

LAKELANDS RIDGE HOMEOWNERS ASSOCIATION, INC.

BY-LAWS

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LAKELANDS RIDGE HOMEOWNERS ASSOCIATION, INC.

BY-LAWS

ARTICLE I NAME AND LOCATION

The name of the corporation is **LAKELANDS RIDGE HOMEOWNERS ASSOCIATION, INC.**, hereinafter referred to as the "Association". The initial principal office of the corporation shall be located at 8120 Woodmont Avenue, Suite 300, Bethesda, Maryland 20814, but meetings of Members and Directors may be held at such places within the State of Maryland as may be designated by the Board of Directors.

ARTICLE II DEFINITIONS

Section 2.1. "Association" shall mean and refer to LAKELANDS RIDGE HOMEOWNERS ASSOCIATION, INC., a non-stock, non-profit Maryland corporation, its successors and assigns.

Section 2.2. "Declarant Control Period" shall mean that period of time beginning on the date the Declaration is recorded among the Land Records of Montgomery County, Maryland and ending upon the date on which Class B membership lapses, as set forth in the Declaration (hereinafter defined).

Section 2.3. "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions, Lakelands Ridge Homeowners Association, which is recorded, or is intended to be recorded, among the Land Records of Montgomery County, Maryland, including amendments and supplements thereto.

Section 2.4. Other Definitions. Unless it is plainly evident from the context that a different meaning is intended, other terms used herein shall have the same meaning as they are defined to have in the Declaration.

ARTICLE III MEMBERSHIP

Section 3.1. Membership. The Declarant and every person or entity who is a record owner of a fee or undivided fee interest in any Unit, including contract sellers, shall be a Member of the Association, provided that any such person or entity who or which holds such interest merely as security for the performance of an obligation shall not be a Member. Class A membership shall be appurtenant to, and may not be separated from, ownership of any Unit which is subject to assessment by the Association.

Section 3.2. Voting Rights. The Association shall have two (2) Classes of voting Membership, which shall be known as "Class A" and "Class B":

A. **Class A Membership.** Every person, group of persons, corporation, partnership, trust or other legal entity, or any combination thereof, other than the Declarant and the Participating Builders, who or which is a record owner of a fee interest in any Unit which is part of the Property described in Article II of the Declaration, or which otherwise becomes subject to the covenants set forth in the Declaration and to assessment by the Association, shall be a Class A Member of the Association, provided, however, that any such person, group of persons, corporation, partnership, trust or other legal entity who or which holds such interest solely as security for the performance of an obligation shall not be a Class A Member solely on account of such interest. Each Class A Member shall be entitled to one (1) vote for each Unit in which such Member holds the interest required for Class A Membership.

B. **Class B Membership.** The Class B Member shall be the Declarant, its nominee or nominees, and shall include every person, group of persons, corporation, partnership, trust or other legal entity, or any combination thereof, who or which shall obtain any Class B Membership by specific assignment from the Declarant. The Class B Member shall initially have two hundred fifteen (215) Class B Memberships, which number is approximately equal to the total number of Units which are currently approved for the Lakelands-Great Seneca North project. This number shall be reduced for each Class A Membership existing at any relevant time. If, at any time, the Declarant receives approval for a greater number of Units within the Lakelands-Great Seneca North project than is permitted at the time the Declaration is recorded, then the number of Class B Memberships described above shall be increased by the number of additional Units approved. The Class B Member shall have three (3) votes for each Class B Membership which it holds. Each Class B Membership shall lapse and become a nullity on the first to happen of the following events:

(1) when the total votes outstanding in the Class A Membership equal the total votes outstanding in the Class B Membership; or

(2) ten (10) years from the date of recordation of the Declaration; provided, however, that the improvement and development of the Property is delayed on account of a sewer, water or building permit moratorium, or any other cause or event beyond the control of the Declarant or Great Seneca LLC (the intended builder of the Condominium Regimes), then the aforesaid ten (10) year period shall be extended by a period of time equal to the length of the delays or two (2) years, whichever is less; or

(3) upon surrender of the Class B Memberships by the then holders thereof for cancellation on the books of the Association.

