

EXHIBIT C
BY-LAWS OF
LAKWOOD RESORTS COUNCIL OF OWNERS

ARTICLE I

NAME AND LOCATION

The name of the Council of Owners (also called Council), as set forth in Article 16 of the Lakewood Resorts Time Share Instrument, is as follows:

LAKWOOD RESORTS COUNCIL OF OWNERS

Its principal office location and post office address are as follows:

P.O. BOX 660
MCHENRY, MARYLAND 21541

ARTICLE II

DEFINITIONS

1. Time Share Instrument. "Instrument", as used herein, means that certain Instrument made the ____ day of July, 1985, by the declarant therein identified, pursuant to Maryland Real Estate Time-Sharing Act by which certain described premises (including land) are submitted to a time-sharing regime and which Instrument is recorded among the Land Records of Garrett County, Maryland, and to which these By-Laws are appended as Exhibit C.

2. Mortgagee. "Mortgagee", as used herein, means the holder of any recorded mortgage, or the party secured or beneficiary of any recorded deed of trust, encumbering one or more of the time intervals in the Project. "Mortgage", as used herein, shall include deed of trust. "First mortgage", as used herein, shall mean a mortgage with priority over other mortgages. The term "mortgagee" shall mean any mortgagee and shall not be limited to institutional mortgagees. The term "institutional mortgagee" shall include banks, trust companies, insurance companies, mortgage insurance companies, savings and loan associations, trusts, mutual savings banks, credit unions, pension funds, mortgage companies, Federal National Mortgage Association ("FNMA"), Federal Home Loan Mortgage Corporation ("FHLMC"), all corporations and any agency or department of the United States government or of any State or municipal government.

3. Other Definitions. Unless it is plainly evident from the context that a different meaning is intended, all other terms used herein shall have the same meaning as they are defined to have in the Instrument or in the Maryland Real Estate Time-Sharing Act.

ARTICLE III

MEMBERSHIP

1. Members. Every person, group of persons, corporation, partnership, trust or other legal entity, or any combination thereof, who holds legal title to

a time interval within the Lakewood Resorts Project (herein called Project) shall be a member of the Council; provided, however, that any legal entity, or any combination thereof, who holds such interest solely as security for the performance of an obligation shall not be a member of the Council by reason only of such interest.

2. Membership Certificates. In the event the Board of Directors considers it necessary or appropriate to issue membership certificates or the like, then each such membership certificate shall state that the Council is organized under the laws of the State of Maryland, the name of the registered holder or holders of the membership represented thereby, and shall be in such form as shall be approved by the Board of Directors or the Council. Membership certificates shall be consecutively numbered and shall be issued upon certification as to the transfer of title to the time interval to which such membership is appurtenant. Every membership certificate shall be signed by the President or a Vice President and the Secretary or an Assistant Secretary of the Council and shall be sealed with the seal of the Council, if any. Such signatures and seal may be original or facsimile.

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

ARTICLE IV

COUNCIL MEETINGS

1. Place of Meeting. Meetings of the Council shall be held at the principal office of the Council or at such other suitable place within the State of Maryland reasonably convenient to the Council as may from time to time be designated by the Board of Directors.

2. Annual Meetings. The first annual meeting of the Council shall be held at such time as the majority of members shall determine but, in any event, within sixty (60) days after eighty percent (80%) of the percentage interest of the time intervals in the Project have been sold by the declarant to elect officers or a Board of Directors as provided in these By-Laws. Thereafter, the annual meetings of the Council shall be held on the second Sunday of May of each succeeding year. At such meeting, there shall be elected by ballot of the members a Board of Directors in accordance with the requirements of Article V of these By-Laws. The members may also transact such other business of the Council as may properly come before them.

3. Special Meetings. It shall be the duty of the President to call a special meeting of the Council as directed by resolution of the Board of Directors or upon a petition signed by members representing at least twenty-five percent (25%) of the total votes of the Council having been presented

to the Secretary; provided, however, that, except upon resolution of the Board of Directors, no special meeting of the Council shall be called prior to the first annual meeting of the Council as hereinabove provided for. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as specifically stated in the notice.

4. Roster of Members. The Council shall maintain a current roster of the names and addresses of each time interval owner to which written notice of meetings of the Council shall be delivered or mailed. Each owner shall furnish the Council with his name and current post office address. An owner may not vote at meetings of the Council until the current post office address has been furnished to the Council.

5. Notice of Meetings. It shall be the duty of the Secretary to mail or otherwise deliver a notice of each annual and special meeting of the Council, stating the purpose thereof as well as the time and place where it is to be held, to each time interval owner at his address as it appears on the roster of time interval owners maintained by the Council or, if no such address appears, at his last known place of address at least fifteen (15) but not more than ninety (90) days prior to such meeting. Notice by either such method shall be considered as notice served and proof of such notice shall be made by the affidavit of the person giving such notice. Attendance by a time interval owner at any annual or special meeting shall be a waiver of notice by him of the time, place and purpose thereof. Notice of any annual or special meeting may also be waived by any owner either prior to, at or after any such meeting.

6. Quorum. The presence, either in person or by proxy, of time interval owners representing at least fifty percent (50%) of the total votes of the Council shall be requisite for and shall constitute a quorum for the transaction of business at all meetings of members.

7. Adjourned Meetings. If any meeting cannot be organized because a quorum has not attended, the owners who are present, either in person or by proxy, may, except as otherwise provided by law, adjourn the meeting to a time not less than fifteen (15) days from the time the original meeting was called, provided that notice of the reconvened meeting is first given as provided in Section 5 of this Article.

8. Voting. At every meeting each of the time interval owners shall have the right to cast the one vote appurtenant to his time interval, as established in the Instrument, on each question. The votes of the owners representing fifty-one percent (51%) of the votes of the time interval owners present and voting, in person or by proxy, shall decide any question brought before such meeting, unless the question is one upon which, by express provision of the Maryland Real Estate Time-Sharing Act, the Articles of Incorporation of the Council, the Instrument, or these By-Laws, a different vote is required, in which case such express provisions shall govern and control. The vote for any time interval which is owned by more than one person may be exercised by any of them present at any meeting unless any objection or protest by any other owner of such time interval is noted at such meeting; provided, however, that in the event all of the owners of such time interval who are present at any meeting are unable to agree on the manner in which the vote for the time interval shall be cast on any particular question, then such vote shall not be counted for purposes of deciding the question. In the event any time interval is owned by a corporation, then the vote appurtenant

to such time interval shall be cast by a person designated in a certificate signed by the President or any Vice President and attested by the Secretary or any Assistant Secretary of such corporation and filed with the Secretary of the Council at or prior to the meeting. Any such certificate shall remain valid until revoked or superseded in writing. The vote appurtenant to any time interval which is owned by a trust or partnership may be exercised by any trustee or partner thereof, as the case may be, and, unless any objection or protest by any other trustee or partner is noted at such meeting, the Chairman of such meeting shall have no duty to inquire as to the authority of the person casting such vote or votes. No time interval owner shall be eligible to vote, either in person or by proxy, or to be elected to the Board of Directors who is shown on the books or management accounts of the Council to be more than thirty (30) days delinquent in any payment due the Council.

