

RECEIVED
DEPARTMENT OF
REVENUE & TAXATION

ELLENDALE NEIGHBORHOOD ASSOCIATION, INC.

ARTICLES OF INCORPORATION 2008 FEB 15 P 2: 52

THIS IS TO CERTIFY:

ARTICLE I: NAME AND ADDRESS OF INCORPORATOR

The undersigned, Francie Cohen Spahn, whose address is 500 East Pratt Street, Suite 900, Baltimore, Maryland 21202, being at least eighteen (18) years of age, hereby forms a non-stock corporation under the laws of the State of Maryland.

ARTICLE II: NAME OF CORPORATION

The name of the corporation, hereinafter called the "Corporation", is:

Ellendale Neighborhood Association, Inc.

ARTICLE III: PURPOSES AND POWERS OF CORPORATION

The purposes for which the Corporation is formed are as follows: To organize and operate a real estate management association exclusively to provide for the acquisition, improvement, management, maintenance, care and preservation of the Common Areas, and to promote the recreation, health, safety and welfare of the residents of the Lots, upon the "Property", as that term is hereinafter defined, and upon any addition thereto as may hereafter be brought within the jurisdiction of this Corporation. No part of the net earnings of the Corporation shall inure to the benefit of, or be distributable to, any director, officer or member of the Corporation, or any other individual, so that no pecuniary gain or profit to the members thereof is contemplated. For the foregoing general purposes, and limited to those purposes, the Corporation shall have the following powers:

(a) To acquire, own, hold, preserve, develop, improve, build upon, manage, operate, and maintain open space tracts or areas and common or recreational areas, property, facilities and real estate, whether fee simple or leasehold, and whether improved or unimproved, all designed for the common use, benefit, enjoyment, recreation, health, safety and welfare of the Record Owner of each Lot now or hereafter laid out or established within the "Property", as said term is defined within the Declaration of Covenants, Conditions and Restrictions made by Reliable Development Company LLC, dated _____, 2008 and recorded among the Land Records of Queen Anne's County, Maryland, in Liber __, folio __, as same may hereafter from time to time be amended (the "Declaration"). Each capitalized term used herein and defined in the Declaration shall have the meaning ascribed to that term by the Declaration.

(b) To exercise all the powers, rights and privileges, and to perform all the duties and obligations, of the Corporation, as the same are set forth in the Declaration.

(c) To establish, fix, make, impose, levy, collect and enforce payment of, by any lawful means, all charges or assessments made or established pursuant to the terms of the Declaration, and, from time to time, increase or decrease the same, as the need therefor may require, to provide operating and reserve funds for, and pay all costs and expenses incurred in connection with the preservation, development, improvement, operation, maintenance and care of the Common Areas, property and facilities held by the Corporation, and any convenience deemed desirable to or for the use and enjoyment thereof, and for any other corporate purposes, including particularly, but not by way of limitation, all office and other expenses incident to the business of the Corporation, premiums for casualty, liability and other insurance, all license and franchise fees or charges, and all taxes and assessments charged, levied or imposed on the property of the Corporation.

(d) To purchase, lease, option, or otherwise acquire, own, hold, preserve, develop, improve, build upon, manage, operate, maintain, convey, sell, exchange, rent, lease, dedicate for public use, or in any manner transfer or dispose of any real or personal property in connection with the affairs of the Corporation.

(e) To borrow or to raise money for any of the purposes of the Corporation, and to issue bonds, debentures, notes, or other obligations of any nature, and in any manner permitted by law, for money so borrowed or in payment for property purchased, or for any other lawful consideration, and, upon authorization by members holding at least two-thirds (2/3) of the votes appurtenant to each class of membership in the Corporation (each class voting separately), to secure the payment of the money borrowed and of the interest thereon, by mortgage upon, or pledge or conveyance or assignment in trust of, the whole or any part of the property of the Corporation.

(f) To have and to exercise any and all powers, rights and privileges which a corporation organized under the Nonstock Corporation Law of the State of Maryland by law may now or hereafter have or exercise.

ARTICLE IV: PRINCIPAL OFFICE AND RESIDENT AGENT

The address of the principal office of the Corporation in this State is 165 Log Canoe Circle, Suite B, Stevensville, Maryland 21666. The name and post office address of the resident agent of the Corporation in this State is John Dixon, 803 Homestead Lane, Crownsville, Maryland 21032. The resident agent is a citizen of the State of Maryland and actually resides therein.

ARTICLE V: MEMBERSHIP AND VOTING RIGHTS

(a) The Corporation is not authorized to issue any capital stock. The membership of the Corporation shall consist of the Owners of all Lots now or hereafter laid out or established on the Property. Each member shall be designated as either a Class A Member or a Class B Member. A description of each class of membership, with the voting rights and powers of each class, is as follows:

(i) Class A Member: Except for the Declarant, who shall initially be a Class B Member, the Class A Members shall be all Owners holding title to one (1) or more Lots; provided, however, that any Mortgagee or any other person or entity who holds such interest solely as security for 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 per Lot, for each Lot owned by it, in all proceedings in which action shall be taken by members of the Corporation.

(ii) Class B Member. The Class B Member shall be the Declarant. The Class B Member shall be entitled to eight hundred forty (840) votes per Lot for each Lot owned in all proceedings in which actions shall be taken by members of the Corporation.

(iii) Conversion. The Class B membership in the Corporation shall cease and be converted to Class A membership in the Corporation, upon the earlier to occur of (i) December 31, 2023; or (ii) at such time as the total number of votes entitled to be cast by Class A Members of the Corporation equals or exceeds the total number of votes entitled to be cast by the Class B Member of the Corporation. If, after that conversion Additional Property is made subject to the Declaration, then the Class B Member shall be reinstated until December 31, 2024, or such earlier time as the total number of votes entitled to be cast by Class A Members again equals or exceeds the total number of votes entitled to be cast by the Class B Member. The Declarant and any Builder shall thereafter remain Class A Members of the Corporation as to each and every Lot from time to time subject to the terms and provisions of the Declaration in which the Declarant and any Builder then holds the interest otherwise required for Class A membership.