Upon the surrender of all of the Class B Memberships as provided for in this Article, the Declarant shall thereafter remain a Class A Member of the Association as to each and every Unit in which the Declarant then holds the interest otherwise required for such Class A Membership.

The Members of the Association shall have no preemptive rights, as such Members, to acquire any Memberships of this Association that may, at any time, be issued by the Association, except as may be specifically provided in this Article.

Section 3.3. Good Standing with the Association. Members must be in good standing with the Association to vote on those matters which come before the Association. In order to be in good standing, a Member must be current in all of the Member's financial obligations to the Association and must not be adjudged by the Association's Board of Directors or Covenants Committee to be in violation of the Association's governing documents.

ARTICLE IV **MEETINGS OF MEMBERS**

Section 4.1. Place of Meeting. Meetings of the Members shall be held at the principal office or place of business of the Association or at such other suitable place within the State of Maryland which is reasonably convenient to the Members and as may from time to time be designated by the Board of Directors.

Section 4.2. Annual Meetings. The first annual meeting of the Members of the Association shall be held at such time and place as may be designated by the Board of Directors; provided, however, that the first annual meeting of the Members shall be held within one (1) year from the date of filing of the Articles of Incorporation of the Association with the State Department of Assessments and Taxation of Maryland or earlier if required by law. Thereafter, the annual meetings of the Members shall be held, to the extent reasonably possible, during the same month of each succeeding year. At the first of such meetings following the expiration of the Declarant Control Period, and at each annual meeting thereafter, 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 as may properly come before them.

Section 4.3. Special Meetings. It shall be the duty of the President to call a special meeting of the Members as directed by resolution of the Board of Directors or upon a petition signed by at least twenty-five percent (25%) of the then Members having been presented to the Secretary; provided, however, that no special meetings shall be called either (a) except upon resolution of the Board of Directors, prior to the Organizational Meeting of the Members as hereinbelow provided for; or (b) to consider any matter which

is substantially the same as a matter voted on at any special meeting of the Members held during the preceding twelve (12) months.

Section 4.4. Notice of Meetings. It shall be the duty of the Secretary to mail a notice of each annual or special meeting, stating the purpose thereof, as well as the time and place where it is to be held, to each Member of record, at his address as it appears on the membership books of the Association or, if no such address appears, at his last known place of address, at least ten (10) but not more than ninety (90) days prior to such meeting. Notice by either such method shall be considered as notice served. Attendance by a Member at any meeting of the Members, either in person or by proxy, shall be a waiver of notice by him of the time, place and purpose of that meeting. Notice of any annual or special meeting of the Members of the Association may also be waived by any Member either prior to, at or after any such meeting.

Section 4.5. Roster of Membership. Each Member shall furnish the Board of Directors with such Member's name and current mailing address. The Board of Directors of the Association shall maintain a current roster of the names and addresses of each Member who has notified the Board of Directors of such Member's name and current mailing address.

Section 4.6. Quorum. The presence, either in person or by proxy, of Members entitled to cast ten percent (10%) of the votes of the membership, shall be requisite for, and shall constitute a quorum for the transaction of business at all meetings of Members, except as otherwise provided in the Articles of Incorporation, the Declaration or the By-Laws. If the number of Members at a meeting drops below the quorum and the question of a lack of a quorum is raised, no business may thereafter be transacted. The Members present thereat shall have the power to adjourn the meeting from time to time and call an additional meeting giving at least 15 days notice. At the additional meeting, the Members present in person or by proxy shall constitute a quorum.

Section 4.7. Voting. At every meeting of the Members, each Class A Member shall have the right to cast one (1) vote on each question for each Class A membership which he owns and each of the Class B Members shall have the right to cast three (3) votes on each question for each Class B membership which he owns. The vote of the Members representing fifty-one percent (51%) of the total of the votes of the membership present at the meeting, in person or by proxy, calculated as aforesaid, shall be necessary to decide any question brought before such meeting, unless the question is one upon which, by the express provision of law or of the Articles of Incorporation, or of the Declaration or of these By-Laws, a different vote is required, in which case such express provision shall govern and control. The vote for any membership which is owned by more than one person may be exercised by any of them present at any meeting unless any objection or protest by any other owner of such membership is noted at such meeting. In the event all of the co-owners of any membership who are present at any meeting of the Members are unable to agree on the manner in which the votes for such membership shall