A time interval owner may nominate himself or any other owner to be an officer or member of the Board of Directors. Only nominations made at least fifteen (15) days prior to an election shall be listed on the election ballot. Candidates shall be listed on the ballot in alphabetical order with no indicated candidate preference.

9. Proxies. A member may appoint any other person including, without limitation, his attorney, tenant, mortgagee, the declarant or the Manager as his proxy. Any proxy must be in writing and must be filed with the Secretary in a form approved by the Board of Directors at or before the appointed time of each meeting. In the event the Board of Directors has not adopted or approved a form of proxy prior to the time that notice of any meeting is delivered to the member, then any written instrument which clearly and unambiguously evidences the intention of a member to appoint another person as his proxy shall be considered acceptable for such purposes. Any proxy shall continue until revoked by a written notice of revocation filed with the Secretary or by the death of the member. Any proxy may be revoked at any time at the pleasure of the member(s) executing the proxy.

10. Rights of Mortgagees. Any institutional mortgagee of any time interval in the Project who desires notice of the annual and special meetings of the Council shall notify the Secretary to that effect by registered 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 of the Council shall be addressed. The Secretary of the Council 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 of the Council to each such institutional mortgagee, in the same manner, and subject to the same requirements and limitations as are provided in this Article for notice to the members. Any such institutional mortgagee shall be entitled to designate a representative to attend any annual or special meeting of the Council and such representative may participate in the discussion at any such meeting and may, upon his request made to the Chairman in advance of the meeting, address the members present at any such meeting. Such representative shall have no voting rights at any such meeting. Such representative shall be entitled to copies of the minutes of all meetings of the Council upon request made in writing to the Secretary.

Reports and Notices. Upon the specific written request of a holder of a mortgage on a time interval or its servicer to the Secretary of the Council, the mortgagee shall be entitled to receive any part or all of the following as designated in the request:

- (a) Copies of budgets, notices of assessment or any other notices or statements provided under these By-Laws by the Council to the owner of the time interval secured by the mortgage;
- (b) Any audited or unaudited financial statements of the Council which are prepared for the Council and distributed to the time interval owners;
- (c) Copies of notices of meetings of the Council and the right to designate a representative to attend such meetings;
- (d) Notice of the decision of the Council to make any material amendment to these By-Laws;
- (e) Notice of substantial damage to or destruction of the Project unit of which the secured time interval is a part (the repair of which would cost in excess of \$1,000.00) or any part of the common elements (the repair of which would cost in excess of \$10,000.00);
- (f) Notice of the commencement of any condemnation or eminent domain proceedings with respect to any part of the Project;
- (g) Notice of any default by the owner of the time interval which is subject to the mortgage, where such default is not cured by the owner within thirty (30) days after the giving of notice by the Council to the owner of the existence of the default;
- (h) The right to examine the books and records of the Council at any reasonable time;
- (i) Notice of a lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Council; or
- (j) If such mortgagee is FNBA or FHLMC, any notice it is entitled to receive pursuant to the then effective requirements of such organization.

The request of a mortgagee or its servicer shall specify which of the above items it desires to receive and shall indicate the post office address to which any notices or documents shall be sent by the Secretary. The Secretary need not inquire into the validity of any request made by a mortgagee hereunder.

Failure to comply with the requirements set forth above shall in no way invalidate otherwise proper actions of the Council and the Board of Directors.

11. Order of Business. The order of business at all annual meetings of the Council shall be as follows:

- (a) Roll call and certification of proxies;
- (b) Proof of notice of meeting or waiver of notice;

- (c) Reading and disposal of minutes of preceding meetings, if any;
- (d) Reports of officers, if any;
- (e) Reports of committees, if any;
- (f) Election or appointment of Inspectors of Election;
- (g) Election of Directors;
- (h) Unfinished business;
- (i) New business; and
- (j) Adjournment.

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

12. Rules of Order and Procedure. The rules of order and all other matters of procedure at all annual and special meetings of the Council shall be determined by the Chairman of such meeting.

13. Inspectors of Election. The Board of Directors may, in advance of any annual or special meeting of the Council, appoint an uneven number of one or more Inspectors of Election to act at the meeting and at any adjournment thereof. In the event Inspectors of Election are not so appointed, the Chairman of any annual or special meeting shall appoint such Inspectors of Election. Each Inspector so appointed, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of Inspector of Election at such meeting. The oath so taken shall be filed with the Secretary of the Council. No officer or Director of the Council and no candidate for Director of the Council shall act as an Inspector of Election at any meeting if one of the purposes of such meeting is to elect Directors.

ARTICLE V

DIRECTORS

1. Number and Qualification. The affairs of the Council shall be governed by a Board of Directors composed of an uneven number of at least three (3) natural persons and not more than seven (7) natural persons, a majority of whom (after the first annual meeting of the Council) shall be time interval owners. Prior to the first annual meeting of the Council, the number of Directors shall be three (3). The number of Directors may be changed by a vote of the members at any annual or special meeting of the Council; provided, however, that:

- (a) The limitation of this Section shall continue to apply; and
- (b) No such change shall operate to curtail or extend the term of any incumbent Director.

2. Initial Directors. The initial Directors shall be selected by the declarant and need not be unit owners. The names of the Directors who shall

act as such from the date upon which the Instrument is recorded among the Land Records of Garrett County, Maryland, until the first annual meeting of the unit owners or until such time as their successors are duly chosen and qualified are as follows:

H. Lloyd Hensley, Jimmy E. Peters and Jay M. Fulk.

3. Powers and Duties. The Board of Directors shall have all the powers and duties necessary for the administration of the affairs of the Council and the Project and may do all such acts and things as are not by law or by these By-Laws directed to be exercised only by the time interval owners. The powers and duties of the Board of Directors shall include, but not be limited to, the following:

- (a) Care, upkeep and surveillance of the Project, including the units, the common elements and related services; and
- (b) Establishment, collection, use and expenditure of assessments and carrying charges from the time interval owners and for the assessment, filing and enforcement of Statements of Project Liens; and
- (c) Designation, hiring and dismissal of the personnel necessary for the good working order of the Project and for the proper care of the common elements and to provide services for the Project; and
- (d) Promulgation and enforcement of such Rules and Regulations and such restrictions on or requirements as may be deemed proper respecting the use, occupancy and maintenance of the Project and as are designated to prevent unreasonable interference with the use and occupancy of the Project by the members and others; and
- (e) Authorization, in their discretion, of the payment of patronage refunds from residual receipts or common profits when and as reflected in the annual report; and
- (f) To enter into agreements whereby the Council acquires leaseholds, memberships and other possessory or use interests in real or personal property for the purpose of promoting the enjoyment, recreation or welfare of the members and to declare expenses incurred in connection therewith to be common expenses of the Council; and
- (g) To purchase insurance upon the Project; and
- (h) To repair, restore or reconstruct all or any part of the Project after any casualty loss; and
- (i) To lease, grant licenses, easements, rights of way and other rights of use in all or any part of the common elements; and
- (j) To purchase time intervals in the Project and to lease, mortgage or convey the same; and
- (k) To appoint the members of the Architectural and Environmental Control Committee provided for in Article X of these By-Laws and to appoint the members of such other committees as the Board of Directors may from time to time designate.

