmen's compensation insurance; (3) broad form boiler and machinery replacement and repair insurance (including force boiler explosion coverage) in an amount at least equal to \$50,000.00 per accident per location; (4) common element plate glass insurance; (5) water damage and water damage legal liability insurance; (6) coverage for common expenses with respect to Units during any period of repair or reconstruction where the Unit is uninhabitable by reason of fire or other casualty; and (7) such other insurance as the Board of Directors may determine. All such policies shall provide that all adjustments of loss shall only be made by the Board of Directors.

All policies (i) shall be written with a company or companies licensed to do business in the State of Maryland and holding a rating of in Best's Insurance Guide, of A+ or better and designated as being in a financial category of VI or better, and (ii) shall provide that, notwithstanding any provisions thereof which give the carrier the right to elect to restore damage in lieu of making a cash settlement, such option shall not be exercisable without the prior written approval of the Board of Directors or when in conflict with the provisions of these By-Laws, and (iii) shall contain no provision relieving the insurer from liability because of loss occurring while the hazard is increased in the building(s) and all other improvements which are part of the Property, whether or not within the control or knowledge of the Board of Directors and/or any Unit owner, and shall contain no provision relieving the insurer from liability by reason of any breach of warranty or condition caused by the Board of Directors or any Unit owner, and/or their respective agents, employees, tenants, mortgagees or invitees or by reason of any act of neglect or negligence on the part of any of them; and (iv) shall provide that such policies may not be cancelled or substantially modified (including cancellation for non-payment of premium) without at least 30 days' prior written notice (which shall include a right to cure any defaults) to any and all insureds named thereon, including any and all mortgagees of the Units.

All policies of physical damage insurance shall contain waivers of subrogation and waivers of any defense based on co-insurance or of invalidity arising from any acts of the insured. Duplicate originals of all policies of physical damage insurance and of all renewals thereof, together with proof of payment of premiums, shall be delivered to all first mortgagees of Units at least 10 days prior to the expiration of the then-current policies. Prior to obtaining any policy of fire insurance or any renewal thereof, the Board of Directors shall obtain an appraisal from an insurance company of the replacement value of the building(s) and other improvements located in the Property, as aforesaid, for the purpose of determining the amount of fire insurance to be effected pursuant to this Section.

In no event shall the insurance coverage obtained and maintained by the Board of Directors hereunder be brought into contribution with insurance purchased by individual Unit owners or their mortgagees.

Each Unit owner shall be required to notify the Board of Directors of all improvements made by any owner to his Unit, the value of which is in excess of \$1,000.00.

Any Unit owner who obtains individual insurance policies covering any portion of the Property, other than personal property belonging to such owner, shall be required to file a copy of such individual policy or policies with the Board of Directors within 30 days after the purchase of such insurance.

In no event shall any policy provided for hereunder be obtained from an insurance carrier where: (a) under the terms of the carrier's charter, by-laws or policy, contributions or assessments may be made against a Unit owner or any first mortgagee; or (b) by the terms of the carrier's charter, by-laws or policy, loss payments are contingent upon action by the carrier's Board of Directors, policyholders, or members; or (c) the policy includes

any limiting clauses (other than insurance conditions) which could prevent any first mortgagee, the Insurance Trustee, the Board of Directors or any Unit owner from collecting insurance proceeds.

The Board of Directors shall also be required to obtain and maintain, to the extent obtainable, public liability insurance in such limits as the Board of Directors may from time to time determine, but not less than \$1,000,000.00 for bodily injury or property damage arising out of a single occurrence, covering each member of the Board of Directors, the managing agent and each Unit owner. Such public liability coverage shall also contain a so-called "Severability of Interest Endorsement". The Board of Directors shall review such limits once each year.

Unit owners shall not be prohibited from carrying other insurance for their own benefit provided that all such policies shall contain waivers of subrogation and further provided that the liability of the carriers issuing insurance obtained by the Board of Directors shall not be affected or diminished by reason of any such additional insurance carried by any Unit owner and/or the Association.

SECTION 10. REPAIR OR RECONSTRUCTION AFTER FIRE OR OTHER CASUALTY. Except as hereinafter provided, in the event of damage to or destruction of the Property as a result of fire or other casualty, the Board of Directors shall arrange for the prompt repair and restoration thereof (including any damaged Units, and any kitchen or bathroom fixtures installed therein on the date of recordation of the Declaration, but not including any wall, ceiling or floor decorations or coverings or other furniture, furnishings, fixtures or equipment installed by Unit owners in the Units), and the Board of Directors or the Insurance Trustee, as the case may be, shall disburse the proceeds of all insurance policies to the contractors engaged in such repair and restoration, as provided below.