be cast on any particular question, then such vote shall be counted for purposes of deciding that question in accordance with the provisions and requirements of Section 2-508 of the Corporations and Associations Article, Annotated Code of Maryland (1999 Repl. Vol.), as from time to time amended. In the event any membership is owned by a corporation, then the vote for any such membership shall be cast by a person designated in a certificate signed by the President or any Vice President of such corporation and filed with the Secretary of the Association, prior to or during the meeting. Any such certificate shall remain valid until revoked or superseded in writing. The vote for any membership 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 such 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 Class A Member 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 Association to be more than sixty (60) days delinquent in any payment due the Association.

Section 4.8 Proxies. A Member may appoint any other Member or the Declarant or the Management Agent as his proxy. Any proxy must be in writing and must be filed with the Secretary in form approved by the Board of Directors before the appointed time of each meeting. Unless limited by its terms, any proxy shall continue until revoked by a written notice of revocation filed with the Secretary or by the death of the Member; provided, however, that no proxy shall be effective for a period in excess of one hundred eighty (180) days unless granted to the Declarant.

Section 4.9. Rights of Mortgagees. Any Institutional Mortgagee of any Unit who desires notice of the annual and special meetings of the Members 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 Members 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 of the Members 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. Any such Institutional Mortgagee shall be entitled to designate a representative to attend any annual or special meeting of the Members and such representative may participate in the discussion at any such meeting and may, upon 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 Members upon request made in writing to the Secretary.

Section 4.10. Order of Business. The order of business at all regularly scheduled meetings of the Members shall be as follows:

- A. Roll call and certificate of proxies.
- B. Proof of notice of meeting or waiver of notice.
- C. Reading and disposal of minutes of preceding meeting, if any.
- D. Reports of officers, if any.
- E. Reports of Committees, if any.
- F. Unfinished business.
- G. New business.
- H. Election or appointment of inspectors of election.
- I. Election of Directors.
- 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.

Section 4.11. Rules of Order and Procedure. The rules of order and all other matters of procedure at all annual and special meetings of the Members shall be determined by the Chairman of such meeting.

Section 4.12. Inspectors of Election. The Board of Directors may, in advance of any annual or special meeting of the Members 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 are not so appointed, the Chairman of any annual or special meeting of Members 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 Association. No officer or Director of the Association, and no candidate for Director of the Association, shall act as an inspector of election at any meeting of the Members if one of the purposes of such meeting is to elect Directors.

ARTICLE V

BOARD OF DIRECTORS: SELECTION: TERM OF OFFICE

Section 5.1. Number. The affairs of the Association shall be managed by a Board of Directors initially consisting of three (3) natural persons. Until the lapse of the Declarant Control Period, all three (3) directors shall be appointed by the Declarant. Commencing with the first annual meeting of the Association following the lapse of the Declarant Control Period, the Board shall consist of not fewer than three (3) nor more than five (5) directors. The number of directors shall be determined by a vote of the Members at the first annual meeting of the Members following the lapse of the Declarant Control Period and the number of directors may be changed by a vote of the Members at any subsequent annual

meeting of the Members; provided, however, that (a) the limitations of this Section shall continue to apply; and (b) no such change shall operate to curtail or extend the term of any incumbent director. The directors need not be Members of the Association.

Section 5.2. Term of Office. At the first annual meeting following the lapse of the Declarant Control Period, the Members shall elect one (1) director for a term of one (1) year, one (1) director for a term of two (2) years and at least one (1) director for a term of three (3) years. At each annual meeting thereafter, the Members shall elect a director to each vacancy for a term of three (3) years.

Section 5.3. Removal. After the first meeting of the Members following the lapse of the Declarant Control Period, any Director may be removed from the Board, with or without cause (including that cause set forth in Article VII, Section 7.1.D hereof), by a majority vote of the Members of the Association. Any vacancy created by removal as aforesaid shall be filled by a vote of the remaining members of the Board of Directors. Prior to the first meeting of the Members following the lapse of the Declarant Control Period, any Director appointed by the Declarant may be removed from the Board, with or without cause (including that cause set forth in Article VII, Section 7.1.D hereof), by the Declarant.