(b) Membership in the Corporation shall be appurtenant to and may not be separated from the ownership of any Lot. Conversely, the Owner of each Lot shall be a member of the Corporation.

(c) Every person or entity who is an Owner of any Lot is entitled to membership and voting rights in the Corporation. Membership is appurtenant to, and inseparable from, ownership of a Lot.

ARTICLE VI: BOARD OF DIRECTORS

The affairs of the Corporation shall be governed by a board of directors composed of three (3) or five (5) directors. The initial directors shall be selected by the Declarant. A director need not be an Owner. The names of the directors who shall act as such from the date upon which the Declaration is recorded among the Land Records of Queen Anne's County, Maryland until such time as their successors are duly chosen and qualified are John Dixon, Michael Baldwin and Joseph Baldwin. These directors shall serve until the first meeting of the Corporation, at which time the Owners shall elect the members of the board of directors, all as prescribed herein. An initial director may be removed and his or her or successor appointed by the Declarant, its successors and assigns. The Declarant shall also have the right to appoint additional directors to the board of directors until the first meeting of the Corporation.

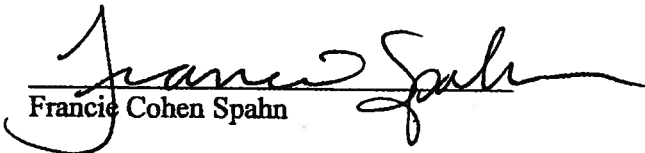
The terms of the directors named herein shall expire when their successors have been elected at the first meeting of the Corporation and are duly qualified. At the first meeting of the Corporation, a successor shall be elected to each director whose term then expires and two (2) new directors shall be elected. Two (2) directors shall be elected to serve for a term of three (3) years, two (2) directors shall be elected to serve for two (2) years, and one (1) director shall be elected to serve for one (1) year. At each annual meeting thereafter, a successor shall be elected to each director whose term then expires, to serve for a term of three (3) years.

ARTICLE VII: DURATION AND DISSOLUTION OF CORPORATION

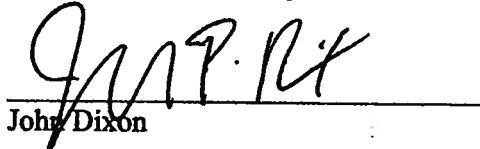
(a) The Corporation shall have perpetual existence, subject to the right of the Owners to terminate the Corporation as provided in Section 13.9.2 of the Declaration.

(b) While there is a Class B membership of the Corporation, the Declarant shall have the absolute unilateral right, power and authority to amend, modify, revise or change any of the terms or provisions of the Declaration during the Development Period and, in order to accomplish the amendment, each Owner appoints Declarant as his/her attorney in fact to execute any such amendment. THIS SPECIAL POWER OF ATTORNEY IS COUPLED WITH AN INTEREST AND IS IRREVOCABLE.

IN WITNESS WHEREOF, I have signed these Articles of Incorporation and acknowledge the same to be my act on this 6th day of February, 2008.


Francis Cohen Spahn

I hereby consent to act as resident agent in Maryland for the entity named in this document.


John Dixon

EFFECTIVE DATE: 02-15-2008
PRINCIPAL OFFICE: 10806 SOUTHLAKES DR.
MITCHELLVILLE

MD 20721

RESIDENT AGENT: MAURICE A. BELLAN
500 E. PRATT ST.
8TH FLOOR
BALTIMORE

MD 21202

RECEIVED
CLERK, CIRCUIT COURT
2008 APR -3 PM 1:53
QUEEN ANNE'S COUNTY

ELLENDALE NEIGHBORHOOD ASSOCIATION, INC.
NEIGHBORHOOD BY-LAWS

ARTICLE 1
NAME AND LOCATION

1.1. Name and Location. The name of the Neighborhood is Ellendale Neighborhood Association, Inc. The principal office and mailing address of the Neighborhood Association is 165 Log Canoe Circle, Suite B, Stevensville, MD 21666.

ARTICLE 2
DEFINITIONS

2.1. Neighborhood Declaration. "Neighborhood Declaration" as used herein means that certain Neighborhood Declaration made the 14th day of March, 2008, by Reliable Development Company, LLC, a Maryland limited liability company having an address 1 Churchview Road, Millersville, Maryland 21108 ("Declarant"), pursuant to Title 11B of the Real Property Article of the Annotated Code of Maryland, 2003 Replacement Volume, as amended (the "Maryland Homeowners Association Act"), by which certain described property, including land, was submitted to a homeowners association (the "Neighborhood"), which Neighborhood Declaration is recorded among the Land Records of Queen Anne's County, Maryland, prior hereto and to which these Neighborhood By-Laws are appended.

2.2. Other Definitions. Unless it is plainly evident from the context that a different meaning is intended, all other terms used herein shall have the same meaning as they are defined to have in the Neighborhood Declaration or in the Maryland Homeowners Association Act.

ARTICLE 3
OWNERSHIP

3.1. Owners. Every person, group of persons, corporation, trust or other legal entity, or any combination thereof, which owns a Lot within this Neighborhood shall be a member of the Neighborhood Association; provided, however, that any person, group of persons, corporation, trust or other legal entity, or any combination thereof, which holds such interest solely as security for the performance of an obligation shall not be deemed an owner.