All to be performed in a manner consistent with the Maryland Real Estate Time-Sharing Act, the Instrument, and these By-Laws.

4. Rules and Regulations. Rules and Regulations may be adopted by the Board of Directors. The Council may freely adopt rules and regulations at any special meeting if proper notice of the same is given and at any annual meeting. All Rules and Regulations shall be adopted as supplements to, and not in lieu of, legally required provisions of these By-Laws. Should any adopted Rules or Regulations contradict any provisions of the By-Laws, as amended, the provisions of the By-Laws shall take precedence. The developer may promulgate rules and regulations during the developer control period. The Board of Directors may adopt rules for the Project, if:

- (a) Each time interval owner is mailed or delivered:
 - (i) a copy of the proposed rule;
 - (ii) notice that time interval owners are permitted to submit written comments on the proposed rule; and
 - (iii) notice of the proposed effective date of the proposed rule;
- (b) Before a vote is taken on the proposed rule, an open Directors' meeting is held to allow each time interval owner or tenant to comment on the proposed rule; the meeting held under this paragraph may not be held unless:
 - (i) each time interval owner receives written notice at least fifteen (15) days prior to the meeting; and
 - (ii) a quorum of the Board of Directors is present; and
- (c) After notice has been given to time interval owners as provided in this Directors' subsection, the proposed rule is passed at a regular or special meeting.
- (d) During the special meetings held under this section, owners, tenants and mortgagees may comment on the proposed rule. Each owner or tenant may request an individual exception to a rule adopted while each individual is an owner or tenant of the Project, if such request is sent to the Directors in writing within thirty (30) days after the elective date of the rule. Each rule adopted under this section shall state that the rule was adopted under the provisions of this section. Any owner may appeal any rule or regulation adopted by the Board of Directors or the denial of any appeal for an individual exception to the Maryland Court System. Any rules and regulations, when adopted in accordance with the above procedures, have the same force and effect as if they were incorporated in the By-Laws by direct reference. The rules and regulations, upon proper adoption under the above procedures, shall be enforced in the same manner as all other provisions of the By-Laws. The rules and regulations apply to owners, tenants, residents and occupants at the time of promulgation and to subsequent owners, tenants, residents and occupants.

5. Dispute Settlement Mechanism. The Board may not impose a fine, suspend voting or infringe upon any other rights of a member or other occupant for violations of rules until the following procedure is followed:

(a) Written demand to cease and desist from an alleged violation is served upon the alleged violator specifying:

(i) The alleged violation;

(ii) The action required to abate the violation; and

(iii) A time period, not less than twenty four (24) hours, during which the violation may be abated without further sanction, if the violation is a continuing one; or a statement that any further violation of the same rule may result in the imposition of sanction after notice and hearing if the violation is not continuing.

(b) Within thirteen (13) months of the demand, if the violation continues past the period allowed in the demand for abatement without penalty or if the same rule is violated subsequently, the Board of Directors shall serve the alleged violator with written notice of a hearing to be held by the Board of Directors in session. The notice shall contain:

(i) The nature of the alleged violation;

(ii) The time and place of the hearing, which time may be not less than forty eight (48) hours from the giving of the notice;

(iii) An invitation to attend the hearing and produce any statement, evidence and witnesses on his or her behalf; and

(iv) The proposed sanction to be imposed.

(c) A hearing occurs at which the alleged violator has the right to present evidence and present and cross-examine witnesses. The hearing shall be held in executive session pursuant to this notice and shall afford the member a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of notice and the invitation to be heard shall be placed in the minutes of the meeting. This proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer or Director who delivered the notice. The notice requirement shall be deemed satisfied if a violator appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed.

(d) A decision pursuant to these procedures shall be appealable to the Courts of Maryland.

(e) This section does not apply to the holding over penalty which is automatically due from any owner remaining in his unit beyond the end of his time interval. Said owner may present evidence showing he did not actually holdover.

6. Manager. The Board of Directors must employ for the Council a management agent or Manager at a rate of compensation established by the Board of Directors to perform such duties and services as the Board of Directors shall from time to time authorize in writing.

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

be by ballot, unless balloting is dispensed in person or by proxy. There shall be no cumulative voting. At the first annual meeting of the members, the term of office of the Director receiving the greatest number of votes shall be fixed for three (3) years. The term of office of the Director receiving the second greatest number of votes shall be fixed for two (2) years and the term of office of the other Director or Directors shall be fixed for one (1) year. At the expiration of the initial term of office of each respective Director, his successor shall be elected to serve a term of three (3) years. In the alternative, the membership may, by resolution duly made and adopted at the first annual meeting of members, or at any subsequent annual meeting, resolve to fix the term for each Director elected at any such meeting at one (1) year. Directors shall hold office until their successors have been elected and hold their first regular meeting.

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

9. Removal of Directors. At an annual meeting of members, or at any special meeting duly called for such purpose (but only at or after the first annual meeting of members, as hereinabove provided for) any Director may be removed with or without cause by the affirmative vote of the majority of the votes of the members present and voting, in person or by proxy, and a successor may then and there be elected to fill the vacancy thus created. Any Director whose removal has been proposed by the members shall be given an opportunity to be heard at the meeting. The term of any Director who becomes more than sixty (60) days delinquent in payment of any assessments or carrying charges due the Council may be terminated by resolution of the remaining Directors and the remaining Directors shall appoint his successor as provided in this Article.

10. Compensation. No compensation shall be paid to Directors for their services as Directors. After the first annual meeting of the members, no remuneration shall be paid to any Director who is also a member for services performed by him for the Council in any other capacity unless a resolution authorizing such remuneration shall have been adopted by the Board of Directors before such services are undertaken. Directors may be reimbursed for their actual out-of-pocket expenses necessarily incurred in connection with their services as Directors.

11. Organization Meeting. The first meeting of a newly elected Board of Directors shall be held within forty five (45) days of election at such place as shall be fixed by the Directors at the meeting at which such Directors were elected, and no notice shall be necessary to the newly elected Directors in order to legally constitute such meeting, provided a majority of the whole Board of Directors shall be present at such first meeting.

12. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the Directors, but at least two (2) such meetings shall be held during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each Director and Member, personally or by mail, telephone or telegraph, at least six (6) days prior to the day named for

such meeting.