Section 5.4. Compensation. Except as hereinafter set forth, no Director shall receive compensation for any service rendered to the Association. However, any Director may be reimbursed for actual expenses incurred in the performance of such Director's duties.

ARTICLE VI **NOMINATION, ELECTION AND MEETINGS OF DIRECTORS**

Section 6.1. Nomination. Nomination for election to the Board of Directors, commencing with the first annual meeting of the Members at which Directors are to be elected by the membership, may be made by a Nominating Committee or by solicitation for candidates from among all Members by newsletter solicitation or mail. Nominations may also be made from the floor at the annual meeting by any Member. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more Members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the Members to serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Nominations shall be made from among Members.

Section 6.2. Election. Election to the Board of Directors shall be by secret written ballot. At such election, the Members, or their proxies, may cast, in respect to each vacancy, one (1) vote. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

Section 6.3. 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, personally or by mail, telephone or telegraph, at least six (6) days prior to the date named for such meeting.

Section 6.4. 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 any two (2) of the Directors.

Section 6.5. Quorum. A majority of the number of Directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

Section 6.6. Action Taken Without a Meeting. The Directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of a majority of such Directors. Such approval shall be filed with the minutes of the proceedings of the Board of Directors. Any action so approved shall have the same effect as though taken at a meeting of the Directors.

Section 6.7. Rights of Mortgagees. Any Institutional Mortgagee of any Unit 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 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 regular or special meeting of the Board of Directors to each 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 and may, upon request made to the Chairman in advance of the meeting, address the members of the Board of Directors present 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.

Section 6.8. Fidelity Bonds. The Board of Directors shall require that all officers, Directors, Committee members and employees of the Association regularly handling or otherwise responsible for the funds of the Association shall furnish adequate fidelity bonds or equivalent insurance against acts of dishonesty. The premiums on such bonds or insurance shall be paid by the Association.

ARTICLE VII **POWERS AND DUTIES OF THE BOARD OF DIRECTORS**

Section 7.1. Powers. The Board of Directors shall have the power to:

A. adopt and publish, and amend or delete rules and regulations governing the use of the Common Area, and the personal conduct of the Members and their guests thereon, and architectural guidelines, and establish the penalties for the infraction thereof;

B. adopt and publish, and amend or delete such Community Codes and Design Guidelines, in accordance with the provisions of the Declaration, as it deems necessary and desirable in the best interest of the Members and the community;

D. suspend the voting rights and right to use of the Common Area of a Member during any period in which such Member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed sixty (60) days for infraction of published rules and regulations;

E. exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of the Association's governing documents;

F. declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors or four (4) regular meetings of the Board of Directors during a nine (9) month period;

G. appoint the members of the Covenants Committee and such other Committees as the Board of Directors deems necessary or advisable;

H. employ a manager, an independent contractor, or such other employees as deemed necessary, and to prescribe their duties; and

I. impose reasonable fines for any infraction of the provisions of the Association's governing documents provided, however, that any Member against whom a fine may be imposed shall have first been given the right to a hearing before the Board of Directors, as more fully provided in the Declaration.

Section 7.2. Duties. It shall be the duty of the Board of Directors to:

A. cause to be kept a complete record of all acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members, or at any special meeting when such statement is requested in writing by twenty-five percent (25%) of the Members who are entitled to vote;

B. supervise all officers, agents and employees of the Association, and to see that their duties are properly performed;

C. as more fully provided in the Declaration, to:

(1) fix the amount of the general assessment against each Unit at least thirty (30) days in advance of each assessment period;

(2) send written notice of each assessment to each Condominium Regime and to every Single Family Member subject thereto at least thirty (30) days in advance of each assessment period; and

(3) foreclose the lien against any property for which assessments are not paid within thirty (30) days after due date or to bring an action at law against the Member personally obligated to pay the same.