If 2/3 or more of the then replacement cost of the entire Property is destroyed or substantially damaged, the Property shall be subject to an action for partition as provided in Section 11-111(c) of the Act.

The Insurance Trustee may rely upon a certificate of the Board of Directors which certifies whether or not the damaged Property is to be reconstructed or repaired. The Board of Directors, upon request of the Insurance Trustee, shall deliver such certificate as soon as practicable.

If the damage is only to those part of a Unit for which the responsibility of maintenance and repair is borne by the Unit owner, then the Unit owner shall be responsible for the reconstruction and repair after casualty and shall be entitled to apply the applicable insurance proceeds thereto. In all other instances, the responsibility of reconstruction and repair after casualty shall be that of the Association.

Immediately after a casualty causing damage to the Property for which the Association has the responsibility of maintenance, repair, and/or replacement the Board of Directors shall obtain reliable and detailed estimates of the cost to place the damaged portions of the Property in as good a condition as existed before the casualty. Such costs may include professional fees and premiums for such bonds as the Board of Directors desire.

As hereinafter used in these By-Laws, the term "Lead Mortgagee" means the mortgagee holding liens on 20% or more of the Units. In the event that more than one mortgagee holds liens on 20% or more of the Units, the "Lead Mortgagee" shall be the mortgagee which holds liens on the most Units.

In the event of reconstruction or repair (as estimated by the Board of Directors) which shall exceed \$25,000.00 and if the Lead Mortgagee shall so require, all proceeds of insurance shall be paid over to a trust company or bank having trust powers and authorized to engage in the trust business in the State of Maryland, selected by the Board of Directors with the approval of the Lead Mortgagee, and shall be paid out from time to time as the reconstruction or repair progresses in accordance with the provisions of an Insurance Trust Agreement satisfactory in form and substance to the Lead Mortgagee, and which contains, inter alia, the following provisions:

(a) the reconstruction or repair shall be in the charge of an architect or engineer, who may be an employee of the Association, satisfactory to the Lead Mortgagee, and hereinafter called the "Architect";

(b) prior to the commencement of the reconstruction or repair, other than such work as may be necessary to protect the Property from further damage, the Lead Mortgagee shall have approved the plans and specifications for such reconstruction or repair, which approval shall not be unreasonably withheld or delayed;

(c) unless otherwise required by the Lead Mortgagee, each request for an advance of the proceeds of insurance shall be made to the Lead Mortgagee at least 10 days prior to delivery to the Insurance Trustee and shall be accompanied by a certificate from the Architect to the effect that (i) all work then completed has been performed in accordance with the plans and specifications; and (ii) the amount requested to be advanced is required to reimburse the Board of Directors for payments previously made by the Board of Directors or is due to the contractor responsible for the restoration or repair, or to subcontractors, materialmen, laborers, engineers, architects or to other persons responsible for services or materials in connection with such restoration or repair, or for fees or the like necessarily incurred in connection with the same; and (iii) when added to amounts previously advanced by the Insurance Trustee, the amount requested to be advanced does not unreasonably exceed the value of the work done and materials delivered to the date of such request;

(d) each request for an advance of the proceeds of insurance shall, if required by the Lead Mortgagee, be accompanied by satisfactory waivers of liens covering that portion of the repair or reconstruction for which payment or reimbursement is being requested, together with appropriate evidence from a title insurance company or the like to the effect that there has not been filed with respect to the Property, or any part thereof, any mechanics' or other lien, or notice of intention to file the same, which has not been dismissed, bonded, or satisfied of record;

(e) the fees and expenses of the Insurance Trustee, as agreed upon by the Board of Directors and the Insurance Trustee, shall be paid by the Association as a common expense, and such fees and expenses may be deducted from any insurance proceeds in the hands of the Insurance Trustee, pro rata, as the reconstruction or repair progresses.

(f) such other provisions not inconsistent with the provisions hereof as the Board of Directors, the Insurance Trustee or the Lead Mortgagee may reasonably require.

The Lead Mortgagee may require evidence satisfactory to it of the availability of funds in excess of insurance proceeds, in an amount equal to the difference between the cost of reconstruction or repair, including the fees and expenses of the Insurance Trustee (all as estimated by the Lead Mortgagee with the assistance and counsel of the Architect), and the amount of insurance proceeds, as a condition precedent to the disbursement of any advance of insurance proceeds by the Insurance Trustee for the purpose of such reconstruction or repair.

