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# BYLAWS OF COUNCIL OF UNIT OWNERS OF FAIRWINDS OF ANNAPOLIS CONDOMINIUM

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ARTICLE I  
PLAN OF CONDOMINIUM OWNERSHIP

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**SECTION 1: THE CONDOMINIUM.** The Property described on Exhibit “A” to the Declaration has been established as a Condominium pursuant to the Act. These Bylaws are attached to and made part of the Declaration as Exhibit “B” and are intended by the Declarant to set forth, *inter alla*, a plan by which the affairs of the Condominium shall be administered and governed by the Unit Owners’ Association pursuant to the Act.

**SECTION 2: DEFINITIONS.** In these Bylaws, all words shall have the same meaning as designated in the Declaration unless otherwise apparent from the context, provided that the Council of Unit Owners shall be sometimes designated in these Bylaws as the “Association.”

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

## ARTICLE II COUNCIL OF UNIT OWNERS

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

**SECTION 2: NAME AND MAILING ADDRESS.** The Association hereby organized and formed for the purposes set forth above shall be known as “Council of Unit Owners of Fairwinds of Annapolis Condominium.” Unless changed from time to time by the Board of Directors, the office and mailing address of the Association and the Board of Directors shall be located at 24 Silverwood Circle, Apartment 5, Annapolis, Maryland, 21403.

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

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

**SECTION 5: ANNUAL MEETINGS.** Promptly after the expiration of five (5) years from the date of recordation of the Declaration, or after deeds to two hundred and seventy-two (272) Units have been delivered by the Declarant and title closes thereon, whichever first occurs, or upon such earlier date as the Declarant may establish, the Declarant shall notify the Unit owners and the first annual meeting of the Association shall be held within thirty (30) days. Notice of such meeting shall be given in accordance with the provisions of Section 8 of this Article II. Subsequent annual meetings of the Association should be held on the same date of each year as the first annual meeting, unless such date shall occur on a Saturday or Sunday or holiday, in which event the meeting shall be held on the next succeeding Monday which is not a holiday.

**SECTION 6: SPECIAL MEETINGS.** It shall be the duty of the President of the Association to call a special meeting (a) if so directed by resolution of the Board of Directors, or (b) upon a petition signed and presented to the Secretary of the Association by not less than twenty-five

percent (25%) of the Unit owners; provided, however, that except on resolution of the Board of Directors, no special meeting shall be called prior to the first annual meeting of the Association as hereinabove provided for. No business shall be transacted at a special meeting except such as shall have been stated in the notice thereof.

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

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

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

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

- a. Roll call
- b. Proof of notice of meeting
- c. Reading of minutes of preceding meeting
- d. Reports of officers
- e. Report of Board of Directors
- f. Reports of committees
- g. Appointment of Inspector of election (when so required)
- h. Nomination of Directors from the floor (when so required)
- i. Election of members of the Board of Directors (when so required)
- j. Unfinished business

k. New business

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

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

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

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

**SECTION 12: MAJORITY OF UNIT OWNERS.** As used in these Bylaws, the term “majority of Unit owners” shall mean those Unit owners having more than fifty percent (50%) of the total authorized votes of all Unit owners present, in person or by proxy, and voting at any meeting of the Association.

**SECTION 13: QUORUM.** Except as otherwise provided in these Bylaws or in the Act, the presence in person or by proxy of Unit owners having more than fifty percent (50%) of the total authorized votes of all Unit owners constitutes a quorum at all meetings of the Association.

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

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

## ARTICLE III BOARD OF DIRECTORS

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**SECTION 1: NUMBER AND QUALIFICATION.** The affairs of the Association shall be governed by a Board of Directors acting on behalf of the Association. Until deeds for two hundred and seventy-two (272) Units have been delivered by the Declarant and title closed hereon, or until five (5) years from the date of recordation of the Declaration, whichever occurs first, and thereafter until their successors shall have been elected by the Unit owners, the Board of Directors shall consist of three (3) members to be designated by the Declarant. Thereafter, the Board of Directors shall be composed of five (5) members, all of whom shall be elected by the Unit owners.