3.2. Neighborhood By-Laws Applicability. The provisions of these Neighborhood By-Laws are applicable to the Neighborhood. The term "Neighborhood" as used herein shall include the land, as well as the improvements thereon. In construing these Neighborhood By-Laws, and the government of the Neighborhood pursuant thereto, the provisions of the Corporations and Associations Article of the Annotated Code of Maryland, 2003 Replacement Volume, as amended, pertaining to the government of non-stock corporations, shall be considered as governing to the extent not inconsistent with the provisions of the Maryland Homeowners Association Act, and the Neighborhood Declaration and these Neighborhood By-Laws; the Neighborhood Association being considered the Corporation and the Owners being considered its members. This Neighborhood Association shall be incorporated as provided in the

DP FD SURE \$ 20.00
RECORDING FEE 75.00
TOTAL 95.00
Rest Cash Rpt # 30324
CH, ICC Rpt # 270
01:56 PM

Maryland Homeowners Association Act.

**ARTICLE 4
MEETINGS OF NEIGHBORHOOD ASSOCIATION**

4.1. Place of Meetings. Meetings of the Neighborhood Association shall be held at the principal office or place of business of the Neighborhood or at such other suitable place convenient to the Neighborhood Association as may be designated by the Neighborhood Board.

4.2. Annual Meetings. The Organizational and first meeting of the Neighborhood Association of this Neighborhood shall be held within sixty (60) days after the date on which Lots representing at least 51% of the votes in the Neighborhood Association for the Neighborhood have been conveyed by the Declarant to the initial purchasers of Lots. Thereafter, annual meetings of the Neighborhood Association shall be held at such date and time and at such place as may be designated by the Neighborhood Board or the manager of the Neighborhood. At such meeting there shall be elected by ballot of the Owners a Neighborhood Board in accordance with the requirements of Section 5.5 of these Neighborhood By-Laws. The Neighborhood Association may also transact such other business of the Neighborhood as may properly come before it.

4.3. Special Meetings. It shall be the duty of the President to call a special meeting of the Neighborhood Association as directed by resolution of the Neighborhood Board or upon a petition signed by Owners representing at least 25% of the total votes of the Neighborhood having been presented to the Secretary. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice.

4.4. Notice of Meetings. It shall be the duty of the Secretary or his agent to mail by first class 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 Owner of record, at his address as it appears on the Ownership Book of the Neighborhood on the date of the notice, or if no such address appears, at his last known address, not less than ten (10) nor more than ninety (90) days prior to such meeting, unless the Maryland Homeowners Association Act provides for a shorter time in which case the Maryland Homeowners Association Act will control. Service may also be accomplished by the delivery of any such notice to the Owner at his Lot or last known address. Notice by either such method shall be considered as notice served. Attendance by a Owner at any meeting of the Neighborhood Association shall be a waiver of notice by him of the time, place and purpose thereof.

4.5. Quorum. The presence, either in person or by proxy, of Owners representing at least 25% of the total votes of the Neighborhood shall be requisite for and constitute a quorum for the transaction of business at all meetings of the Neighborhood Association. In the absence of a quorum, the meeting may be adjourned from time to time by majority vote of those Owners present in person or by proxy, in accordance with the requirements of State law, including Section 5-206 of the Corporations and Associations Article of the Annotated Code of Maryland, as amended from time to time, if applicable, and at any such adjourned meeting those owners

present in person or by proxy shall constitute a quorum and any business may be transacted which may have been transacted at the meeting originally held.

4.6. Voting. At every meeting of the Neighborhood Association, each of the Owners shall have the right to cast the number of votes for each Lot (as provided in Section 6.2 of the Neighborhood Declaration) on each question. The votes established in the Neighborhood Declaration shall be applicable to voting rights. The vote of the Owners present and voting representing 51% of the votes at that meeting shall be required, unless the question is one upon which, by express provision of the Maryland Homeowners Association Act, the Neighborhood Declaration or these Neighborhood By-Laws, a different vote is required, in which case such express provision shall govern and control. No Owner shall be eligible to vote at any annual or special meeting of the Neighborhood Association, or be elected to an office or to the Neighborhood Board if the Neighborhood Association has recorded a Statement of Neighborhood Lien against said Owner's Lot and the amount necessary to release the lien has not been paid at the time of the meeting.

4.7. Proxies. A Owner may appoint any other Owner, the Declarant (as defined in the Neighborhood Declaration), management agent, Mortgagee, attorney or lessee, as his proxy. Only a Owner voting in person or a proxy voting for candidates designated by a Owner may vote for members of the Neighborhood Board. Notwithstanding this provision, blank proxies may be used for any other purpose, including obtaining a quorum. Proxies shall be effective for a maximum period of one hundred eighty (180) days following issuance, unless granted to a lessee or Mortgagee.

4.8. Election Materials. Election materials prepared with funds of the Neighborhood Association must list candidates in alphabetical order and cannot indicate a preference among candidates.

4.9. Powers. The Neighborhood Association has, subject to any provision of the Maryland Homeowners Association Act, the Neighborhood Declaration and these Neighborhood By-Laws, the following powers:

4.9.1. To have perpetual existence, subject to the right of the Owners to terminate the Neighborhood as provided Section 13.1 of the Declaration.

4.9.2. To adopt and amend reasonable rules and regulations;

4.9.3. To adopt and amend budgets for revenues, expenditures, and reserves and collect assessments for common expenses from Owners;

4.9.4. To sue and be sued, complain and defend, or intervene in litigation or administrative proceedings in its own name on behalf of itself or two (2) or more Owners on matters affecting the Neighborhood;

4.9.5. To transact its business, carry on its operations and exercise the powers provided in this subsection in any State, territory, district, or possession of the United States and

in any foreign country;

4.9.6. To make contracts and guarantees, incur liabilities and borrow money, sell, mortgage, lease, pledge, exchange, convey, transfer, and otherwise dispose of any part of its property and assets;

4.9.7. To issue bonds, notes, and other obligations and secure the same by mortgage or deed of trust on any part of its property, franchises, and income;

4.9.8. To acquire by purchase or in any other manner, to take, receive, own, hold, use, employ, improve, and otherwise deal with any property, real or personal, or any interest therein, wherever located;