Upon completion of the reconstruction or repair and payment in full of all amounts due on account thereof, any proceeds of insurance then in the hands of the Insurance Trustee shall be paid to the Board of Directors shall be considered as one fund and shall be divided among the owners of all the Units in the same proportion as that previously established for ownership of appurtenant undivided interests in the common elements, after first paying out of the share of the owner of any Unit (to the extent such payment is required by any lienor and to the extent the same is sufficient for such purpose), all liens upon said Unit.

SECTION 11. ABATEMENT AND ENJOINMENT OF VIOLATIONS BY UNIT OWNERS. The Violation of any of the Rules or Regulations adopted by the Board of Directors, or the breach of these By-Laws or of any provision of the Declaration, shall give the Board of Directors the right, in addition to any other rights set forth in these By-Laws: (a) to enter the Unit in which or as to which such violation or breach exists and to summarily abate and remove, at the expense of the defaulting Unit owner, any structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions hereof, and the Board of Directors shall

not thereby be deemed guilty in any manner of trespass; or (b) to enjoin, abate or remedy by appropriate legal proceeding, either at law or in equity, the continuance of any such breach.

SECTION 12. MAINTENANCE AND REPAIR.

(a) By the Association. The Association shall be responsible for the maintenance, repair and replacement of the following, the cost of which shall be charged to all Unit owners as a common expense:

(1) Except as otherwise provided in paragraph (b) of this SECTION 12, all of the common elements, whether located inside or outside of the Units; and

(2) All exterior walls and exterior surfaces (including the painting of the exterior surface of the front door of each Unit) of the buildings constituting the Condominium; the roofs of the buildings constituting the Condominium; Unit party walls and all other portions of the Units which contribute to the support of the buildings constituting the Condominium, such as the outside walls of such buildings, and all fixtures on the exterior thereof; the boundary walls of Units; floor slabs; load-bearing columns; but excluding, however, the interior walls, interior ceilings and interior floor coverings of the Units, and excluding the surfaces of all walls, floors and ceilings of the Units; and

(3) The sanitary and storm sewer systems and appurtenances; all water, electric, gas, heating, air conditioning, plumbing and telephone lines, facilities and systems that are deemed common elements, including all conduits, ducts, plumbing, wiring and other facilities for the furnishing of all utility services into two or more Units, but excluding therefrom all air handling units, heating units, air conditioning units, and all plumbing and electrical appliances, fixtures, systems and parts thereof which are enjoyed by only a single Unit and are located solely within the boundary of an individual Unit or in a limited common element designated in the Declaration as being appurtenant to an individual Unit; all catch basins and television master antenna systems located outside the specific boundaries of any Unit; and all roof drainage pipes, gutters and leaders; and

(4) Except as otherwise provided in paragraph (b)(2) of this SECTION 12, all balconies or patios; and

(5) All incidental damage caused to any Unit by such work as may be done or caused to be done by the Association in accordance with the provisions of these By-Laws.

(b) By the Unit Owner.

(1) Except for the portions of his Unit required to be maintained, repaired and replaced by the Association, each Unit owner shall be responsible for the maintenance, repair and replacement, at his own expense, of the following: any interior walls, ceilings and floors, kitchen and bathroom fixtures and equipment, air handling units, heating units, air conditioning units, lighting fixtures, plumbing and electrical appliances and systems, fixtures and parts thereof which are wholly contained within his Unit and/or in a limited common element designated in the Declaration as being appurtenant to his Unit and serve his Unit and no other.

(2) Each Unit owner shall be responsible for performing, at his expense, the normal maintenance for any balcony or patio which is designated in the Declaration as being a limited common element appurtenant to his Unit, including keeping it in a clean and sanitary condition and free and clear of snow, ice and any accumulation of water, and shall also make, at his own expense, all repairs thereto caused or permitted by his negligence, misuse or neglect.

(3) Each Unit owner shall, at his expense, perform all maintenance and make all repairs and replacements to the windows, the front door (but not the painting of the exterior surface of the front door) and any sliding glass door(s) appurtenant to or part of his Unit.

(4) Each Unit owner shall be responsible for, and promptly after demand shall reimburse the Association for the cost of maintaining repairing or replacing any damage to the common elements or any portion of his Unit required to be maintained, repaired or replaced by the Association which is caused by the negligence, misuse or neglect of such Unit owner. Such reimbursement shall be collected by the Association from the Unit owner obligated therefore in the same manner as set forth in ARTICLE V of these By-Laws for the collection of common expenses.

(5) Each Unit owner shall perform his responsibilities under this SECTION 12 in such a manner as shall not unreasonably disturb or interfere with the other Unit owners. Each Unit owner shall promptly report to the Association or the managing agent any defect or need for repairs for which the Association is responsible.