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

- a. Operation, care, upkeep and maintenance of the common elements.
- b. Determination of the common expenses required for the affairs of the Association.
- c. Collection of the common charges and expenses from the Unit owners.
- d. Employment and dismissal of the personnel necessary for the maintenance and operation of the common elements.
- e. Opening of bank accounts on behalf of the Association and designating the signatories required therefor.
- f. Purchasing of Units at foreclosure or other judicial sale in the name of the Board of Directors, or its designee, corporate or otherwise, on behalf of the Association.
- g. Obtaining of insurance for the Property.
- h. Making of repairs, additions, replacements and improvements to or alterations of the common elements in accordance with the other provisions of these Bylaws after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceeding.
- i. Enacting uniform Rules and Regulations from time to time for the use of the Property, as well as the conduct and enjoyment of the Unit owners; provided, however, that no such Rules or Regulations so adopted shall be in conflict with the Act or the Declaration or these Bylaws; and provided further that no such Rules or Regulations shall be so construed so as to impair in any manner the lien of any mortgage or deed of trust with respect to any Unit and/or the common elements if such Rules or Regulations are promulgated after the recordation of said mortgage or deed of trust.
- j. Enforcing obligations of Unit owners, allocating common profits and common expenses, if any, and doing anything and everything else necessary and proper for the sound

management of the Property. In this connection, the Board of Directors shall have the power to levy fines against Unit owners for violations of the Rules and Regulations. No fine may be levied for more than five dollars (\$5.00) for any one (1) violation; but for each day that a violation continues after notice, it shall be considered a separate violation. Collection of fines may be enforced against the Unit owner or Unit owners involved as if the fines are a common charge owed by the particular Unit owner or Unit owners. Where a Unit owner persists in violating the Rules and Regulations, the Board of Directors may require him to post a bond, satisfactory to it, to secure future compliance with the Rules and Regulations.

- k. Controlling the use of all common elements including, but not limited to, designating parking spaces thereon for use by Unit owners and /or their guests, and assigning storage bins to Unit owners.
- l. Establishing reasonable reserve funds for emergencies and unforeseen contingencies and for the repair and replacement of common elements.

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

**SECTION 4: ELECTION AND TERM OF OFFICE.** The Directors of the Association who shall be designated by the Declarant in accordance with Article III, Section 1 above, shall hold office at the pleasure of the Declarant and otherwise until the first annual meeting of the Association, which first annual meeting shall be held not later than thirty (30) days after (a) the date on which deeds to two hundred and seventy-two (272) Units have been delivered by the Declarant and title closed thereon, or (b) five (5) years from the date of recordation of the Declaration, whichever occurs first.

At the first annual meeting of the Association, five (5) members of the Board of Directors shall be elected by the Unit owners from among the Unit owners. Commencing with the first annual meeting of the Association, the term of the two (2) directors receiving the greatest number of votes shall be fixed for two (2) years. The terms of office of the remaining directors shall be fixed at one (1) year. At the expiration of the initial term of office of each respective director, his successor shall be elected to serve a term of two (2) years. Each director shall hold office until the next meeting of the Board of Directors following the election of his successor.

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

**SECTION 5: REMOVAL OF MEMBERS OF THE BOARD OF DIRECTORS.** At any regular or special meeting of the Association after the first annual meeting of the Association, any one or more of the members of the Board of Directors elected by the Unit owners may be removed, with or without cause, by a majority of the Unit owners. Any member of the Board of

Directors whose removal has been proposed by the Unit owners shall be given an opportunity to be heard at the meeting. The term of office of any director who becomes more than forty-five (45) days delinquent in the payment of common charges against the Unit of which he is the owner shall automatically terminate on the forty-sixth (46<sup>th</sup>) day, and his successor shall thereupon be appointed by the Board of Directors from among the Unit owners to fill out the unexpired portion of his term.

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

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

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

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

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

**SECTION 11: QUORUM OF BOARD OF DIRECTORS.** At all meetings of the Board of Directors a majority of the members thereof shall constitute a quorum for the transaction of business and the votes of a majority of the members of the Board of Directors present at a meeting at which a quorum is present shall constitute the decision of the Board of Directors. If

at any meeting of the Board of Directors there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time. At any such adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