4.9.9. To hire and terminate managing agents and other employees, agents, and independent contractors;

4.9.10. To purchase, take, receive, subscribe for or otherwise acquire, own, hold, vote, use, employ, sell, mortgage, loan, pledge or otherwise dispose of, and otherwise use and deal in and with, shares or other interests in, or obligations of corporations of the State, or foreign corporations, and of associations, partnerships, and individuals;

4.9.11. To invest its funds and to lend money in any manner appropriate to enable it to carry on the operations or to fulfill the purposes named in the Neighborhood Declaration or Neighborhood By-Laws, and to take and to hold real and personal property as security for the payment of funds so invested or loaned;

4.9.12. To regulate the use, maintenance, repair, replacement, and modification of Common Areas;

4.9.13. To cause additional improvements to be made as a part of the Common Areas;

4.9.14. To grant easements, rights-of-way, licenses, leases in excess of one (1) year, or similar interests through or over the Common Areas in accordance with the Section 11-125(f) of the Maryland Homeowners Association Act, and to assess responsibility for damages resulting therefrom;

4.9.15. To impose and receive any payments, fees, or charges for the use, rental, or operation of the Common Areas;

4.9.16. To impose charges for late payment of assessments and, after notice and an opportunity to be heard, levy reasonable fines for violations of the Neighborhood Declaration, Neighborhood By-Laws, and rules and regulations of the Neighborhood Association, under Section 11-113 of the Maryland Homeowners Association Act;

4.9.17. To impose reasonable charges for the preparation and recordation of

amendments to the Neighborhood Declaration, Neighborhood By-Laws, rules and regulations, or resolutions, resale certificates, or statements of unpaid assessments;

4.9.20. To provide for the indemnification of and maintain liability insurance for officers, directors, and any managing agent or other employee charged with the operation or maintenance of the Neighborhood;

4.9.21. To enforce the implied warranties made to the Neighborhood Association by the Declarant under Section 11-131 of the Maryland Homeowners Association Act;

4.9.22. To enforce the provisions of this title, the Neighborhood Declaration, Neighborhood By-Laws, and rules and regulations of the Neighborhood Association against any Owner or occupant; and

4.9.23. Generally, to exercise the powers set forth in the Maryland Homeowners Association Act and the Neighborhood Declaration or Neighborhood By-Laws and to do every other act not inconsistent with law, which may be appropriate to promote and attain the purposes set forth in the Maryland Homeowners Association Act, the Neighborhood Declaration or Neighborhood By-Laws.

4.10. Annual Proposed Budget.

4.10.1. Each year, at least thirty (30) days prior to its adoption at an open meeting of the Neighborhood Association, the Neighborhood Board, or the officers, managers, or agents of the Neighborhood Association as delegated by the Board, shall prepare a budget in a reasonably itemized form for the Neighborhood Association containing an estimate of the total amount which will be necessary to pay for the upcoming fiscal year the cost of the maintenance, management, operation, repair and replacement of the Common Areas and the cost of wages, materials, insurance premiums, services, supplies and other expenses that may be declared to be Neighborhood Association expenses by the Maryland Homeowners Association Act, Neighborhood Declaration, Neighborhood By-Laws, or a resolution of the Board. Such budget shall also include a reserve for contingencies and replacements. The Secretary of the Neighborhood Association or another delegated agent of the Neighborhood Board shall send a copy of the budget as so prepared to each Owner at least thirty (30) days prior to the open meeting. After receiving comments on the budget at the open meeting, the Board will adopt a budget for the Neighborhood Association for the next fiscal year.

4.10.1. Any expenditure made other than those made because of conditions which, if not corrected, could reasonably result in a threat to the health or safety of the Owners or significant risk of damage to the Neighborhood, that would result in an increase in the annual assessment in excess of 15% of the budgeted amount previously adopted, shall be approved by an amendment to the budget adopted at a special meeting, upon not less than ten (10) days written notice to the Neighborhood Association.

4.10.2. The adoption of a budget shall not impair the powers of the Neighborhood Association to obligate the Neighborhood Association for expenditures for any purpose

consistent with the Maryland Homeowners Association Act.

4.11. Waiver. The omission of the Neighborhood Association or the Neighborhood Board, before the expiration of any budget period, to adopt a budget hereunder for that or the next period, shall not be deemed a waiver or modification in any respect of the provisions of this Article or the Maryland Homeowners Association Act, or a release of assessment installment thereof, for that or any subsequent budget period, but the budget fixed for the preceding period shall continue until a new budget is fixed. No Owner may exempt himself from liability for assessment by a waiver of the use or enjoyment of any of the Common Areas, or by abandonment of any Lot belonging to him. Expenditures increasing the annual assessment in excess of 15% shall be levied as provided in the Maryland Homeowners Association Act.

ARTICLE 5 DIRECTORS

5.1. Number and Qualification. The affairs of the Neighborhood shall be governed by the Neighborhood Board composed of three (3) or five (5) directors.

5.2. Initial directors. The initial directors shall be selected by the Declarant and need not be a Owner. The names of the directors who shall act as such from the date upon which the Neighborhood Declaration is recorded among the Land Records of Queen Anne's County, Maryland until such time as their successors are duly chosen and qualified are John Dixon, Michael Baldwin and Joseph Baldwin. These directors shall serve until the Organizational and first meeting of the Neighborhood Association, at which time the Owners shall elect a Neighborhood Board, all as prescribed herein. The Initial directors may be removed and his successor appointed by the Declarant, its successors and assigns. The Declarant shall also have the right to appoint additional directors to the Neighborhood Board until the Organizational and first meeting of the Neighborhood Association.