(c) Manner of Repair and Replacement. All repairs and replacements shall be substantially similar to the original construction and installation and shall be of first-class quality.

SECTION 13. RESTRICTIONS ON USE OF UNITS. In order to provide for the congenial occupancy of the Property and for the protection of the values of the Units, the use of the Property shall be restricted to and shall be in accordance with the following provisions:

(a) No part of the Property shall be used for other than housing and the related common purposes for which the Property was designed. Each Unit shall be used for residential purposes and for no other purpose, except that a Unit may be used as a professional office upon the written consent of the Board of Directors provided that such use is consistent with all valid laws, zoning ordinances and regulations of all governmental agencies having jurisdiction in respect of the Property, and, provided further, that as a condition for such consent each such Unit owner agrees to pay and pays any increase in the rate of insurance for the Property which results from such professional use. An owner may use a portion of his Unit for an office or studio provided that the activities therein shall not interfere with the quiet enjoyment or comfort of any other owner, and provided further that in no event shall any part of the Property be used as a school or music studio.

(b) Nothing shall be done or kept in any Unit or in the common elements which will increase the rate of insurance for the property applicable for residential use without the prior written consent of the Board of Directors. No owner shall permit anything to be done or kept in his Unit or in the common elements which will result in the cancellation of insurance on the Property, or the contents thereof, or which would be in violation of any law. No waste will be committed in the common elements.

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

(d) Nothing shall be done in any Unit or in, on, or to the common elements which will impair the structural integrity of the Property or which would structurally change any building or improvements thereon except as is otherwise provided in these By-Laws, provided, further that interior partitions contributing to the support of any Unit shall not be altered or removed.

(e) Except for professional use permitted by the Board of Directors and other uses permitted by the Declaration, no industry, business, trade, occupation or profession of any kind, commercial, religious, educational, or otherwise, designed for profit, altruism, exploration, or otherwise, shall be conducted, maintained, or permitted on any part of the Property. No Unit owner may post any advertisement, poster or sign of any kind on the exterior of his Unit or in the windows of his Unit, except (i) as permitted by the Board of Directors; (ii) in the event the Board of Directors

gives its consent to the professional use of a Unit, a suitable sign may be displayed upon the written consent of the Board of Directors; or (iv) when required by law. The right is reserved by the Declarant or its agents to use any unsold Unit or Units for display purposes and to display "For Sale" or "For Rent" signs for unsold Units.

(f) No antennas, except installed by the Declarant, that are visible from the exterior of any Unit may be erected or maintained except upon the written consent of the Board of Directors.

(g) No portion of a Unit (other than the entire Unit) may be rented, and no transient tenants may be accommodated therein. Any lease agreement shall provide that the terms of the lease shall be subject in all respects to the provisions of the Declaration and By-Laws and that any failure of the lessee to comply with the terms of such documents shall be a default under the lease. All leases must be in writing. The limitations of this Section shall not apply to any institutional first mortgagee of any Unit who comes into possession of the Unit by reason of any remedies provided by law or in the mortgage, or as a reason of foreclosure sale or other judicial sale, or as a result of any proceeding, arrangement, assignment, or deed in lieu of foreclosure.

(h) The limited common elements and all yards must be kept in an orderly condition so as not to detract from the neat appearance of the community. In this regard, no motorcycles, no mopeds or other motor driven vehicles may be parked on the patios, balconies, front entrance-ways or the yards. The Board of Directors, in its sole discretion, may determine whether or not limited common elements are orderly. If an owner shall fail to keep his limited common elements orderly, the Board of Directors may have any objectionable items removed from the limited common elements so as to restore its orderly appearance, without liability therefor, and charge the Unit owner for any costs incurred in the process.

(i) No motorized vehicle may be used or maintained on the yards or sidewalks of any Unit and no unlicensed vehicles are allowed on the Property.

(j) The maintenance, keeping, breeding, boarding and/or raising of animals, livestock, or poultry of any kind, regardless of number, shall be and is hereby prohibited within any Unit or upon any common elements, except that this shall not prohibit the keeping of a small, orderly house pet provided that it is not kept or maintained for commercial purposes or for breeding. Pets shall not be permitted upon the common element except in areas designated by the Board of Directors. All pets shall be accompanied by an adult and are to be carried or leashed. Any member who keeps or maintains any pet upon any portion of the Property shall be deemed to have indemnified and agreed to hold the Association, and each of its members free and harmless from any loss, claim or liability of any kind or character whatever arising by reason of keeping or maintaining such pet within the Property. The Board of Directors shall have the right to order any person whose pet is a nuisance, to remove such pet from the Property.