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

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

**SECTION 14: LIABILITY OF THE BOARD OF DIRECTORS – Indemnification.**

- a) The members of the Board of Directors shall not be liable to the Unit owners for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith.
- b) The Association shall indemnify every director against any and all expenses, including counsel fees, reasonably incurred by or imposed upon any director in connection with any action, suit or other proceeding (including the settlement of any such suit or proceeding if approved by the then Board of Directors of the Association) to which he may be made a party by reason of being or having been a director of the Association, whether or not such person is a director at the time such expenses are incurred. The Board of Directors shall, to the extent available at rates which in their opinion are reasonable, obtain adequate director's and officer's insurance. The directors of the Association shall have no personal liability with respect to any contract or other commitment made by them in good faith on behalf of the Association (except in their capacity as Unit owners) and the Association shall indemnify and forever hold each such director free and harmless against any and all liability to others on account of any such contract or commitment. Any right to indemnification provided for herein shall not be exclusive of any other rights to which any director of the Association or former director of the Association may be entitled.
- c) The provisions of a) and b) above shall also apply to each and every officer of the Association

**SECTION 15: EXECUTIVE COMMITTEE.** The Board of Directors may, by resolution duly adopted, appoint an Executive Committee to consist of three (3) members of the Board of

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

**SECTION 16: ACTION WITHOUT MEETING.** Any action required or permitted to be taken by the Board of Directors at any meeting may be taken without a meeting if all of the members of the Board of Directors shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board of Directors.

**SECTION 17: COMMON OR INTERESTED DIRECTORS.**

- a) The directors shall exercise their powers and duties in good faith and with a view to the interests of the Association and consistent with the purposes set forth in the Declaration. No contract or other transaction between the Association and one or more of its directors, or between the Association and any corporation, firm, entity or association in which one or more of the directors are directors or officers or are pecuniarily or otherwise interested, shall be either void or voidable because such director or directors are present at the meeting of the Board of Directors or any committee thereof which authorizes or approves the contract or transaction, or because his or their votes are counted for such purpose, if the contract or transaction is commercially reasonable to the Association at the time that it is authorized, ratified, approved or executed and either of the conditions specified in the following subparagraphs exists:
  - i) The fact of the common directorate or interest is disclosed or known to the Board of Directors or a majority thereof or noted in the minutes and the Board of Directors authorizes, approves or ratifies such contract or transaction in good faith by a vote sufficient for the purpose; and
  - ii) The fact of the common directorate or interest is disclosed or known to the Unit owners, or a majority thereof, and they approve or ratify the contract or transaction in good faith by a vote sufficient for the purpose.
- b) Common or interested directors may be counted in determining the presence of a quorum of any meeting of the Board of Directors or committee thereof which authorizes, approves or ratifies any contract or transaction. Such directors may vote thereat to authorize any contract or transaction with like force and effect as if they were not common or interested directors or officers of such other corporation or were not so interested.

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

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

## ARTICLE IV OFFICERS

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

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

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

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

**SECTION 5: VICE PRESIDENT.** The Vice President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint some other member of the Board of Directors to act in the place of the President on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors or by the President, including, without limitation, the counting of votes at meetings of the Association.

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

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

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

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

**ARTICLE V**  
**OPERATION OF THE PROPERTY**

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

- a) Unless otherwise expressly provided herein, common expenses of the Association, in general, shall include maintenance, operation, repair, or replacement of the common elements. They include, but are not limited to:
- 1) Management fees
  - 2) Insurance premiums
  - 3) Charges for landscaping, snow removal and maintenance of the walks, driveways, parking areas and retaining walls
  - 4) Audit, attorneys' fees and like administrative costs
  - 5) Reserves for replacements or other expenses of a nonrecurring nature
  - 6) Service contracts and employees' salaries
  - 7) Payment of utility bills and like expenses (except to the extent that such bills or expenses are individually metered for any Unit, in which event such bills or expenses shall be the responsibility of the Unit owner receiving the benefit of such individually metered service)
  - 8) Such other expenses as shall be necessary or desirable in the judgment of the Board of Directors for the administration and operation of the Property, or which may be declared to be common expenses by the Act, the Declaration, these Bylaws or by resolution of the Unit owners.
- b) The proportionate interest of any Unit owner in any reserve fund shall be considered an appurtenance to his Unit and shall not be separately withdrawn, assigned or transferred or otherwise separated from the Unit to which it is appurtenant and shall be deemed to be transferred with such Unit.