D. issue, or cause an appropriate officer to issue, upon request by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states that an assessment has been paid, such certificate shall be conclusive evidence of such payment;

E. procure and maintain adequate liability and hazard insurance on property owned by the Association;

F. cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate;

- G. cause the Common Area to be maintained;
- H. appoint the members of the Nominating Committee; and
- I. otherwise perform or cause to be performed the functions and obligations of the Board and the Association as provided for in the Association's governing documents.

Section 7.3. Management Agent. Subject to provisions set forth in Article VIII of the Declaration, the Board of Directors may employ for the Association a professional management agent or manager.

ARTICLE VIII **OFFICERS**

Section 8.1. Designation. The principal officers of the Association shall be a President, a Vice President, a Secretary and a Treasurer, all of whom shall be elected by the Board of Directors. Prior to the lapse of the Declarant Control Period, the officers of the Association need not be Members. Thereafter, except for the President, the officers of the Association need not be Members. The President shall be elected from among the members of the Board of Directors. The directors may appoint Assistant Secretaries and Assistant Treasurers, and such other officers as, in their judgment, may be necessary.

Section 8.2. Election of Officers. The officers of the Association shall be elected by the Board of Directors at the organizational meeting of each new Board, and shall hold office at the pleasure of the Board of Directors. Election materials prepared with funds of the Association shall list candidates in alphabetical order, and may not indicate a candidate preference.

Section 8.3. Removal of Officers. Prior to the lapse of the Declarant Control Period, officers may be removed only by the Declarant. Thereafter, upon an affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors called for such purpose.

Section 8.4. President. The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Members and of the Board of Directors. He shall have all of the general powers and duties which are usually vested in the office of the President of a corporation, including, but not limited to, the power to appoint committees from among the membership, from time to time, as he may, in his discretion, decide is appropriate to assist in the conduct of the affairs of the Association.

Section 8.5. Vice President. The Vice President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board shall appoint some other member of the Board to do so on an interim basis. The Vice President shall also perform such other duties as shall, from time to time, be imposed upon him by the Board of Directors.

Section 8.6. Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the Members of the Association; he shall have custody of the Seal of the Corporation; he shall have charge of the membership transfer books, and of such other books and papers as the Board of Directors may direct; he shall count all votes at the meetings of the Members of the Association; and he shall, in general, perform all the duties incident to the office of Secretary.

Section 8.7. Treasurer. The Treasurer shall have responsibility for corporate funds and securities, and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit, of the Association in such depositories as may, from time to time, be designated by the Board of Directors. He shall be bonded under a fidelity bond, in such amount as may be determined by the Board of Directors.

ARTICLE IX
LIABILITY AND INDEMNIFICATION OF OFFICERS, DIRECTORS
AND MEMBERS OF COUNCILS OR COMMITTEES;
INTERESTED DIRECTORS

Section 9.1. Liability and Indemnification of Officers, Directors and Members of Councils or Committees. The Association shall indemnify every person who is or was an officer or Director of the Association or Covenants Committee or other Committee duly appointed by the Association's Board of Directors to the fullest extent permitted by Section 2-418 of Title 2, Corporations and Associations Article, Annotated Code of Maryland (1999 Repl. Vol.), as from time to time amended or superseded.

Section 9.2. Interested Directors. The Directors shall exercise their powers and duties in good faith and with a view to the interests of the Association. A contract or other transaction between the Association and any of its Directors, or between the Association and any corporation, firm or other entity in which any of its Directors is a director or has a material financial interest is not void or voidable solely because of the common directorship or interest, or because the Director is present at the meeting of the Board of Directors which authorizes, approves or ratifies the contract or transaction, or because the vote of the Director was counted for the authorization, approval or ratification of the contract or transaction, if any of the following conditions exist:

A. the fact of the common directorship or interest is disclosed or known to the Board of Directors and the Board of Directors authorizes, approves or ratifies the contract or transaction by the affirmative vote of a majority of disinterested Directors, even if the disinterested Directors constitute less than a quorum; or

B. the fact of the common directorship or interest is disclosed or known to the Members of the Association entitled to vote, and the contract or transaction is authorized, approved or ratified by a majority of the votes cast by the Members entitled to vote other than the vote of the interested Director or corporation, firm or other entity; or

C. the contract or transaction is fair and reasonable to the Association at the time it was authorized, approved or ratified.