(k) No junk vehicle or other vehicle on which current registration plates are not displayed, shall be kept upon any of the common elements, nor shall the repair or extraordinary maintenance of automobiles or other vehicles be carried out on any of the common elements.

(l) No trucks, trailers, campers, camp trucks, house trailers, boat trailers, boats, or the like shall be kept upon any of the common elements; provided, however, that the Board of Directors reserves the right to permit such vehicles on the common elements in accordance with rules and regulations as may, from time to time, be promulgated by the Board of Directors.

(m) No structure of a temporary character, trailer, tent, shack, barn or other outbuilding shall be maintained upon any common elements at any time. Outdoor clothes dryers or clothes lines shall not be maintained upon any common elements at any time. No clothing, laundry or the like shall be hung from any part of any Unit or upon any of the common elements or from or upon any balcony or patio.

(n) Nothing shall be stored or placed upon any balcony or patio or rear yard or upon any other portion of the common elements of the Property, except with the consent of the Board of Directors.

(o) Notwithstanding any provision contained in this ARTICLE V SECTION 13 to the contrary, the use and other restrictions set forth in this SECTION 13 shall not apply to the use of the common elements and/or Units owned by the Declarant for display, marketing, promotion, sales, leasing or construction purposes or the use of Units as "Models".

SECTION 14. ADDITIONS, ALTERATIONS OR IMPROVEMENTS BY BOARD OF DIRECTORS. Whenever in the judgment of the Board of Directors the common elements shall require additions, alterations or improvements costing in excess of \$25,000.00 and the making of such additions, alterations or improvements shall have been approved by more than 50% in voting interest of the Unit owners present in person and/or by proxy and voting at a meeting duly held in accordance with these By-Laws, the Board of Directors shall proceed with such additions, alterations or improvements and may assess all Unit owners for the cost thereof as a common expense. Any additions, alterations or improvements costing \$25,000.00 or less may be made by the Board of Directors without approval of the Unit owners, and the cost thereof shall constitute a common expense. Except in cases of bona fide emergencies involving manifest danger to life, safety or property, or the interruption of essential services to the Property, whenever the Association determines to make additions, alterations or improvements costing in excess of \$25,000.00 such additions, alterations or improvements shall not be made until the same have been approved by the Lead Mortgagee, which approval shall not be unreasonably withheld or delayed.

SECTION 15. ADDITIONS, ALTERATIONS OR IMPROVEMENTS BY UNIT OWNERS. No Unit owner shall make any structural addition, alteration or improvement in or to his Unit or to a limited common element appurtenant thereto, without the prior written consent of the Board of Directors. The Board of Directors shall have the obligation to answer any written request by a Unit owner for approval of such proposed structural addition, alteration or improvement within 30 days after such request, and failure to do so within the stipulated time shall constitute the consent by the Board of Directors to the proposed addition, alteration or improvements. Any application to any governmental authority for a permit to make an addition, alteration or improvement in or to any Unit or a limited common element shall be executed by the Board of Directors only, without, however, incurring any liability on the part of the Board of Directors to any contractor, subcontractor or materialman on account of such addition, alteration or improvement, or to any person having any claim for injury to person or damage to property arising therefrom. The provisions of this SECTION 15 shall not apply to a Unit owned by the Declarant or its designee until a deed of such Unit has been delivered to a purchaser thereof.

SECTION 16. RIGHT OF ACCESS. A Unit owner hereby grants a right of access to his Unit to the managing agent and/or other person authorized by the Board of Directors or the managing agent for the purpose of making inspections or for the purpose of performing installations, alterations or repairs to the mechanical or electrical services or other common elements in his Unit or elsewhere on the Property, or to correct any condition which violates the provisions of any mortgage covering another Unit, provided that requests for entry are made in advance and that such entry is at a time reasonably convenient to the Unit owner. In case of an emergency such right of entry shall be immediate, whether the Unit owner is present at the time or not.

ARTICLE VI MORTGAGES

SECTION 1. NOTICE TO BOARD OF DIRECTORS. A Unit owner who mortgages his Unit shall in writing notify the Board of Directors of the name and address of his mortgagee, and shall file a conformed copy of the note and mortgage with the Board of Directors. The Board of Directors shall maintain such information in a book entitled "Mortgages of Units".

SECTION 2. NOTICE OF UNPAID COMMON CHARGES OR OTHER DEFAULT. The Board of Directors shall report to each first mortgagee any unpaid common ex-

penses due from, or any other default by, the owner of a mortgaged Unit, which default has not been cured within 30 days.