**SECTION 2: PREPARATION AND APPROVAL OF BUDGET.**

- a) Each year at least thirty (30) days before the end of the current fiscal year the Board of Directors shall make reasonable efforts to adopt a budget for the Condominium containing an estimate of the total amount which it considers necessary to pay the cost of maintenance, management, operation, repair and replacement of the common elements as to which it is the responsibility of the Association to maintain, manage, operate, repair and/or replace and the cost of wages, materials, insurance premiums, services, supplies and other expenses that may be declared to be common expenses by the Act, these Bylaws or a resolution of the Association and which will be required during the ensuing fiscal year for the maintenance, management, operation, and/or repair of the Property as required by the Declaration and these Bylaws. The Board of Directors shall send to each Unit owner a copy of the budget in a reasonably itemized form which sets forth the amount of the common expenses payable by each Unit owner on or before fifteen (15) days preceding the beginning of the fiscal year to

which the budget applies or as soon thereafter as is possible. The said budget shall constitute the basis for determining each Unit owner's contribution for the common expenses of the Condominium. The failure or delay of the Board of Directors to prepare or adopt the annual budget for any fiscal year shall not constitute a waiver or release in any manner of a Unit owner's obligation to pay his allocable share of the common expenses as herein provided, whenever the same shall be determined, and in the absence of any annual budget, each Unit owner shall continue to pay his allocable share of the common expenses at the then existing rate established for the previous fiscal period until the new payment is established.

- b) Notwithstanding any provision contained in these Bylaws or the Declaration to the contrary, in computing the share of the common expenses to be allocated to the twenty-four (24) townhouse dwellings located in Section I of the Condominium (as such Section is shown on the Condominium Plat), there shall be specifically excluded from such allocation any charges for reserves for hot water heaters in Sections II, II and IV, and user fees for gas, water or sewer service supplied or to be supplied to any of the unties in Sections II, II or IV (as such sections are shown on the Condominium Plat).

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

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

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

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

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

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

Notwithstanding any other provisions hereof to the contrary, the lien of any assessments levied pursuant to these Bylaws upon any Unit shall be subordinate to and shall in no way affect the rights of the holder of any indebtedness secured by any recorded first mortgage or deed of trust upon such interest made in good faith and for value received, provided, however, that such subordination shall apply only to assessments which have become due and payable prior to a sale or transfer of such Unit pursuant to a decree of foreclosure or any other proceeding in lieu of foreclosure. Such sale or transfer shall not relieve the purchaser at such sale of the Unit from liability for any assessments thereafter becoming due, nor from the lien of any such subsequent assessments, which lien, if any, claimed shall have the same effect and may be enforced in the same manner as provided herein.

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

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

**SECTION 7: DEFAULT IN PAYMENT OF COMMON CHARGES.** The lien for unpaid assessments for common expenses may be enforced and foreclosed in such manner as may from time to time be provided in the Act. Any assessment, until paid, may at the election of the Board of Directors bear interest at the rate of eight percent (8%) per annum in accordance with Section

11-110(d) of the Act. In addition, the Board of Directors may impose late charges and/or the costs of collection (including reasonable attorneys' fees), if any, with respect to any assessment which has not been fully paid when due. Such late charges and other costs shall not exceed the permissible amounts provided for in Sections 11-110(d) and (e) of the Act and shall otherwise comply therewith. all such interest, late charges and other costs shall constitute a lien upon the Unit until fully paid as provided in Article V, Section 5 above.

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

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

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

**SECTION 9: INSURANCE.** The Board of Directors shall be required to obtain and maintain, to the extent obtainable, the following insurance: (1) all risks of physical damage coverage, which coverage shall include, but not be limited to, fire insurance with extended coverage, sprinkler leakage, debris removal, cost of demolition, windstorm, water damage, vandalism and malicious mischief endorsements, insuring the building(s) and all other improvements which are part of the Property (including all of the Units and the bathroom and kitchen fixtures installed therein as of the date of recordation of the Declaration, but not including any wall, ceiling or floor decorations or coverings or other furniture, furnishings or other personal property supplied or installed by Unit owners), together with all service machinery contained therein, and covering the interests of the Association, the Board of Directors and all Unit owners and their mortgagees, as their interests may appear, in an amount equal to the full replacement value of the building(s) and all other improvements which are part of the Property (less land, excavation and foundation), with an "agreed amount" endorsement and a "condominium replacement cost" endorsement, without deduction for depreciation. Each of said policies shall contain a standard mortgagee clause in favor of each first mortgagee of a Unit, which shall provide that the loss, if any, thereunder shall be payable to such mortgagee as its interest may appear, subject, however, to the loss payment provisions in favor of the Board of Directors and the Insurance Trustee hereinafter set forth: (2) workmen's compensation insurance; (3) broad form boiler and machinery replacement and repair insurance (including force boiler explosion coverage) in an amount at least equal to Fifty Thousand Dollars (\$50,000.00) per accident per location; (4) common element plate glass insurance; (5) water damage and water damage legal liability insurance; (6) coverage for common expenses with respect to Units during any period of repair or reconstruction where the Unit is uninhabitable by reason of fire or other casualty; and (7) such

other insurance as the Board of Directors may determine. All such policies shall provide that all adjustments of loss shall only be made by the Board of Directors.