13. Special Meetings. Special meetings of the Board of Directors may be called by the President on three (3) days notice to each Director, given personally or by mail, telephone or telegraph, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice on the written request of at least one-third (1/3) of the Directors.

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

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

16. Action Without Meeting. Any action by the Board of Directors required or permitted to be taken at any meeting, except for the adoption of Budget, 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.

17. Rights of Mortgagees. Any institutional mortgagee of any time interval in the Project who desires notice of the regular and special meetings of the Board of Directors shall notify the Secretary to that effect by registered 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 regular and special meetings of the Board of Directors should be addressed. The Secretary of the Council 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 regular or special meeting of the Board of Directors to each such institutional mortgagee, in the same manner, and subject to the same requirements and limitations, as are otherwise provided in this Article for notice to the members of the Board of Directors. Any such institutional mortgagee shall be entitled to designate a representative to attend any regular or special meeting of the Board of Directors and such representatives may participate in the discussion at any such meeting upon his request made to the Chairman in advance of the meeting. Such representative shall have no voting rights at any such meeting. Such representative shall be entitled to copies of the minutes of all meetings of the Board of Directors upon request made in writing to the Secretary.

18. Fidelity Bonds. The Board of Directors shall require that all officers, Directors and employees of the Manager regularly handling or otherwise

responsible for the funds of the Council shall furnish adequate fidelity bonds or equivalent insurance against acts of dishonesty in accordance with the requirements of Article XI of these By-Laws. The premiums on such bonds or insurance shall be paid by the Council.

19. Closed Meetings. A meeting of the Board of Directors may be held in closed session only for the following purposes: (a) discussion of matters pertaining to employees and personnel; (b) protection of the privacy or reputation of individuals in matters not related to the Council's business; (c) consultation with legal counsel; (d) consultation with staff personnel, consultants, attorneys or other persons in connection with pending or potential litigation; (e) investigative proceedings concerning possible or actual criminal misconduct; (f) complying with a specific constitutional, statutory or judicially imposed requirement protecting particular proceedings or matters from public disclosure; or (g) on an individually recorded affirmative vote of two-thirds of the members of the Board of Directors present, for some other exceptional reason so compelling as to override the general public policy in favor of open meetings. If a meeting is held in closed session: (a) an action may not be taken and a matter may not be discussed if it is not above permitted; and (b) a statement of the time, place and purpose of any closed meeting, the record of the vote of each member of the Board of Directors by which any meeting was closed, and the authority under this section for closing any meeting shall be included in the minutes of the next meeting of the Board of Directors.

ARTICLE VI

OFFICERS

1. Designation. The principal officers of the Council shall be a President, a Vice President, a Secretary and a Treasurer. The officers of the Council must be time interval owners. The Directors may appoint an Assistant Secretary and an Assistant Treasurer and such other officers as in their judgment may be necessary. The offices of Secretary and Treasurer may be filled by the same person.

2. Election of Officers. The officers of the Council shall be elected annually by the Board of Directors at the organization meeting of each new Board of Directors and shall hold office at the pleasure of the Board of Directors.

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

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

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

6. **Secretary.** The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the Council. The Secretary shall give notice of all annual and special meetings of the Council in conformity with the requirements of these By-Laws. The Secretary shall have custody of the seal of the Council, if any. The Secretary shall have charge of the membership transfer books and of such other books and papers as the Board of Directors may direct and shall, in general, perform all of the duties incident to the office of Secretary.

7. **Treasurer.** The Treasurer shall be responsible for the proper conduct of the financial affairs of the Council and shall insure that all provisions of these By-Laws relating to finances and bookkeeping procedures are properly enforced.

ARTICLE VII

INDEMNIFICATION AND COMMON DIRECTORS

1. **Liability and Indemnification.** The Council shall indemnify every officer and Director of the Council to the maximum extent permitted by Section 2-418 of the Corporation and Association Article of the Annotated Code of Maryland against any and all expenses, including counsel fees, reasonably incurred by or imposed upon any officer or 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) to which he may be made a party by reason of being or having been an officer or Director, whether or not such person is an officer or Director at the time such expenses are incurred. The officers and Directors shall not be liable to the owners for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. The officers and Directors shall have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Council or the Project (except to the extent that such officers or Directors may also be owners of time intervals) and the Council shall indemnify and forever hold each such officer and 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 be in addition to and exclusive of any other rights to which any officer or Director, or former officer or Director, may be entitled.

2. **Common or Interested Directors.** The Directors shall exercise their powers and duties in good faith and with a view to the interests of the Council and the Project. No contract or other transaction between the Council and one or more of its Directors, or between the Council and any corporation, firm or association (including the declarant) in which one or more of the Directors are officers or are pecuniarily or otherwise interested, is either void or voidable because such Director or Directors are present at the meeting of the Board of Directors or any committee thereof which authorizes or approves the contract or transaction, or because

his or their votes are counted for such purpose, if any of the conditions specified in any of the following subsections exist:

- (a) The fact of the common directorate or interest is disclosed or known to the Board of Directors or a majority thereof or noted in the minutes, and the Board of Directors authorizes, approves or ratifies such contract or transaction in good faith by a vote sufficient for the purpose; or
- (b) The fact of the common directorate or interest is disclosed or known to the owners, or a majority thereof, and they approve or ratify the contract or transaction in good faith by a vote sufficient for the purpose; or
- (c) The contract or transaction is commercially reasonable to the Council at the time it is authorized, ratified, approved or executed.

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

ARTICLE VIII

ASSESSMENTS FOR COMMON EXPENSES

1. **Annual Assessments.** After the developer control period, each owner shall pay to the Council, in advance, a fee or assessment equal to the owner's proportionate share (determined in accordance with the percentage interests in common expenses of the Project set forth in the Instrument) of the sum required by the Council, as estimated by its Board of Directors, to meet its annual expenses, including, but in no way limited to, the following:
- (a) The cost of all operating expenses of the Project and services furnished, including charges by the Council for facilities and services furnished by it; and
 - (b) The cost of necessary management and administration, including fees paid to the Manager; and
 - (c) The amount of all taxes and assessments levied against the Council or upon any property which it may own or which it is otherwise required to pay, if any; and
 - (d) The cost of fire and extended liability insurance on the Project and the cost of such other insurance as the Council may effect; and
 - (e) The cost of furnishing water, electricity, heat, gas, garbage and trash collection and other utilities, to the extent furnished by the Council; and
 - (f) The cost of funding all reserves established by the Council, including, when appropriate, a general operating reserve and a reserve for replacements; and
 - (g) The estimated cost of repairs, maintenance and replacements of the common elements of the Project to be made by the Council; and

(h) All fees, charges, late charges, fines and interest, pursuant to Section 11-110(f), Real Property Article, Annotated Code of Maryland (Replacement Volume and 1983 Supp.).