SECTION 3. EXAMINATION OF BOOKS. Each Unit owner and each mortgagee of a Unit shall be permitted to examine the books of account of the Association at reasonable times on business days.

SECTION 4. CONSENTS. Any other provision of these By-Laws or of the Declaration to the contrary notwithstanding, neither the Association nor the Board of Directors shall institute any proceeding, without the prior written consent of first mortgagees holding liens on at least 75% of the Units, to take any of the following actions:

- (a) abandon or terminate the Condominium regime; or
- (b) modify or amend the provisions of these By-Laws of the Declaration; or
- (c) modify the method of determining and collecting common expenses and/or other assessments or of allocating the distribution of the proceeds of hazard insurance or condemnation awards; or
- (d) abandon, partition, subdivide, encumber, sell or transfer the common elements; or
- (e) resolve to use the proceeds of casualty insurance for any purpose other than the repair or restoration of the Property.

SECTION 5. NOTICE OF LOSS TO OR TAKING OF COMMON ELEMENTS. The Board of Directors shall give written notice to each first mortgagee of any loss to or taking of the common elements of the Condominium if such loss or taking exceeds \$10,000.00 and the first mortgagee of any Unit if the loss or taking to such Unit exceeds \$1,000.00.

SECTION 6. DEFINITION. As used in these By-Laws, the term "Mortgagee" shall mean any mortgagee or trustee under a deed of trust, which is a lien upon a Unit, or the party secured or beneficiary of any recorded deed of trust, and shall not be limited to institutional mortgagees; deed of trust, and shall not be limited to institutional mortgagees; and the term "mortgage" shall include a deed of trust. As used generally in these By-Laws, the term "institutional holder" or "institutional mortgagee" shall include banks, trust companies, insurance companies, mutual savings bank, mortgage insurance companies, mortgage companies, credit unions, savings and loan associations, pension funds, FNMA, FHLMC, and any corporation, including a corporation of, or affiliated with, the United States Government, or any agency thereof. "First mortgage" shall mean a mortgage with priority over all other mortgages.

SECTION 7. RIGHTS OF MORTGAGEES. Any institutional mortgagee of any Unit in the Condominium who desires notice of the annual and special meetings of the Association shall notify the Secretary to that effect by certified mail, return receipt requested. Any such notice shall contain the name and post office address of such institutional mortgagee and the name of the person to whom notice of the annual and special meetings should be addressed. The Secretary of the Association shall maintain a roster of all institutional mortgagees from whom such notices are received and it shall be the duty of the Secretary to mail or otherwise cause the delivery of a notice of each annual or special meeting, as aforesaid, to each such institutional mortgagee, in the same manner and subject to the same requirements and limitations as are provided for with respect to notice of such meetings to the Unit owners. Any such institutional mortgagee shall be entitled to designate a representative to attend any such annual or special meeting. Such representative shall have no voting rights at any such meeting. Such representative shall be entitled to a copy of the minutes of all meetings of the Association upon request made in writing to the Secretary.

ARTICLE VII
SALES AND MORTGAGES OF UNITS

SECTION 1. SALES. A Unit owner may sell his Unit or any interest therein without the consent of the Association.

SECTION 2. NO SEVERANCE OF OWNERSHIP. Except as may be provided in the Act, no Unit owner shall execute any lease, mortgage or other instrument conveying or mortgaging title to his Unit without including therein the appurtenant common elements, it being the intention hereof to prevent any severance of such combined ownership. Any such lease, mortgage or other instrument purporting to affect one or more of such interests, without including all such interests, shall be deemed and taken to include the interest or interests so omitted, even though the latter shall not be expressly mentioned or described therein. No part of the appurtenant common elements of any Unit may be sold, transferred or otherwise disposed of, except as part of a sale, transfer or other disposition of the Unit to which such interests are appurtenant, or as part of a sale, transfer or other disposition of such part of the appurtenant common elements of all Units.

ARTICLE VIII
CONDEMNATION

In the event of a taking in condemnation (or by purchase in lieu thereof) of a Unit or any part thereof or of part or all of the common elements, the award made for such taking or purchase shall be distributed in accordance with Section 11-112 of the Act.

ARTICLE IX
RECORDS AND AUDITS

SECTION 1. RECORDS. The Board of Directros or the managing agent shall keep detailed records of the actions of the Board of Directors and the managing agent, minutes of the meetings of the Board of Directors, minutes of the meetings of the Association, and financial records and books of account of the Association, including a chronological listing of receipts and expenditures, as well as a separate account for each Unit which, among other things, shall contain the amount of each assessment of common expenses against such Unit, the date when due, the amounts paid thereon, and the balance remaining unpaid, if any.