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

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

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

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

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

In no event shall any policy provided for hereunder be obtained from an insurance carrier where: (a) under terms of the carrier's charter, bylaws or policy, contributions or assessments may be made against an Unit owner or any first mortgagee; or (b) by the terms of the carrier's

charter, bylaws or policy, loss payments are contingent upon action by the carrier's Board of Directors, policyholders, or members; or (c) the policy includes any limiting clauses (other than insurance conditions) which could prevent any first mortgagee, the Insurance Trustee, the Board of Directors or any Unit owner from collecting insurance proceeds.

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

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

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

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

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

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

Immediately after a casualty causing damage to the Property for which the Association has the responsibility of maintenance, repair, and/or replacement the Board of Directors shall

obtain reliable and detailed estimates of the cost to place the damaged portions of the Property in as good a condition as existed before the casualty. Such costs may include professional fees and premiums for such bonds as the Board of Directors desire.

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

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

- a) the reconstruction or repair shall be in the charge of an architect or engineer, who may be an employee of the Association, satisfactory to the Lead Mortgagee, and hereinafter called the "Architect;"
- b) prior to the commencement of the reconstruction or repair, other than such work as may be necessary to protect the Property from further damage, the Lead Mortgagee shall have approved the plans and specifications for such reconstruction or repair, which approval shall not be unreasonably withheld or delayed;
- c) unless otherwise required by the Lead Mortgagee, each request for an advance of the proceeds of insurance shall be made to the Lead Mortgagee at least ten (10) days prior to delivery to the Insurance Trustee and shall be accompanied by a certificate from the Architect to the effect that (i) all work then completed has been performed in accordance with the plans and specifications; and (ii) the amount requested to be advanced is required to reimburse the Board of Directors for payments previously made by the Board of Directors or is due to the contractor responsible for the restoration or repair, or to subcontractors, material men, laborers, engineers, architects or to other persons responsible for services or materials in connection with such restoration or repair, or for fees or the like necessarily incurred in connection with the same; and (iii) when added to amounts previously advanced by the Insurance Trustee, the amount requested to be advanced does not unreasonably exceed the value of the work done and materials delivered to the date of such request;
- d) each request for an advance of the proceeds of insurance shall, if required by the Lead Mortgagee, be accompanied by satisfactory waivers of liens covering that portion of the repair or reconstruction for which payment or reimbursement is being requested, together with appropriate evidence from a title insurance company or the like to the effect that there has not been filed with respect to the Property, or any part thereof, any mechanics' or other lien, or notice of intention to file the same, which has not been dismissed, bonded, or satisfied of record;
- e) the fees and expenses of the Insurance Trustee, as agreed upon by the Board of Directors and the Insurance Trustee, shall be paid by the Association as a common expense, and such fees

and expenses may be deducted from any insurance proceeds in the hands of the Insurance Trustee, *pro rata*, as the reconstruction or repair progresses.

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

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

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

#### **SECTION 11: ABATEMENT AND ENJOINMENT OF VIOLATIONS BY UNIT**

**OWNERS.** The violation of any of the Rules or Regulations adopted by the Board of Directors, or the breach of these Bylaws or of any provision of the Declaration, shall give the Board of Directors the right, in addition to any other rights set forth in these Bylaws: (a) to enter the Unit in which or as to which such violation or breach exists and to summarily abate and remove, at the expense of the defaulting Unit owner, any structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions hereof, and the Board of Directors shall not thereby be deemed guilty in any manner of trespass; or (b) to enjoin, abate or remedy by appropriate legal proceeding, either at law or in equity, the continuance of any such breach.