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

The Board of Directors shall fix the amount of the assessments against each time interval for each annual assessment period at least sixty (60) days in advance of the first time interval each year and shall, at that time, prepare a roster of the time interval and assessments applicable thereto which shall be kept in the office of the Council and shall be open to inspection by the owner or mortgagee of any time interval, and by their respective duly authorized agents and attorneys, upon reasonable notice to the Board of Directors. Written notice of the assessments shall thereupon be sent to the owners. The omissions of the Board of Directors, before the expiration of any annual assessment period, to fix assessments for that or the next such period shall not be deemed a waiver or modification in any respect of obligation to pay the assessment for that or any subsequent assessment period, but the assessment fixed for the preceding period shall continue until a new assessment is fixed.

2. **Budget.** The Board of Directors, with the assistance and counsel of the Manager, shall prepare and adopt a budget for each annual assessment period which shall include estimates of the funds required by the Council to meet its annual expenses for that period. The budget herein required to be prepared and adopted by the Board of Directors shall be in a format consistent with the classification of the accounts of the Council, and shall provide for sufficient estimates on a monthly basis, to permit comparison to and analysis of deviations from the various periodic reports of the actual results of operations and the actual financial conditions of the Council, on both a current basis and for prior corresponding periods, all in accordance with generally accepted accounting practices, consistently applied. Copies of the budget shall be available for examination by the owners and by their duly authorized agents and attorneys, and to the institutional holder of any first mortgage on any time interval and by their duly authorized agents and attorneys during normal business hours for purposes reasonably related to their respective interests.

(a) Preparation and submission. The Board shall cause to be prepared and submitted to the owners an annual proposed budget at least thirty (30) days before its adoption.

(b) Items Required to be Included. The annual budget shall provide for at least the following items: income; administration; maintenance; utilities; general expenses; reserves; and capital items.

(c) Adoption. The budget shall be adopted at an open meeting of the Board.

(d) Certain expenditures to be approved by amendment. Any expenditure made other than those made because of conditions which, if not corrected, could reasonably result in a threat to the health or safety of the owners or a significant risk of damage to the Project, that would result in an increase in an amount of assessments for the current fiscal year of the Project shall be approved by an amendment to the budget adopted at a special Directors' meeting, upon not less than ten (10) days written notice to the members.

(e) Authority of Council to obligate itself for certain expenditures unimpaired. The adoption of a budget shall not impair the authority of the Council to obligate the Council for expenditures for any purpose consistent with any provision of these By-Laws.

3. Special Assessments. In addition to the regular assessments authorized by this Article, the Council may levy in any assessment year a special assessment or assessments, applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, unexpected repair or replacement of a described capital improvement located upon the Project, including the necessary fixtures and personal property related thereto, or for such other purpose as the Board of Directors may consider appropriate; provided, however, that any such special assessment shall have the assent of the owners representing two-thirds (2/3) of the total votes of the Council. A special meeting of the unit owners shall be duly called for this purpose unless such assessment is made at an annual meeting.

4. Reserve for Replacements. The Council shall establish and maintain a reserve fund for replacements by the allocation and payment to such reserve fund of an amount to be designated from time to time by the Board of Directors. Such fund shall be conclusively deemed to be a usage fee. Such fund shall be deposited in a special account with a lending institution, the accounts of which are insured by an agency of any State or an agency of the United States of America or may, in the discretion of the Board of Directors, be invested in obligations of, or fully guaranteed as to principal by, any State or of the United States of America. The reserve for replacements may be expended only for the purpose of effecting the replacement of the common elements and equipment of the Project and for start-up costs and operating contingencies of a non-recurring nature. The proportionate interest of any owner in any reserve for replacements and any other reserve established by the Council shall be considered an appurtenance of his time interval and shall not be separately withdrawn, assigned or transferred or otherwise separated from the time interval to which it appertains and shall be deemed to be transferred with such time interval.

5. Non-Payment of Assessments - Lien. Any assessment levied pursuant to the Instrument or these By-Laws, which is not paid within thirty (30) days of the date when due, shall be delinquent and shall entitle the Council to claim the amount of such assessment, together with interest thereon, the actual costs of collection thereof and reasonable attorney fees, as a lien on the time interval against which it is assessed, as set forth in the Instrument and Section 110 of the Maryland Real Estate Time-Sharing Act, which is incorporated herein by reference.

Upon recordation, the lien shall bind the time interval and the owner, his heirs, devisees, personal representatives and assigns. The personal obligation of the owner to pay the assessment shall, however, remain his personal obligation for the statutory period and a suit to recover a money judgment for non-payment of any assessment levied pursuant to the Instrument or these By-Laws, may be maintained without foreclosing or waiving the lien to secure payment of such assessment. Upon full payment of the amount of which the lien is claimed, the owner shall be entitled to a recordable satisfaction of the lien.

Any assessment levied pursuant to the Instrument or these By-Laws, and any installment thereof, which is not paid when due may, upon resolution of the

Board of Directors, subject the owner obligated to pay the same to the payment of such penalty or "late charge" as the Board of Directors may fix, being Fifteen Dollars (\$15.00) or one-tenth of the assessment, whichever is greater, and the Council may bring an action at law against the owner personally obligated to pay the same or may, after the recordation of the lien provided for in this Article, foreclose the lien in the same manner, and subject to the same requirements, now or hereafter provided for the foreclosure of mortgages or deeds of trust in the State of Maryland containing a power of sale or an assent to a decree; in either of which events interest at the rate of eighteen percent (18%) per annum, actual costs of collection and reasonable attorney's fees of not less than twenty percent (20%) of the sum claimed shall be added to the amount of each assessment. Suit for any deficiency following foreclosure may be maintained in the same proceeding. No suit may be brought to foreclose the lien except after ten (10) days written notice to the owner given by registered mail, return receipt requested, to the address of the owner shown on the roster of owners maintained by the Council.

6. Priority of Lien. The lien established by the recordation as in this Article provided, shall have preference over any other liens or judgments as provided by law.

Any holder of any deed of trust, mortgage or other encumbrance duly recorded on the time interval and made in good faith and for value received who comes into possession of the time interval pursuant to a foreclosure or any deed, assignment or other proceeding or arrangement in lieu of foreclosure, and any other purchaser at a foreclosure sale, shall take the time interval free of any claims for unpaid assessments levied against the time interval which accrue prior to the time such holder comes into possession of the time interval, except for claims for a proportionate share of such unpaid assessments resulting from a reallocation of such unpaid assessments among all of the owners in the Project. Such foreclosure deed, assignment or other proceeding or arrangement in lieu of foreclosure shall not relieve the mortgagee in possession or the purchaser at any foreclosure sale from any liability for any assessments thereafter becoming due.

No amendment to this section shall affect the rights of the holder of any such deed of trust, mortgage or other encumbrance recorded prior to the recordation of such amendment unless the holder of such deed of trust, mortgage or other encumbrance shall join in the execution of such amendment.