SECTION 2. AUDITS. An annual report of the receipts and expenditures of the Association shall be rendered by the Board of Directors to all Unit owners and to all mortgagees of Units who have requested the same within 90 days after the end of each fiscal year. If directed by the Board of Directors or if requested by the owners of 5% or more of the Units, such report shall be prepared and certified by independent, certified public accountants retained by the Board. The cost of such report shall be charged by the Board of Directors as a common expense.

ARTICLE X
PARKING SPACES

All parking areas within the Property shall be considered part of the general common elements. Parking may be regulated by the Board of Directors and may initially be assigned by the Declarant and thereafter by the Board of Directors. No Unit owner shall make use of any parking space other than that assigned to this Unit by the Board of Directors, if any, without the express written consent of both the Unit owner to whom such space has been assigned and the Board of Directors. No Unit owner shall be assigned more than one parking place by either the Board of Directors or Declarant.

No Unit owner shall invite, encourage or permit the use by his guests of parking spaces assigned to Units other than his own. Notwithstanding the foregoing, unassigned spaces or spaces designated for general use may be used on a "first come, first served" basis. No

vehicle belonging to any Unit owner, or to any guest or employee of any Unit owner, shall be parked in a manner which unreasonably interferes with or impedes ready vehicular access to any parking space assigned to any other Unit owner.

Each Unit owner shall comply in all respects with such supplementary Rules and Regulations which are not inconsistent with the provisions of these By-Laws which the Board of Directors may from time to time adopt and promulgate with respect to parking and traffic control within the Property, and the Board of Directors is hereby, and elsewhere in these By-Laws, authorized to adopt such Rules and Regulations. The location of any parking space assigned to any Unit owner may be changed by the Board of Directors, at any time and from time to time, upon reasonable notice thereof in writing.

ARTICLE XI
EASEMENTS FOR UTILITIES AND RELATED PURPOSES

The Association is authorized and empowered to grant (and shall from time to time grant) such licenses, easements and/or rights-of-way for sewer lines, water lines, electrical cables, telephone cables, gas lines, storm drains, underground conduits and/or such other purposes related to the provision of public utilities to the Property as may be considered necessary or 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 Units or the Declarant and/or as required by the Declaration.

ARTICLE XII
FEDERAL HOME LOAN MORTGAGE CORPORATION
AND
FEDERAL NATIONAL MORTGAGE ASSOCIATION

It is the intention of the Association that these By-Laws conform to the rules, regulations, guidelines, standards, and procedures, as may from time to time be promulgated by both the Federal Home Loan Mortgage Corporation ("FHLMC") and the Federal National Mortgage Association ("FNMA") with respect to condominium projects approved by FHLMC and FNMA. Accordingly, to the extent there should exist any inconsistency between these By-Laws and any provision required by FHLMC and/or FNMA to be contained herein, then the applicable requirements of FHLMC and/or FNMA shall be deemed controlling and a part of these By-Laws.

ARTICLE XIII
MISCELLANEOUS

SECTION 1. NOTICES. All notices hereunder to the Board of Directors shall be sent by first class mail or personally delivered to the managing agent, or to such person as the Board of Directors may hereafter designate from time to time. All notices to any Unit owner shall be sent by mail or personally delivered to the address as may have been designated by him from time to time, in writing, for inclusion on the Roster. All notices to mortgagees of Units shall be sent by first class mail or personally delivered to their respective addresses as designated by them from time to time, in writing, to the Board of Directors. All notices shall be in writing and shall be deemed to have been given when mailed or personally delivered, except notices of change of address which shall be deemed to have been given when received.

SECTION 2. INVALIDITY. The invalidity of any part of these By-Laws shall not impair or affect in any manner the validity, enforceability or effect of the balance of these By-Laws.

SECTION 3. CAPTIONS. The captions herein are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of these By-Laws, or the intent of any provision thereof.

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SECTION 4. GENDER. The use of the masculine gender in these By-Laws shall be deemed to include the feminine gender and the use of the singular shall be deemed to include the plural, whenever the context so requires, and vice versa.

SECTION 5. WAIVER. No restriction, condition, obligation or provision contained in these By-Laws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches thereof which may occur.

SECTION 6. AMENDMENTS TO BY-LAWS. Except as elsewhere herein or in the Declaration provided otherwise, these By-Laws may be modified or amended by the vote of 75% in voting interest of all Unit owners at a meeting of the Association duly held for such purpose.