#### **SECTION 12: MAINTENANCE AND REPAIR.**

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

- 1) Except as otherwise provided in paragraph b) of this Section 12, all of the common elements, whether located inside or outside of the Units; and
- 2) All exterior walls and exterior surfaces (including the painting of the exterior surface of the front door of each Unit) of the buildings constituting the Condominium; the roofs of the buildings constituting the Condominium; Unit party walls and all other portions of the Units which contribute to the support of the buildings constituting the Condominium, such as the outside walls of such buildings, and all fixtures on the exterior thereof; the boundary walls of Units; floor slabs; load-bearing columns; but excluding, however, the interior walls, interior ceilings and interior floor coverings of the Units, and excluding the surfaces of all walls, floors and ceilings of the Units; and

- 3) The sanitary and storm sewer systems and appurtenances; all water, electric, gas, heating, air conditioning, plumbing and telephone lines, facilities and systems that are deemed common elements, including all conduits, ducts, plumbing, wiring and other facilities for the furnishing of all utility services into two or more Units, but excluding therefrom all air handling units, heating units, air conditioning units, and all plumbing and electrical appliances, fixtures, systems and parts thereof which are enjoyed by only a single Unit and are located solely within the boundary of an individual Unit or in a limited common element designated in the Declaration as being appurtenant to an individual Unit; all catch basins and television master antenna systems located outside the specific boundaries of any Unit; and all roof drainage pipes, gutters and leaders; and
- 4) Except as otherwise provided in paragraph (b)(2) of this Section 12, all balconies or patios; and
- 5) All incidental damage caused to any Unit by such work as may be done or caused to be done by the Association in accordance he provisions of these Bylaws.

**b) By the Unit Owner**

- 1) Except for the portions of his Unit required to be maintained, repaired and replaced by the Association, each Unit owner shall be responsible for the maintenance, repair and replacement, at his own expense, of the following: any interior walls, ceilings and floors, kitchen and bathroom fixtures and equipment, air handling units, heating units, air conditioning units, lighting fixtures, plumbing and electrical appliances and systems, fixtures and parts thereof which are wholly contained within his Unit and/or in a limited common element designated in the Declaration as being appurtenant to his Unit and serve his Unit and no other.
- 2) Each Unit owner shall be responsible for performing, at his expense, the normal maintenance for any balcony or patio which is designated in the Declaration as being a limited common element appurtenant to his Unit, including keeping it in a clean and sanitary condition and free and clear of snow, ice and any accumulation of water, and shall also make, at his own expense, all repairs thereto caused or permitted by his negligence, misuse or neglect.
- 3) Each Unit owner shall, at his expense, perform all maintenance and make all repairs and replacements to the windows, the front door (but not the painting of the exterior surface of the front door) and any sliding glass door(s) appurtenant to or part of his Unit.
- 4) Each Unit owner shall be responsible for, and promptly after demand shall reimburse the Association for the cost of maintaining, repairing or replacing any damage to the common elements or any portion of his Unit required to be maintained, repaired or replaced by the Association which is caused by the negligence, misuse or neglect of such Unit owner. Such reimbursement shall be collected by the Association from the Unit owner obligated therefore in the same manner as set forth in Article V of these Bylaws for the collection of common expenses.
- 5) Each Unit owner shall perform his responsibilities under this Section 12 in such a manner as shall not unreasonable disturb or interfere with the other Unit owners. Each

Unit owner shall promptly report to the Association or the managing agent any defect or need for repairs for which the Association is responsible.