5.3. Powers and Duties. The Neighborhood Board shall have the powers and duties necessary for the administration of the affairs of the Neighborhood and may do all such acts and things as are not, by law or by these Neighborhood By-Laws, directed to be exercised and done by the Neighborhood Association. The powers and duties of the Neighborhood Board shall include, but not be limited to, the following:

5.3.1. To provide for the care, upkeep and surveillance of the Neighborhood, as it is constituted from time to time and its Common Areas, and services and maintenance of the Lot exteriors in a manner consistent with the law, and the provisions of the Neighborhood Declaration and these Neighborhood By-Laws;

5.3.2. To establish and provide for the collection of assessments and fines, if levied, from the Owners and for the assessment and/or enforcement of liens therefor in a manner consistent with law and the provisions of the Neighborhood Declaration and these Neighborhood By-Laws;

5.3.3. To designate, hire and/or dismiss the personnel necessary for the good

working order of the Neighborhood and for the proper care of the Common Areas, and to provide services for the Neighborhood in a manner consistent with all applicable State and local laws, the Neighborhood Declaration and these Neighborhood By-Laws;

5.3.4. To promulgate and enforce such rules and regulations, and such restrictions or requirements, as may be deemed proper respecting the use, occupancy and maintenance of the Neighborhood and the use and maintenance of the Common Areas, as they are designated, to prevent unreasonable interference with the use and occupancy of the Neighborhood and of the Common Areas by the Owners, all of which are to be consistent with all applicable State and local laws, the Neighborhood Declaration and these Neighborhood By-Laws;

5.3.5. Procure bids or otherwise establish the fixed cost of all labor, materials, services, utilities and other items required for the operation, maintenance and care of the Neighborhood, and the convenience of the Owners; review and analyze all cost and expense factors arising out of or otherwise related to the Neighborhood, together with the benefits and advantages to be derived therefrom; determine and fix a detailed annual budget for the project, and upon the establishment of such budget, assess and collect the funds therefor as a Neighborhood Association expense;

5.3.6. Impose and collect reasonable charges for the preparation, copying and recordation of any documents related to the Neighborhood; and impose and collect reasonable fines for the violations of the Neighborhood Declaration, these Neighborhood By-Laws and the rules and regulations of the Neighborhood Association;

5.3.7. Establish and maintain an accurate and efficient cash and accounting system, make collections and deposit of funds in such banks, trust companies, or other depositories as the Neighborhood Board shall from time to time approve, verify and account for all receipts and expenditures involved in the operation of the Neighborhood, approve or disapprove all requisitions, bills, statements and vouchers, pay all costs and expenses incurred in the operation and maintenance of the Neighborhood, designate signatories to which bank or other accounts shall be subject, keep and preserve, at the principal office of the Neighborhood, rosters, books, accounts and records covering the operation of the Neighborhood and execute and file any statement, certificate, affidavit, return or other form required to be filed with any governmental agency in connection with any income or unemployment, social security or employee benefit tax, or the withholding of any tax, or any information relative to the foregoing, and prepare and submit such account or accounts of the financial condition of the Neighborhood as may from time to time be required or advisable;

5.3.8. Procure and maintain all policies of insurance required by the Maryland Homeowners Association Act, by these Neighborhood By-Laws, or by the Neighborhood Association, or otherwise deemed advisable; designate a trustee or trustees, or other person, firm or corporation as the nominal beneficiary of any policy, to hold proceeds payable thereunder for the use and benefit of the Neighborhood Association; negotiate and adjust any loss occurring under any policy of insurance; and make any repair, replacement or restoration of the property damaged or destroyed by fire or other casualty insured against; and

5.3.9. Prepare, with the assistance of an accountant, if deemed necessary, and file all income tax returns and other tax returns, declarations, and other forms required of the Neighborhood Association by law, and arrange for payment of any tax shown thereby to be due.

5.4. Manager. The Neighborhood Board shall employ for the Neighborhood a professional manager at a rate of compensation established by the Neighborhood Board, to perform such duties and services as the Neighborhood Board shall authorize, including, but not necessarily limited to, the duties set out in Section 5.3 other than those duties reserved to the Neighborhood Association or Neighborhood Board by the Neighborhood Declaration, Neighborhood By-Laws or Maryland Homeowners Association Act. The Neighborhood Association shall not undertake "self-management" or otherwise fail to employ a professional management agent. Any professional management company so employed must have and maintain fidelity bond coverage in an amount equal to or greater than the amount specified in Section 14 of this Article.

5.5. Elections and Terms of Office. The terms of the directors named herein shall expire when their successors have been elected at the organizational and first meeting of the Neighborhood Association and are duly qualified. At the first meeting of the Neighborhood Association, a successor shall be elected to each director whose term then expires and two (2) new directors shall be elected. Two (2) directors shall be elected to serve for a term of three (3) years, two (2) directors shall be elected to serve for two (2) years, and one (1) director shall be elected to serve for one (1) year. At each annual meeting thereafter, a successor shall be elected to each director whose term then expires, to serve for a term of three (3) years.

5.6. Vacancies. Vacancies on the Neighborhood Board caused by any reason other than the removal of a director by a vote of the Neighborhood Association shall be filled by vote of the majority of the remaining directors, even though they may constitute less than a quorum; and each person so elected shall be a director until a successor is elected by the Neighborhood Association at the next annual meeting.

5.7. Removal of directors. At a regular or special meeting duly called, any director may be removed with or without cause by the affirmative vote of the majority of the entire Neighborhood Association and a successor may then be elected to fill the vacancy thus created. Any director whose removal has been proposed by the Neighborhood Association shall be given an opportunity to be heard at the meeting. The term of any director who has an unreleased Statement of Lien recorded against him shall be automatically terminated and the remaining directors shall appoint his successor as provided in Section 5.6.

5.8. Compensation. Except for those directors named as such in Section 5.2, and any of their successors elected prior to the Organizational and first meeting of the Neighborhood Association, no remuneration shall be paid to any director who is also a Owner for services performed by him for the Neighborhood in any other capacity unless a resolution authorizing such remuneration shall have been adopted by the Neighborhood Board before the services are undertaken.

5.9. Organizational Meeting. The first meeting of a newly elected Neighborhood Board shall be held within ten (10) days of election at such place as shall be fixed by the directors at the meeting at which such directors were elected, and no notice shall be necessary to the newly elected directors in order legally to constitute such meeting, provided a majority of the whole Neighborhood Board shall be present.