SECTION 7. CONFLICTS. In case any part of these By-Laws conflict with the Act and/or the Declaration, the provisions of the Act and/or Declaration, as the case may be, shall control.

RULES AND REGULATIONS

The Board of Directors of the Council of Unit Owners of SUN VALLEY CONDOMINIUM has adopted the following Rules and Regulations for the mutual benefit of the owners and occupants of the condominium units therein ("Units"). These Rules and Regulations may be modified from time to time by the Board of Directors as it deems necessary to promote the safety and welfare of the owners and occupants of the Units. The Managing Agent has been authorized and directed by the Board of Directors to uniformly enforce the Rules and Regulations at all times.

1. The sidewalks, paths, driveways and other areas for the use in getting to and from parking spaces, Units and/or recreation facilities shall not be obstructed or used for any purpose other than for ingress to and egress from the parking spaces, Units and/or recreational facilities.
2. The common areas shall not be used for the storage or placement of furniture or any other article, including, but not limited to, plants, boxes, shopping carts, and the like.
3. No Unit owner or occupant shall make or permit to be made any disturbing noise in the common areas or in the Units by himself, his family, friends, tenants, employees, servants or invitees; nor permit anything to be done by any such person as would interfere with the rights, comfort or convenience of other Unit owners or occupants. No Unit owner, or occupant shall play or allow to be played any musical instrument, radio, TV, hi-fi, tape recorder or the like if the same shall unreasonably disturb or annoy any other Unit owners or occupants.
4. Unit owners and occupants shall not be allowed to put their names in any entry or passageway, or other common area, except in the place designated for same by the Board of Directors, or in the mailbox provided for the use of the Unit occupied by them.
5. No rug shall be beaten on common areas, nor dust, rubbish or litter swept from the Unit or any other room thereof onto any of the common areas. Unit owners and occupants must deposit all rubbish or litter in the designated enclosed areas and receptacles provided for such purpose.
6. Persons shall not be permitted to loiter or play in any common area not specifically designated as a play or recreation area.
7. The water closets and other water, plumbing and disposal apparatus shall not be used for any purpose other than that for which they were constructed. No sweepings, rubbish, rags, newspapers, ashes or other substances shall be thrown therein. Any damage to the property of others including the common areas, resulting from the misuse or neglect of such facilities or from the misuse or neglect of any heating, cooling or electrical apparatus or facility shall be paid for by the owner of the Unit who caused the damage.
8. The repair of all damage to the property of the Council of Unit Owners resulting from the moving and/or carrying of furniture and/or other articles therein shall be paid for by the Unit owner or the person in charge of such articles.
9. Nothing shall be thrown or emptied out of the windows, patios or doors of any Unit, or thrown or emptied in the common areas, nor shall anything be hung from outside the windows or on the patios or placed on the outside window sills of any Unit.
10. Water and other common utilities shall not be used or left running for unreasonable or unnecessary lengths of time.
11. No one shall interfere in any manner with the heating, cooling, hot water, lighting or similar apparatus in or about the buildings and common areas.

12. No awnings or window guards shall be used except as shall be put up or approved by the Board of Directors, and no signs of any kind shall be placed in windows or on doors or other exterior surfaces or on patios or other common areas without the prior written approval of the Board of Directors. Notwithstanding the foregoing, the Declarant (under the Declaration) or its agents may place in windows or on doors or on other exterior surfaces or part of the common areas, signs relating to the sale or rent of Units which it owns.

13. The Managing Agent, by authority of the Board of Directors, shall retain a passkey to each Unit. No Unit owner shall alter any lock or install a new lock on any door leading into the Unit without the prior consent of the Board of Directors. If such consent is given, the Unit owner or occupancy shall provide the Managing Agent with a key for its use.

14. Unit owners and occupants, their employees, servants, agents, visitors, licensees and their families will obey the parking regulations posted at the parking areas, and any other traffic regulations promulgated in the future for the safety, comfort and convenience of the Unit owners and occupants. Double-parking shall not be permitted, except in case of emergency.

15. The Unit owners and occupants shall not cause or permit the blowing of any horn from any vehicle in which his guests, family, tenants, invitees or employees shall be occupants, approaching or upon any of the driveways or parking areas serving the Condominium, except as may be necessary for the safe operation thereof.

16. The owners and occupants of the Units shall in general not act or fail to act in any manner which unreasonably interferes with the rights, comfort and convenience of other Unit owners and occupants.

17. Unit owners will faithfully observe the procedures established from time to time by the Board of Directors, the Managing Agent or the Manager with respect to the disposal of garbage, rubbish and refuse.

Mailed to:

Arnaud Inc