Common or interested Directors or the votes which they are entitled to cast or which are entitled to be cast by an interested corporation, firm or other entity, may be counted in determining the presence of a quorum at a meeting of the Board of Directors or at a meeting of the Members, as the circumstances may require, at which the contract or transaction is authorized, approved or ratified. If a contract or transaction is not authorized, approved or ratified in the manner provided for in subparagraphs A or B of this paragraph, the person asserting the validity of the contract or transaction bears the burden of proving that the contract or transaction was fair and reasonable to the Association at the time it was authorized, approved or ratified.

ARTICLE X **COMMITTEES**

The Board of Directors of the Association may appoint a Covenants Committee, as provided in the Declaration, and shall appoint a Nominating Committee, as provided in these By-Laws. In addition, the Board of Directors shall appoint other Committees as it deems appropriate in carrying out its purposes.

ARTICLE XI **INSURANCE**

Section 11.1. Insurance. The Board of Directors of the Association shall obtain and maintain, to the extent reasonably available, at least the following:

A. casualty or physical damage insurance in an amount equal to the full replacement value (i.e., 100% "replacement cost" exclusive of land, foundation and excavation) of the Common Area (including all building service equipment and the like) with an "Agreed Amount Endorsement" or its equivalent, a "Demolition Endorsement" or its equivalent, and "Increased Cost of Construction Endorsement" or its equivalent and a "Contingent Liability from Operation of Building Laws Endorsement" or its equivalent,

without deduction or allowance for depreciation, as determined annually by the Board of Directors with the assistance of the insurance company affording such coverage, such coverage to afford protection against at least:

- (i) loss or damage by fire and other hazards covered by the standard extended coverage endorsement; and
- (ii) such other risks as shall customarily be covered by the standard "all-risk" endorsement and such other risks as shall customarily be covered with respect to projects similar in construction, location and use, including, but not limited to, debris removal, cost of demolition, vandalism, malicious mischief, windstorm, water damage, boiler and machinery explosion or damage, and such other insurance as the Board of Directors may from time to time determine; and

B. A comprehensive policy of public liability insurance with a "Severability of Interest Endorsement" or its equivalent in such amount and in such forms as may be considered appropriate by the Board of Directors (but not less than One Million and *** No/100 Dollars (\$1,000,000.00) covering all claims for bodily injuries and/or property damage arising out of a single occurrence including, but not limited to, water damage liability, legal liability, hired automobile liability, non-owned automobile liability, liability for property of others and, if applicable, garage keeper's liability, host liquor liability, and such other risks as shall customarily be covered with respect to projects similar in construction, location and use, including any and all other liability incident to the membership and use of the Common Area or any portion thereof; and

C. workmen's compensation insurance to the extent necessary to comply with any applicable law; and

D. a "Directors and Officers Liability Policy", or its equivalent, affording protection for the officers and Directors of the Association and members of any duly authorized Committee for expenses and fees incurred by any of them in defending any suit or settling any claim, judgment or cause of action to which any such officer or Director shall have been made a party by reason of his services as such; and

E. such other policies of insurance, including insurance for other risks of a similar or dissimilar nature and fidelity coverage as required by these By-Laws, as are or shall hereafter be considered appropriate by the Board of Directors.

Section 11.2. Fidelity Bonds. The Board of Directors shall maintain adequate fidelity coverage to protect against dishonest acts on the part of officers and Directors of the Association, and duly authorized Committees and volunteers for the Association and

such employees and agents of the Association who handle or are responsible for the handling of funds of the Association. Such fidelity coverage shall meet at least the following requirements:

A. all such fidelity bonds and policies of insurance shall name the Association as obligee or named insured, as the circumstances may require; and

B. all such fidelity bonds and policies of insurance shall contain waivers of any defense based upon the exclusion of volunteers and other persons who serve without compensation from any definition of "employee" or similar expression; and

C. all such fidelity bonds and insurance shall provide that they may not be canceled or substantially modified (including cancellation for non-payment of premium) without at least thirty (30) days' prior written notice to any and all obligees and insureds named thereon and to any Mortgagee of any Unit who requests such notice in writing.