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

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

- a) No part of the Property shall be used for other than housing and the related common purposes for which the Property was designed. Each Unit shall be used for residential purposes and for no other purpose, except that a Unit may be used as a professional office upon the written consent of the Board of Directors provided that such use is consistent with all valid laws, zoning ordinances and regulations of all governmental agencies having jurisdiction in respect of the Property, and, provided further, that as a condition for such consent each such Unit owner agrees to pay and pays any increase in the rate of insurance for the Property which results from such professional use. An Owner may use a portion of his Unit for an office or studio provided that the activities therein shall not interfere with the quiet enjoyment or comfort of any other Owners, and provided further that in no event shall any part of the Property be used as a school or music studio.
- b) Nothing shall be done or kept in any Unit or in the common elements which will increase the rate of insurance for the Property applicable for residential use without the prior written consent of the Board of Directors. No Owner shall permit anything to be done or kept in his Unit or in the common elements which will result in the cancellation of the insurance on the Property, or the contents thereof, or which would be in violation of any law. No waste will be committed in the common elements.
- c) No immoral, improper, offensive, or unlawful use shall be made of the Property or any part thereof, and all valid laws, zoning ordinances and regulations of all governmental agencies having jurisdiction thereof shall be observed. All laws, orders, rules, regulations, or requirements of any governmental agency having jurisdiction thereof, relating to any portion of the Property, shall be complied with, by and at the sole expense of the Unit owner or the Board of Directors, whichever shall have the obligation to maintain or repair such portion of the Property.
- d) Nothing shall be done in any Unit or in, on, or to the common elements which will impair the structural integrity of the Property or which would structurally change any building or improvements thereon except as is otherwise provided in these Bylaws, provided, further, that interior partitions contributing to the support of any Unit shall not be altered or removed.
- e) Except for professional use permitted by the Board of Directors and other uses permitted by the Declaration, no industry, business, trade, occupation or profession of any kind, commercial, religious, educational, or otherwise, designed for profit, altruism, exploration, or otherwise, shall be conducted, maintained, or permitted on any part of the Property. No Unit owner may post any advertisement, poster or sign of any kind on the exterior of his Unit or in the windows of his Unit, except (i) as permitted by the Board of Directors; (ii) a temporary sign advertising the sale or rental of a Unit; (iii) in the event that the Board of Directors gives its consent to the professional use of a Unit, a suitable sign may be displayed upon the written consent of the Board of Directors; (iv) when required by law. The right is reserved by the Declarant or its

agents to use any unsold Unit or Units for display purposes and to display "For Sale" or "For Rent" signs for unsold Units.

- f) No antennas that are visible from the exterior of any Unit may be erected or maintained except upon the written consent of the Board of Directors.
- g) No portion of a Unit (other than the entire Unit) may be rented, and no transient tenants may be accommodated therein. Any lease agreement shall provide that the terms of the lease shall be subject in all respects to the provisions of the Declaration and Bylaws and that any failure of the lessee to comply with the terms of such documents shall be a default under the lease. All leases must be in writing. The limitations of this Section shall not apply to any institutional first mortgagee of any Unit who comes into possession of the Unit by reason of any remedies provided by law or in the mortgagee, or as a reason of foreclosure sale or other judicial sale, or as a result of any proceeding, arrangement, assignment, or deed in lieu of foreclosure.
- h) The limited common elements and all yards must be kept in an orderly condition so as not to detract from the neat appearance of the community. In this regard, no motorcycles may be parked on the patios, balconies, front entranceways or the yards. The Board of Directors, in its sole discretion, may determine whether or not limited common elements are orderly. If an Owner shall fail to keep his limited common elements orderly, the Board of Directors may have any objectionable items removed from the limited common elements so as to restore its orderly appearance, without liability therefor, and charge the Unit owner for any costs incurred in the process.
- i) No motorized vehicle may be used or maintained on the yards or sidewalks of any Unit and no unlicensed vehicles are allowed on the Property.
- j) The maintenance, keeping, breeding, boarding and/or raising of animals, livestock, or poultry of any kind, regardless of number, shall be and is hereby prohibited within any Unit or upon any common elements, except that this shall not prohibit the keeping of a small, orderly house pet provided that it is not kept or maintained for commercial purposes or for breeding. Pets shall not be permitted upon the common element except in areas designated by the Board of Directors. All pets shall be accompanied by an adult and are to be carried or leashed. Any member who keeps or maintains any pet upon any portion of the Property shall be deemed to have indemnified and agreed to hold the Association, and each of its members free and harmless from any loss, claim or liability of any kind or character whatever arising by reason of keeping or maintaining such pet within the Property. The Board of Directors shall have the right to order any person whose pet is a nuisance, to remove such pet from the Property.
- k) No junk vehicle or other vehicle on which current registration plates are not displayed, shall be kept upon any of the common elements, nor shall the repair or extraordinary maintenance of automobiles or other vehicles be carried out on any of the common elements.
- l) No trucks, trailers, campers, camp trucks, house trailers, boat trailers, boats, or the like shall be kept upon any of the common elements; provided, however, that the Board of Directors reserves the right to permit such vehicles on the common elements in accordance with rules and regulations as may, from time to time, be promulgated by the Board of Directors.
- m) No structure of a temporary character, trailer, tent, shack, barn or other outbuilding shall be maintained upon any common elements at any time. Outdoor clothes dryers or clothes lines shall not be maintained upon any common elements at any time. No clothing, laundry or the like shall be hung from any part of any Unit or upon any of the common elements or from or upon any balcony or patio.
- n) Nothing shall be stored or placed upon any balcony or patio or rear yard or upon any other portion of the common elements of the Property, except with the consent of the Board of Directors.
- o) Notwithstanding any provision contained in this Article V Section 13 to the contrary, the use and other restrictions set forth in this Section 13 shall not apply to the use of the common

elements and/or Units owned by the Declarant for display, marketing, promotion, sales, leasing or construction purposes or the use of Units as “Models.”