ARTICLE IX

USE RESTRICTIONS

1. Residential Use. All units shall be used for residential purposes exclusively. Nothing in these By-Laws shall be construed to prohibit the declarant from the use of any units which the declarant owns for promotional or display purposes, a sales office or the like, or from leasing any unit or units which the declarant owns.

2. Leasing. A portion of any time interval may be leased for any period as set forth in the Instrument.

3. Prohibited Uses and Nuisances. Except for the activities of the declarant and its agents in connection with the construction of the Project and except as may be reasonable and necessary in connection with the

maintenance, improvement, repair or reconstruction of any portion of the Project by the declarant or the Council;

(a) No noxious or offensive trade or activity shall be carried on within the Project or within any unit, nor shall anything be done therein or thereon which may be or become an annoyance to the neighborhood or the other owners. No nuisances shall be permitted within the Project, nor shall any use or practice be permitted which is or becomes a source of annoyance to the owners or which interferes with the peaceful use and possession thereof by the owners.

(b) There shall be no obstruction of any of the common elements. Nothing shall be stored upon any of the common elements, excepting those areas designated for storage of personal property by the owners of the time intervals.

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

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

(e) 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 of the common elements, except that this shall not prohibit the keeping of a dog, cat or caged birds as domestic pets provided that they are not kept or maintained for commercial purposes or for breeding, and that a two hundred dollar (\$200.00) cleaning fee is paid in advance. Such owner may also be assessed for damages as set forth in Section I, Article 13 of the Instrument. Pets shall not be permitted upon the general common elements of the Project unless accompanied by an adult and unless they are carried or leashed. Any owner who keeps or maintains any pet upon any portion of the Project shall be deemed to have indemnified and agreed to hold the Council, each of the time interval owners, declarant and Manager 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 Project. All pets shall be registered with the Manager and shall otherwise be registered and inoculated as required by law. The Board of Directors shall have the right to order any person whose pet is a nuisance, to remove such pet from the premises and the Board of Directors, after affording the right to a hearing to the owner affected, shall have the exclusive authority to declare any pet a nuisance.

(f) Except for such signs as may be posted by the declarant or the Council for promotional or marketing purposes, traffic control or the like, no signs of any character shall be erected, posted or displayed upon, in, from or about any residential unit or the common elements without the prior consent in writing of the Board of Directors and under such conditions as they may establish.

(g) No junk vehicle, or other vehicle on which current registration plates are not displayed, trailer, truck, camper, camp truck, house trailer, boat or the like shall be kept upon any 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 or within or upon any unit, except with the Directors' permission and only in such areas as are designated by the Directors.

(h) No part of the common elements shall be used for commercial activities of any character. This subsection shall not apply to the use of the common elements and of time intervals by the declarant for display, marketing, promotional or sales purposes or as "model" time intervals.

(i) No burning of any trash and no unreasonable or unsightly accumulation or storage of litter, new or used building materials or trash of any kind shall be permitted within any unit or upon any of the common elements. Trash and garbage containers shall not be permitted to remain in public view, except on days of collection. All refuse shall be deposited with care in containers or trash chutes designated for such purposes during such hours as may from time to time be designated by the Board of Directors.

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

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

(l) Nothing shall be stored upon any patio.

(m) No unlawful use shall be made of any unit or any portion of the common elements and all laws, zoning and other ordinances, regulations of governmental and other municipal bodies and the like shall be observed at all times.

(n) No owner shall engage or direct any employee of the Council or the Manager on any private business of the owner during the hours such employee is employed by the Council or the Manager nor shall any member direct, supervise or in any manner attempt to assert control over any such employee.

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

ARTICLE X

ARCHITECTURAL CONTROL

1. **Restrictions on Owners.** Except for the construction of the Project by the declarant or its agents and any improvements to any unit or to the

common elements accomplished concurrently with said original construction, and except for purposes of proper maintenance and repair or as otherwise in the Maryland Real Estate Time-Sharing Act or these By-Laws provided, it shall be prohibited for any owner to install, erect, attach, apply, paste, hinge, screw, nail, build, alter, remove or construct any lighting, shades, screens, awnings, patio covers, decorations, fences, walls, aerials, antennas, radio or television broadcasting or receiving devices, slabs, sidewalks, curbs, gutters, patios, balconies, porches, driveways, walls or to make any change or otherwise alter (including any alteration in color) in any manner whatsoever to the exterior or interior of any unit or upon any of the common elements within the Project or to combine or otherwise join two or more units, or to partition the same after combination, or to remove or alter any window or doors of any unit, or to make any change or alteration within any unit which will alter the structural integrity of any building or otherwise affect the property, interest or welfare of any other owner, materially increase the cost of operating or insuring the Project or impair any easement, until the complete plans and specifications, showing the location, nature, shape, change (including, without limitation, any other information specified by the Board of Directors or its designated committee) shall have been submitted to and approved in writing as to safety, the effect of any such alterations on design, color and location in relation to surrounding structures and topography, by the Board of Directors or by an Architectural and Environmental Control Committee designated by the Board of Directors.

2. Restrictions on Directors. Except in cases of bona fide emergencies involving manifest danger to life, safety or property, or the interruption of essential services to the Project, whenever in the judgment of the Board of Directors the common elements of the Project shall require additions, alterations or improvements requiring the expenditure of funds of the Council in excess of Twenty-Five Thousand Dollars (\$25,000.00), such additions, alterations or improvements shall not be made until the same shall have been approved by:

(a) Owners representing a majority of the total votes of the Council at a meeting of the owners duly called for such purpose; and

(b) The institutional holder of any mortgages or other obligations secured by any time interval or time intervals in the aggregate principal sum of more than One Hundred Fifty Thousand Dollars (\$150,000.00), which approval shall be in writing.

ARTICLE XI

INSURANCE

1. Limitations. Any insurance obtained pursuant to the requirements of this Article shall be subject to the Maryland Real Estate Time-Sharing Act and the following provisions:

(a) In no event shall the insurance coverage obtained and maintained pursuant to the requirements of this Article be brought into contribution with insurance purchased by the owners or their mortgagees, as herein permitted, and any "not other insurance" or similar clause in any policy obtained by the Council pursuant to the requirements of this Article shall exclude such policies from consideration.

(b) Such policies shall contain no provision relieving the insurer from liability because of loss occurring while the hazard is increased in the building, whether or not within the control or knowledge of the Board of Directors 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 owner, 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.

(c) All policies shall provide that such policies may not be cancelled or substantially modified (including cancellation for non-payment of premium) without at least thirty (30) days prior written notice to any and all insured named thereon, including any and all mortgagees of any time interval.

(d) All policies of casualty insurance shall provide that, notwithstanding any provisions thereof which give the carrier the right to elect to restore damage in lieu of making a cash settlement, such option shall not be exercisable without the prior written approval of the Board of Directors (or any Insurance Trustee).