5.10. Regular Meetings. At least annually, the Neighborhood Board shall send each Owner notice of its meetings. All meetings of the Neighborhood Board shall be open except as provided in the Maryland Homeowners Association Act. Regular meetings of the Neighborhood Board 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.

5.10.1. Notice of meetings of the Neighborhood Association or the Neighborhood Board may not be given on less notice than required by Section 11-109(c) of the Maryland Homeowners Association Act.

5.10.2. The Neighborhood Association shall maintain a current roster of names and addresses of each Owner to which notice of meetings of the Neighborhood Board shall be sent at least annually.

5.10.3. Each Owner shall furnish the Neighborhood Association with his name and current mailing address. A Owner may not vote at meetings of the Neighborhood Association until this information is furnished.

5.11. Special Meetings. Special meetings of the Neighborhood Board may be called by the President on three (3) days notice to each director and Owner, given personally or by mail, facsimile transmission, telephone or telegraph, which notice shall state the time, place (as hereinabove provided) and purpose of the meeting; provided, however, that Owners shall not be furnished notice of special meetings of the Neighborhood Board if such special meeting shall solely address any matter covered by Section 11-109.1 of the Maryland Homeowners Association Act. Special meetings of the Neighborhood Board shall be called by the President or Secretary in like manner and on like notice on the written request of at least two (2) directors.

5.12. Waiver of Notice. Before, or at, any meeting of the Neighborhood Board, any director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting of the Neighborhood Board shall be a waiver of notice by him of the time, place and purpose thereof.

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

5.14. Fidelity Bonds. The Neighborhood Board shall require that all officers and employees of the Neighborhood Association handling or responsible for Neighborhood Association or trust funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Neighborhood Association. The amount of each bond shall not be less than the estimated maximum amount of funds to be handled for the Neighborhood Association. In no event may the amount of such bonds be less than a sum equal to three (3) months assessments on all Lots plus reserve funds.

ARTICLE 6 OFFICERS

6.1. Designation. The principal officers of the Neighborhood Association shall be a President, a Vice-President, a Secretary, and a Treasurer, all of whom shall be elected by the Neighborhood Board. Officers elected by the initial directors need not be Owners. After the Organizational and first meeting of the Neighborhood Association, the Neighborhood Board may elect officers who need not be Owners except that the President must always be a Owner. The directors may appoint an Assistant Secretary and an Assistant Treasurer and such other officers as in their judgment may be necessary. The offices of Secretary and Treasurer may be filled by the same person.

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

6.3. President. The President shall be the Chief Executive Officer of the Neighborhood Association and a member of the Neighborhood Board. He shall preside at all meetings of the Neighborhood Association and the Neighborhood Board. He shall have all of the general powers and duties which are usually vested in the office of president of a corporation, including but not limited to, the power to appoint committees from among the Owners, or other persons whom he feels are qualified, from time to time, as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Neighborhood Association.

6.4. 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 Neighborhood Board shall appoint some other member of the Neighborhood 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 Neighborhood Board.

6.5. Secretary. The Secretary shall keep the minutes of all meetings of the Neighborhood Board and the Neighborhood Association; he shall have charge of the "ownership" and such other books and papers as the Neighborhood Board may direct; and he shall, in general, perform all the duties incidental to the office of Secretary, including counting the votes at meetings of the Neighborhood Association. In the Secretary's absence, the President shall designate some other person to perform these duties.

6.6. Treasurer. The Treasurer shall have responsibility for Neighborhood Association funds and securities, and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Neighborhood Association. He shall be responsible for the deposit of all monies and other valuable effects in the name and to the credit of the Neighborhood Association in such depositories as may from time to time be designated by the Neighborhood Board. The Neighborhood Board may delegate any or all of these duties to a manager or banking institution.

6.7. Compensation. The Neighborhood Board shall have the power to fix the compensation for all officers of the Neighborhood Association who are not Owners, but shall have the power to fix the compensation for all officers of the Neighborhood Association who are Owners only with the approval of the Neighborhood Association.

6.8. Delegate to the Neighborhood Association. Pursuant to Section 6.3 of the Neighborhood Declaration, the president of the Neighborhood Association shall serve as the Council of Owner's Delegate to the Neighborhood Association; provided, however, that whenever the president is unable to perform his or her duties as Delegate, the vice president shall act as the Delegate in the president's place. Where a vote of the Neighborhood Association is called, the Delegate shall cast the votes of the Neighborhood Association on its behalf.

ARTICLE 7

LIABILITY AND INDEMNIFICATION OF OFFICERS AND DIRECTORS

7.1. Liability and Indemnification of Officers and directors. The Neighborhood Association shall indemnify every officer and director of the Neighborhood Association against any and all expenses, including counsel fees, reasonably incurred or imposed upon any officer or director in connection with any action, suit or other proceeding, including the settlement of any such suit or proceeding, if approved by the then Neighborhood Board, to which he may be made a party by reason of being or having been, an officer or director of the Neighborhood Association, whether or not such person is an officer or director at the time such expenses are incurred. The officers and directors of the Neighborhood Association shall be liable to the Neighborhood Association and the Owners for any gross negligence, including their own individual willful misconduct or bad faith, but shall not be liable for mistakes of judgment or otherwise if made in good faith nor incur any personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Neighborhood Association (except to the extent that such officers or directors may also be Owners), and the Neighborhood Association shall indemnify and forever hold each such officer and director free and harmless against any and all liability to others on account of any such contract or commitment. Any right to indemnification provided for herein shall not be exclusive of any other rights to which any officer or director of the Neighborhood Association, or former officer or director of the Neighborhood Association, may be entitled.

7.2. Other Interests.

7.2.1. The directors shall exercise their powers and duties in good faith and with

a view to the interest of the Neighborhood Association.