**SECTION 14. ADDITIONS, ALTERATIONS OR IMPROVEMENTS BY BOARD OF DIRECTORS.**

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

**SECTION 15: ADDITIONS, ALTERATION OR IMPROVEMENTS BY UNIT**

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

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

## ARTICLE VI MORTGAGES

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

**SECTION 2: NOTICE OF UNPAID COMMON CHARGES OR OTHER DEFAULT.** The Board of Directors shall report to each first mortgagee any unpaid common expenses due from, or any other default by, the owner of a mortgaged Unit, which default has not been cured within thirty (30) days.

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

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

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

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

**SECTION 6: DEFINITION.** As used in these Bylaws, the term "Mortgagee" shall mean any mortgagee or trustee under a deed of trust which is a lien upon a Unit, or the party secured or beneficiary of any recorded deed of trust, and shall not be limited to institutional mortgagees; and the term "mortgage" shall include a deed of trust. As used generally in these Bylaws, the term "institutional holder" or "institutional mortgagee" shall include banks, trust companies, insurance companies, mutual savings banks, mortgage insurance companies, mortgage companies, credit unions, savings and loan associations, pension funds, FNMA, FHLMC, and any corporation, including

a corporation of, or affiliated with, the United States Government, or any agency thereof. "First mortgage" shall mean a mortgage with priority over all other mortgages.

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

ARTICLE VII  
**SALES AND MORTGAGES OF UNITS**

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

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

**ARTICLE VIII**  
**CONDEMNATION**

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

## ARTICLE IX RECORDS AND AUDITS

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

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

## ARTICLE X

### PARKING SPACES AND STORAGE BINS

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All parking areas within the Property as well as the storage bins located in Section II of the Condominium shall be considered part of the general common elements. Parking as well as the use of such storage bins may be regulated by the Board of Directors and may initially be assigned by the Declarant and thereafter by the Board of Directors. In making the initial assignment of storage bins, priority shall be given to those occupying such bins at the time the Declaration is recorded. No Unit owner shall make use of any parking space or storage bin other than that assigned to this Unit by the Board of Directors, if any, without the express written consent of both the Unit owner to whom such space or storage bin has been assigned and the Board of Directors.

No unit owner shall invite, encourage or permit the use by his guest of parking spaces assigned to Units other than his own. Notwithstanding the foregoing, unassigned spaces or spaces designated for general use may be used on a "first come, first served" basis. No vehicle belonging to any Unit owner, or to any guest or employee of any Unit owner, shall be parked in a manner which unreasonably interferes with or impedes ready vehicular access to any parking space assigned to any other Unit owner.

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

**ARTICLE XI**  
**EASEMENTS FOR UTILITIES AND RELATED PURPOSES**

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The Association is authorized and empowered to grant (and shall from time to time grant) such licenses, easements and/or rights-of-way for sewer lines, water lines, electrical cables, telephone cables, gas lines, storm drains, underground conduits and/or such other purposes related to the provision of public utilities to the Property as may be considered necessary or appropriate by the Board of Directors for the orderly maintenance, preservation, and enjoyment of the common elements or for the preservation of the health, safety, convenience and/or welfare of the owners of the Units or the Declarant and/or as required by the Declaration.

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

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

## ARTICLE XIII MISCELLANEOUS

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

**SECTION 2: INVALIDITY.** The invalidity of any part of these Bylaws shall not impair or affect in any manner the validity, enforceability or effect of the balance of these Bylaws.

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

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

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

**SECTION 6: AMENDMENTS TO BYLAWS.** Except as elsewhere herein or in the Declaration provided otherwise, these Bylaws may be modified or amended by the vote of seventy-five percent (75%) in voting interest of all Unit owners at a meeting of the Association duly held for such purpose.

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