(e) All policies shall contain a waiver of subrogation by the insurer as to any and all claims against the Council, the Board of Directors, the owner of any time interval and their respective agent, employees or tenants, and of any defenses based upon co-insurance or invalidity arising from the acts of the insured.

(f) All policies of casualty insurance shall contain the standard mortgagee clause except that any loss or losses payable to named mortgagees shall be payable in the manner set forth in Article XII of these By-Laws. Such mortgagee clause shall provide for notice in writing to the mortgagee of any loss paid as aforesaid.

2. Individual Policies - Recommendation of Declarant. The declarant recommends that each owner of a time interval determine if and to what extent his homeowner's insurance covers his personal possessions while he is at Lakewood Resorts, and consider obtaining such additional insurance if the Lakewood insurance along with his homeowner's insurance, if any, is inadequate.

3. Endorsements, Etc. The Board of Directors, at the request of any owner of any time interval or at the request of the mortgagee of any such time interval, shall promptly obtain and forward to such owner or mortgagee:

(a) An endorsement to any of the policies aforementioned in this Article showing the interest of such owner or mortgagee as it may appear; and

(b) Certificates of insurance relating to any of such policies; and

(c) Copies of any such policies duly certified by the insurer or its duly authorized agent.

ARTICLE XII

CASUALTY DAMAGE - RECONSTRUCTION OR REPAIR

1. Use of Insurance Proceeds. In the event of damage or destruction to the

Project by fire or other casualty, the same shall be promptly repaired or reconstructed in substantial conformity with the original plans and specifications for the Project with the proceeds of insurance available for that purpose, if any.

2. Proceeds Insufficient. In the event that the proceeds of insurance are not sufficient to repair damage or destruction by fire or other casualty, or in the event such damage or destruction is caused by any casualty not insured against, then the repair or reconstruction of the damage shall be accomplished promptly by the Council as a common expense. The ratable share of the expense of such repairs or reconstruction may be assessed equally to all owners.

3. Restoration Not Required. In the event any unit is damaged or destroyed by fire or other casualty and not reconstructed as set forth in the Declaration, then those units shall be deemed to be equally owned in common by the owners of all of the time intervals in such units, in which event the net proceeds of any sale, together with the net proceeds of any insurance paid to the Council shall be considered as one fund and shall be divided among the owners of all of such time intervals in the same proportion as that established in the Instrument after paying any clean-up expenses and after paying out of the share of the owner, to the extent such payment is required by any lienor and to the extent such share is sufficient for the purpose, all liens upon said time interval, in accordance with the priority of interests in each time interval. If any unit is not rebuilt, that unit's entire common element interest, votes in the Council and common expense liability are automatically reallocated and the Council promptly shall prepare, execute and record an amendment to the Instrument reflecting the reallocations.

ARTICLE XIII

FISCAL MANAGEMENT

1. Fiscal Year. The fiscal year of the Council shall end on the last day of December every year. The commencement date of the fiscal year herein established shall be subject to change by the Board of Directors should the practice of the Council subsequently dictate.

2. Principal Office - Change of Same. The principal office of the Council shall be as set forth in Article 1 of these By-Laws. The Board of Directors, by appropriate resolution, shall have the authority to change the location of the principal office of the Council from time to time; provided, however, that no such change shall become effective until a certificate evidencing such change shall have been made by the Secretary or any Assistant Secretary of the Council and recorded in the name of the Council, among the Land Records of Garrett County, Maryland.

3. Books and Accounts. Books and accounts of the Council shall be kept under the direction of the Treasurer in accordance with generally accepted accounting practices, consistently applied. The same shall include books with detailed accounts, in chronological order, of receipts and of the expenditures and other transactions of the Council and its administration, and shall specify the maintenance and repair expenses of the common elements of the Project, services provided with respect to the same, and any assessments required by the Council.

4. **Inspection of Books.** The books and accounts of the Council, vouchers accrediting the entries made thereupon, and all other records maintained by the Council shall be available for examination by the owners and their duly authorized agents or attorneys, and to the institutional holder of any first mortgage on any time interval and its duly authorized agents or attorneys, during normal business hours and for purposes reasonably related to their respective interests and after reasonable notice, at a location in Garrett County to be designated by the Board of Directors. Every record, including insurance policies, shall be maintained in the State of Maryland or within fifty (50) miles of its border.

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

6. **Seal.** The Board of Directors may provide a suitable corporate seal containing the name of the Council, which seal shall be in the charge of the Secretary. If so directed by the Board of Directors, a duplicate seal may be kept and used by the Treasurer or any Assistant Secretary or Assistant Treasurer.

ARTICLE XIV

PHYSICAL MANAGEMENT

1. **Management and Common Expenses.** The Council, acting by and through its Board of Directors, shall manage, operate and maintain the Project and, for the benefit of the time interval owners, shall enforce the provisions hereof and shall pay out of the common expense fund, the cost of managing, operating and maintaining the Project including, without limitation, the following:

(a) The cost of providing water, sewer, garbage and trash collection, electrical, gas and other necessary utility services for the Project.

(b) The cost of fire and extended liability insurance on the Project and the cost of such other insurance as the Council may elect; and

(c) The cost of the services of the Manager consistent with the provisions of these By-Laws, together with the services of such other personnel as the Board of Directors shall consider necessary for the operation of the Project; and

(d) The cost of providing such legal and accounting services as may be considered necessary by the Board of Directors for the operation of the Project; and

(e) The cost of repairs, maintenance, service and replacement of the common elements of the Project including, without limitation, the cost of painting, maintaining, replacing, repairing and landscaping the common elements and such furnishings and equipment for the common elements and units as the Board of Directors shall determine are necessary and proper; and

(f) The cost of any and all other materials, supplies, labor, services, maintenance, repairs, taxes, assessments or the like which the Council is

required to secure or pay for by law, or otherwise, or which in the discretion of the Board of Directors shall be necessary or proper for the operation; provided, however, that if any of the aforementioned are provided or paid for the specific benefit of a particular time interval, the cost thereof may be specially assessed to the owner or owners thereof; and

(g) Any amounts necessary to discharge any lien or encumbrance levied against the Project or Council, or any portion thereof, which may, in the opinion of the Board of Directors, constitute a lien against any of the common elements rather than the interest of the owner of any individual time interval.

2. Council of Owners as Attorney-in-Fact. The Council is hereby irrevocably appointed as attorney-in-fact for the owners, and for each of them, to manage, control and deal with the interests of such owners in the common elements of the Project so as to permit the Council to fulfill all of its powers, functions and duties under the provisions of the Maryland Real Estate Time-Sharing Act, the Instrument and the By-Laws, and to exercise all of its rights thereunder. 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 time interval shall constitute an irrevocable appointment of the Council as attorney-in-fact as aforesaid.

3. Manager. The Council and the Board of Directors shall not be liable for any omission or improper exercise by the Manager of any such duty, power or function delegated to the Manager.