Section 11.3. Limitations. Any insurance obtained pursuant to the requirements of this Article shall be subject to the following provisions to the extent reasonably available:

A. all policies shall be written or reinsured with a company or companies licensed and/or authorized to do business in the State of Maryland and holding a general policyholder's rating of Class B or better and a current financial rating of Class VI or better in the current edition of Best's Insurance Reports; and

B. exclusive authority to negotiate losses under said policies shall be vested in the Board of Directors of the Association, or its authorized representative; and

C. in no event shall the insurance coverage obtained and maintained pursuant to the requirements of this Article be brought into contribution with insurance purchased by the Owners of the Units or their Mortgagees, as herein permitted, and any "no other insurance" or similar clause in any policy obtained by the Association pursuant to the requirements of this Article shall exclude such policies from consideration; and

D. such policies shall contain no provision relieving the insurer from liability because of loss occurring while the hazard is increased, 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 Members of the Association, or any of 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

E. all policies shall provide that such policies may not be surrendered, canceled or substantially modified (including cancellation for non-payment of premium)

without at least thirty (30) days prior written notice to any and all insureds named therein, including any Mortgagee of any Unit who requests such notice in writing; and

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

G. all policies shall contain a waiver of subrogation by the insurer as to any and all claims against the Association, the Board of Directors, the Members of the Association and their respective agents, employees or tenants, and of any defenses based upon coinsurance or invalidity arising from the acts of the insured.

ARTICLE XII
CASUALTY DAMAGE - RECONSTRUCTION OR REPAIR

Section 12.1. Use of Insurance Proceeds. In the event of damage or destruction to the Common Area by fire, or other casualty, the same shall be promptly repaired, replaced or reconstructed in substantial conformity with the original plans and specifications for the Common Area with the proceeds of insurance available for that purpose, if any. The Association shall not use the proceeds of casualty insurance received as a result of damage or destruction of the Common Area for purposes other than the repair, replacement or reconstruction of the Common Area without the prior written consent and approval of the holders of all First Mortgages of record on the Units.

Section 12.2. Proceeds Insufficient. In the event that the proceeds of insurance are not sufficient to repair damage or destruction of the Common Area caused by fire or other casualty, or in the event such damage or destruction is caused by any casualty not insured against, then and in either of those events, upon resolution of the Board of Directors, the repair, replacement or reconstruction of the damage shall be accomplished promptly by the Association at its common expense.

ARTICLE XIII
FISCAL MANAGEMENT

Section 13.1. Fiscal Year. The fiscal year of the Association shall begin on the first day of January every year, except for the first fiscal year of the Association which shall begin at the date of the filing of these Articles of Incorporation with the Maryland State Department of Assessments & Taxation. The commencement date of the fiscal year herein established shall be subject to change by the Board of Directors should the practice of the Association subsequently dictate.

Section 13.2. Principal Office - Change of Same. The principal office of the Association shall be as set forth in Article I 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 Association from time to time.

Section 13.3. Books and Accounts. Books and accounts of the Association 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 Association and its administration and shall specify the maintenance and repair expenses of the Common Area, services required or provided with respect to the same and any other expenses incurred by the Association. The amount of any assessment or portion of any assessment, required for payment of any capital expenditures or reserves of the Association shall be credited upon the books of the Association to the "Paid-in-Surplus" account as a capital contribution by the Members.

Section 13.4. Financial Reports. The Association shall furnish the Members and any Mortgagee requesting the same with an annual financial statement, including the income and disbursements of the Association, within one hundred eighty (180) days following the end of each fiscal year.

Section 13.5. Inspection of Books. The books and accounts of the Association, vouchers accrediting the entries made thereupon, and all other records maintained by the Association, shall be available for examination by the Members and their duly authorized agents or attorneys, and to the institutional holder of any first mortgage on any Unit and its duly authorized agents or attorneys, at some place designated by the Board of Directors, during normal business hours and for purposes reasonably related to their respective interests and after reasonable notice.