7.2.2. No other contract or other transaction between the Neighborhood Association and any corporation or other entity or person and no act of the Neighborhood Association or Neighborhood Board shall in any way be affected or invalidated by the fact that any member of the Neighborhood Association or Neighborhood Board is pecuniarily or otherwise interested in, or is a director or officer of such other corporation or entity; any director individually, or any firm of which any director may be a member, may be a party to, or may be pecuniarily or otherwise interested in, any contract or transaction with the Neighborhood Association provided that the fact that he or such firm is so interested shall be disclosed and shall have been known to the Neighborhood Board or a majority thereof; and any director of the Neighborhood Association who is also a director or officer of any such other corporation or who is so interested may be counted in determining the existence of a quorum at any meeting of the Neighborhood Association or the Neighborhood Board thereof which shall authorize any such contract or transaction, and any such contract or transaction shall be valid if approved by a majority vote of disinterested directors, even if the disinterested directors constitute less than a quorum.

ARTICLE 8 MANAGEMENT

8.1. Management. The Neighborhood Board shall manage, operate and maintain the Neighborhood and, for the benefit of the Lots and the Owners thereof, shall enforce the provisions hereof and may pay out of Neighborhood funds, herein elsewhere provided for, the following, which itemization shall not act as a limitation on the Neighborhood Board:

8.1.1. The cost of providing water, sewer, gas, electrical (including street lighting), and other utility services for the Common Areas and to the extent that the same are not separately metered or billed to each Lot, for the Lots; provided that if the same are separately metered or billed to each Lot, the cost shall be specially assessed pursuant to Section 8.1.7;

8.1.2. The cost of fire and extended liability insurance on the Common Areas and the cost of such other insurance as the Neighborhood Board or the Neighborhood Association may effect;

8.1.3. The cost of the services of a person or firm to manage the Neighborhood to the extent deemed advisable by the Neighborhood Association, together with the services of such other personnel as the Neighborhood Board or the Neighborhood Association shall consider necessary for the operation of the Neighborhood;

8.1.4. The cost of providing such legal and accounting services as may be considered necessary to the operation of the Neighborhood;

8.1.5. Unless otherwise set forth in the Neighborhood Declaration, the cost of painting, maintaining, replacing, repairing and landscaping the Common Areas, furnishing and equipment for the Common Areas as the Neighborhood Board shall determine are necessary and proper; and

the Neighborhood Board shall have the exclusive right and duty to acquire the same, provided, however, that nothing herein contained shall require the Neighborhood Association to paint, repair, or otherwise maintain the interior of any Lot or any fixtures or equipment located therein except for damage resulting from a casualty which is covered by Neighborhood insurance and further provided that the Neighborhood Association shall maintain the Common Areas and any other areas which are the responsibility of the Neighborhood Association in accordance with the Replacement Reserve Schedule described in the budget for the Neighborhood Association;

8.1.6. The cost of any and all other materials, supplies, labor, services, maintenance, repair, taxes, assessments or the like which the Neighborhood Association is required to secure, to pay for by law, or otherwise, or which in the discretion of the Neighborhood Board shall be necessary or proper for the operation of the Common Areas;

8.1.7. The cost of utilities which may be separately metered or billed to a Lot (as described in Section 8.1.1 above), or the maintenance or repair of any Lot in the event such maintenance or repair is necessitated due to such Owner's negligence, misuse or neglect, which shall be determined in the sole discretion of the Neighborhood Board; provided, however, that no such maintenance or repair shall be undertaken without a resolution by the Neighborhood Board and not without reasonable written notice to the Owner of the Lot proposed to be maintained or repaired; and provided further that the cost thereof shall be assessed against the Lot on which such maintenance or repair is performed, and when so assessed, a statement for the amount thereof shall be rendered promptly to the Owner of said Lot, at which time the assessment shall become due and payable and a continuing lien and obligation of said Owner in all respects as provided in Article 9 of these Neighborhood By-Laws;

8.1.8. Any amount necessary to discharge any lien or encumbrance levied against the Neighborhood or any portion thereof, which may, in the opinion of the Neighborhood Board, constitute a lien against any of the Common Areas rather than the interest of the Owner of any individual Lot; and

8.1.9. The cost of any maintenance, repair or replacement contracted for between the Neighborhood Association or its manager and individual Owners having to do with an individual Lot, which cost shall be a Neighborhood Association expense only with respect to that Lot, and that the cost thereof shall be assessed against the Lot on which such maintenance, repair or replacement is performed and when so assessed, a statement for the amount thereof shall be rendered promptly to the then Owner of said Lot, at which time the assessment shall become due and payable and a continuing lien and obligation of said Owner in all respects as provided in Article 9 of these Neighborhood By-Laws.

8.2. Manager. The Neighborhood Board may delegate such of its duties, powers or functions to the manager, as the Neighborhood Board shall authorize, provided that such delegation may be terminated by the Neighborhood Association, by majority vote, without liability upon thirty (30) days written notice, and any such contract shall have a maximum term of two (2) years.

8.3. Easements, Licenses and Rights of Way for Utilities and Related Programs. The Neighborhood Association, through its Neighborhood Board, is authorized and empowered to grant, subject to the provisions of the Maryland Homeowners Association Act, if any, including notice to Owners, hearing requirements and right of Owners to override a grant made by the Neighborhood Board, 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, TV antennas, underground conduits and/or such other purposes related to the provision of public utilities to the Neighborhood, or for any other purpose as may be considered necessary and appropriate by the Neighborhood Board for the orderly maintenance, preservation and enjoyment of the Common Areas for the preservation of the health, safety, convenience and/or welfare of the Owners and the Declarant and/or as required or permitted by the Neighborhood Declaration. In addition to the foregoing, in the event there is a storm water management facility located on the Neighborhood Land, Queen Anne's County, Maryland shall have a right to enter on the property of persons who do not comply with a maintenance notification requiring repairs to any storm water management facility, to perform necessary maintenance, and to assess any cost(s) involved to the owner(s) of any such facility.