4. Duty to Maintain. Except for maintenance requirements herein imposed upon the Council, all owners during their time interval shall maintain the interior of his unit and any and all equipment, appliances or fixtures therein situate, and its other appurtenances (including, without limitation, any deck, terrace, patio or the like appurtenant to such unit, and including all mechanical equipment and appurtenances located outside such unit which are designed, designated or installed to serve only that unit) in good order, condition and repair, and in a clean and sanitary condition, which may at any time be necessary to maintain the good appearance of his unit.

5. Access at Reasonable Times. The Council, Manager and their agents and employees shall have an irrevocable right and easement to enter units as set forth in the Instrument. An entry by the Council or Manager for the purposes specified in this subsection may not be considered a trespass and each owner shall provide keys to all doors to insure access for the purposes herein stated.

6. Easement for Utilities and Related Purposes. The Council shall not be liable for any failure of water supply or other services to be obtained by the Council or paid for out of the common expense funds, or for injury or damage to person or property caused by the elements or resulting from electricity, water, snow or ice which may leak or flow from any portion of the common elements or from any wire, pipe, drain, conduit, appliance or equipment. The Council shall not be liable to the owner for loss or damage, by theft or otherwise, of articles which may be stored upon any of the common elements. No diminution or abatement of common expense assessments shall be claimed or allowed for inconvenience or discomfort arising from the making of repairs or improvements to the common elements, or to any unit, or from any action taken by the Council to comply with any law or ordinance or with the order or directive of any municipal or other governmental

authority.

7. Easements - Power of the Board of Directors to Grant. The Board of Directors may, by majority vote, grant easements, rights of way, licenses, leases in excess of one (1) year or similar interests for the provision of utility services or communication systems for the exclusive benefit of units within the Project. These actions by the Board of Directors are subject to the following requirements:

(a) The action shall be taken at a meeting of the Board of Directors held after at least thirty (30) days' notice to all owners and mortgagees of the record with the Council.

(b) At the meeting, the Board of Directors may not act until all owners and mortgagees shall be afforded a reasonable opportunity to present their views on the proposed easement, right of way, license, lease or similar interest.

(c) The easement, right of way, license, lease or similar interest shall contain the following provisions:

(i) the service or system shall be installed or affixed to the premises at no cost to the individual owners or the Council other than charges normally paid for like services by residents of similar or comparable dwelling units within the same area;

(ii) the owners and Council shall be indemnified for any damage arising out of the installation of the service or system; and

(iii) the Board of Directors shall be provided the right to approve of the design for installation of the service or system in order to insure that the installation conforms to any conditions which are reasonable to protect the safety, functioning and appearance of the Project.

The action of the Board of Directors granting any such easement, right of way, license, lease or similar interest under the above paragraph of this section shall not be final until the following have occurred:

(a) Within fifteen (15) days after the vote by the Board of Directors to grant an easement, right of way, license, lease or similar interest, a petition may be filed with the Board of Directors signed by the owners having at least fifteen percent (15%) of the votes calling for a special meeting of owners to vote on the question of a disapproval of the action of the Board of Directors granting such easement, right of way, license, lease or similar interest. If no such petition is received within fifteen (15) days, the decision of the Board of Directors shall be final.

(b) If a qualifying petition is filed, a special meeting shall be held no less than fifteen (15) days or more than thirty (30) days from receipt of the petition. At the special meeting, if a quorum is not present, the decision of the Board of Directors shall be final. If a special meeting is held and fifty percent (50%) of the owners present and voting disapprove the grant, and the owners voting to disapprove the grant are more than thirty-three percent (33%) of the total votes in the Project, then the grant shall be void. If the vote of the owners is not more than thirty-three percent (33%) of the total votes in the Project, the decision of the Board of Directors to make the grant shall be final.

Any easement, right of way, license, lease or similar interest granted by the Board of Directors under the provisions of this section shall state that the grant was approved in accordance with the provisions of this section.

ARTICLE XV

PARKING

1. **General Requirements.** All parking areas within the Project shall be considered part of the common elements. Parking may be regulated by the Board of Directors and parking spaces may initially be assigned by the declarant and thereafter by the Board of Directors. Each unit shall have exclusive use of one parking space. No owner shall make use of any parking space other than the space or spaces appurtenant or assigned to his unit by the Board of Directors, if any, without the express written consent of the Manager, nor shall any owner invite, encourage or permit the use by his guests of parking spaces appurtenant or assigned to units other than his own, excepting unassigned spaces. No vehicle belonging to any owner, or to any guest or employee of any 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. Nothing shall be stored upon any parking space nor shall the same be permitted to accumulate trash or debris.

Each owner shall comply in all respects with such supplementary rules and regulation 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 Project.

The Board of Directors shall make reasonable efforts to assign parking spaces in a manner calculated to make reasonable adjustments to accommodate the elderly and handicapped.

ARTICLE XVI

MORTGAGES

1. **Notice to Board of Directors.** Any owner who mortgages his time interval shall promptly notify the Board of Directors of the name and address of his mortgagee and shall file a copy of such mortgage with the Board of Directors. The Board of Directors shall maintain suitable records pertaining to such mortgages.

2. **Casualty Losses.** In the event of damage or destruction of any unit or any part of the common elements of the Project, the Board of Directors shall give prompt written notice of such damage or destruction to the appropriate holders of first mortgages of record.

3. **Condemnation or Eminent Domain.** In the event any unit or any part of the common elements of the Project is made the subject matter of any condemnation or eminent domain proceeding, or is otherwise sought to be acquired by any condemning authority, then the Board of Directors shall give prompt written notice of any such proceeding or proposed acquisition to the holders of all first mortgages of record. No provision of the Instrument or these By-Laws shall entitle any owner to any priority over the holder of any first mortgage of record on his time interval with respect to the distribution to such owner of the proceeds of any condemnation award or

settlement.

4. The following Articles and/or Sections of these By-Laws have wording that may be of interest to mortgagees:

- (a) Section 2 of Article II - mortgagee.
- (b) Section 10 of Article IV - rights of mortgagees.
- (c) Section 17 of Article V - rights of mortgagees.
- (d) Sections 5 and 6 of Article VIII - liens.
- (e) Article XI - insurance.
- (f) Section 5 of Article XIII - inspection of books.

ARTICLE XVII

MISCELLANEOUS

1. **Conflict.** These By-Laws are subordinate and subject to all provisions of the Instrument and to the provisions of the Maryland Real Estate Time-Sharing Act. All of the terms hereof, except where clearly repugnant to the context, shall have the same meaning as in the Instrument or the aforesaid statute. In the event of any conflict between these By-Laws and the Instrument, the provisions of the Instrument shall control; and in the event of any conflict between the aforesaid Instrument and said Act, the provisions of the Act shall control.

2. **Notices.** Unless another type of notice is hereinelsewhere specifically provided for, any and all notices called for in the Instrument and in these By-Laws shall be given in writing.

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

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

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

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