Section 13.6. Seal. The Board of Directors may provide a suitable corporate seal containing the name of the Association, 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 **AMENDMENT**

Section 14.1. Amendments. Subject to the other limitations set forth in these By-Laws or the Declaration, these By-Laws may be amended by the affirmative vote of Members representing two-thirds (2/3) of the votes of the then Members of record at any special meeting of the Members duly called for such purpose in accordance with the provisions and requirements of these By-Laws.

Section 14.2. Proposal of Amendments. Amendments to these By-Laws may be proposed by the Board of Directors of the Association or by petition signed by at least twenty-five percent (25%) of the total votes of the Members, which petition shall be delivered to the Secretary. A description of any proposed amendment shall accompany the notice of any annual or special meeting of the Members at which such proposed amendment is to be considered and voted upon.

Section 14.3. Amendments by Declarant. Notwithstanding the foregoing, these By-Laws may be amended by the Declarant, without the vote of the Members, provided such amendment is accomplished solely for the purpose of causing these By-Laws to conform to the requirements of VA, FHA, FNMA or FHLMC and does not adversely and materially affect the property rights of any Member.

ARTICLE XV
MORTGAGES - NOTICE - OTHER RIGHTS OF MORTGAGEES - FHA/VA

Section 15.1. Notice to Board of Directors. Any Owner of any Unit who mortgages and/or refinances such Unit shall promptly notify the Board of Directors of the name and address of his mortgagee and, if requested so to do, shall file a conformed copy of such mortgage with the Board of Directors. The Board of Directors shall maintain a suitable roster pertaining to mortgages concerning which it receives such notice.

Section 15.2. Casualty Losses. In the event of substantial damage or destruction to any part of the Common Area, the Board of Directors of the Association shall give prompt written notice of such damage or destruction to the holders of all First Mortgages of record on the Units. No provision of these By-Laws shall entitle any Owner within the Association to any priority over the holder of any First Mortgage of record on his Unit with respect to the distribution to such Owner of any insurance proceeds.

Section 15.3. Condemnation or Eminent Domain. In the event any portion of the Common Area 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 of the Association shall give prompt written notice of any such proceeding or proposed acquisition to the holders of all first mortgages of record on the Units. No provision of these By-Laws shall entitle any Owner within the Association to any priority over the holder of any first mortgage of record on his Unit with respect to the distribution to such Owner of the proceeds of any condemnation award or settlement.

Section 15.4. FHA/VA. Provided that any Unit in the project is then encumbered by a deed of trust or mortgage which is insured by the FHA or guaranteed by the VA and, provided further, Class B membership has not lapsed, neither the Members, the Board of Directors nor the Association shall, by act or omission, take any of the following actions

without the prior written consent and approval of the FHA and the VA, as the circumstances may require:

A. abandon, partition, subdivide, encumber, sell or transfer any of the Common Area; provided, however, that the granting of rights-of-way, easements and the like for public utilities and cable television or for other purposes consistent with the use of the Common Area by the Members of the Association shall not be considered a transfer within the meaning of this Section; or

B. abandon or terminate the Declaration; or

C. modify or amend any provision of the Declaration or these By-Laws.

ARTICLE XVI **INTERPRETATION - MISCELLANEOUS**

Section 16.1. Conflict. These By-Laws are subordinate and subject to all provisions of the Declaration and to the provisions of the Articles of Incorporation of the Association. All of the terms hereof, except where clearly repugnant to the context, shall have the same meaning as they are defined to have in the Declaration. In the event of any conflict between these By-Laws and the Declaration, the provisions of the Declaration shall control; and in the event of any conflict between these By-Laws and the Articles of Incorporation of the Association, the provisions of the Articles of Incorporation shall control. In the event of any conflict between the provisions of the Declaration and the Articles of Incorporation of the Association, the provisions of the Declaration shall control.

Section 16.2. Notices. At least one (1) form of all notices called for herein shall be given in writing. Any newsletter promulgated by the Association shall constitute such a writing.

Section 16.3. 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 provisions hereof which can be given effect.

Section 16.4. Waiver. No restriction, condition, obligation or provisions of these By-Laws shall be deemed to have been abrogated or waived by reason of any failure or failures to enforce the same.

Section 16.5. 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 or to aid in the construction thereof.

Section 16.6. 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.

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