8.4. Limitation of Liability. The Neighborhood Association shall not be liable for any failure of water supply or other utilities or services to be obtained by the Neighborhood Association or paid for out of the Neighborhood Association expenses. The Neighborhood Association shall not be liable to any Owner for loss or damage, by theft or otherwise, of articles which may be stored upon any of the Common Areas. No diminution or abatement of Neighborhood Association expense Assessments, as herein elsewhere provided, shall be claimed or allowed for inconvenience or discomfort arising from the making of repairs or improvements to the Common Areas, separately contracted maintenance to a Lot, or from any action taken by the Neighborhood Association to comply with any law, ordinance or with the order or directive of any municipal or other governmental authority.

ARTICLE 9 NEIGHBORHOOD FEES/ASSESSMENTS

9.1. Annual Neighborhood Fees/Assessments.

9.1.1. Commencing with the recording of the Neighborhood Declaration to establish the Neighborhood, each Owner shall pay the Annual Assessments set forth in Article 10 of the Neighborhood Declaration, which shall include, but in no way limited to, the following:

(a) The cost of all operating expenses of the Neighborhood as the same may be constituted from time to time, and services furnished, including charges by the Neighborhood Association for facilities and services furnished by it;

(b) The cost of necessary management and administration, including fees paid to any manager;

(c) The amount of all taxes and assessments levied against the Neighborhood Association or upon any property which it is otherwise required to pay, if any;

(d) The cost of public liability, fire and extended coverage insurance on the Common Areas and the cost of such other insurance as the Neighborhood Association or the Neighborhood Board may effect;

(e) The cost of furnishing water, electricity, heat, gas, garbage and trash collection and/or utilities, to the extent furnished by the Neighborhood Association;

(f) The estimated cost of repairs, maintenance and replacements of the Common Areas and any other areas described in the Neighborhood Declaration or these Neighborhood By-Laws to be made by the Neighborhood Association; and

(g) The cost of all operating expenses, repairs, maintenance and replacements for Common Areas.

9.1.2. Each Annual Assessment levied under the provision hereof shall be paid in semi-annually, each installment to be equal to one-half (1/2) of the Annual Assessment commencing on the first day of the first month of the fiscal year for which levied, and continuing on the first day of the sixth month thereafter until fully paid; provided, however, that (i) the first Annual Assessment shall be paid in such number of equal or unequal monthly installments as the Neighborhood Board shall determine, and (ii) the first Annual Assessment shall not begin to accrue until the first day of the first fiscal year.

9.1.3. If record title to a Lot is conveyed during the period covered by a monthly installment of an Annual or Special Assessment, the Owner of such Lot immediately before such conveyance and the Owner of such Lot immediately after such conveyance shall each be fully liable to the Neighborhood Association for the entire amount of such installment, and shall each be subject to all remedies available to the Neighborhood Association for the collection of such installment, as described herein, provided there be but one satisfaction of the claim. If record title to a Lot is conveyed (i) during the period covered by an Annual Assessment not payable in installments, or (ii) within one hundred eighty (180) days after the date of a Special Assessment not payable in installments, the Owner of such Lot immediately before such conveyance and the Owner of such Lot immediately after such conveyance shall each be fully liable to the Neighborhood Association for the entire amount of such Annual or Special Assessment, as applicable, and shall each be subject to all remedies available to the Neighborhood Association for the collection of such Annual Assessment or Special Assessment, as provided in these Neighborhood By-Laws and further provided there be but one satisfaction of the claim. Each such Owner shall be entitled to exercise any right of contribution which it may have against the other such Owner at law or in equity, or by contract, but the exercise of any such right of contribution shall not be permitted to delay or otherwise impair the collection of such Annual Assessment or Special Assessment, or installation thereof, by the Neighborhood Association. The provisions of this paragraph shall not apply, however, to any conveyance of a Lot (a) by the Declarant, (b) by a deed in lieu of foreclosure to a Mortgagee holding a bona fide First Mortgage of record on the Lot, to the Federal Housing Commissioner (if such First Mortgage is insured by the FHA), or to the Administrator of Veterans Affairs (if such First Mortgage is guaranteed by the VA).

9.1.4. In addition, each Owner shall pay to the Neighborhood Association the amount of any fine levied against him pursuant to any rules and regulations for fining promulgated by the Neighborhood Board in accordance with the procedures in these Neighborhood By-Laws.

9.2. Special Assessments. In addition to the Annual Assessments authorized above, the Neighborhood Association may levy in any assessment year, a Special Assessment, applicable for that year only, for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of any improvement located on the Common Areas, including fixtures and personal property related thereto, and/or to meet any other deficit of the Neighborhood Association or any emergency or unforeseen expenses of the Neighborhood Association; provided that such Assessment shall first be approved by the Neighborhood Board

9.3. Reserve for Replacements and Working Capital. The Neighborhood Association shall establish and maintain a reserve fund for maintenance, repairs and replacements of the Common Areas and Common Area facilities by the allocation and payment annually to such reserve fund of an amount to be designated from time to time by Neighborhood Board. The Neighborhood Association may establish such other reserves for such other purposes as Neighborhood Board may from time to time consider to be necessary or appropriate. The proportional interest of any member of the Neighborhood Association in any such reserves shall be considered an appurtenance of such Owner's Lot and shall not be separated from the Lot to which it appertains and shall be deemed to be transferred with such Lot.

9.4. Non-Payment of Assessments – Statement of Neighborhood Lien.

9.4.1. Any Assessment levied pursuant to the Neighborhood Declaration or these Neighborhood By-laws, and any installment thereof, which is not paid on the date when due shall be delinquent and shall entitle the Neighborhood Association to claim the amount of such assessment, together with interest thereon, late charges as set out below, the actual costs of collection thereof, and reasonable attorney's fees as a lien on the Lot against which it is assessed; provided, however, that such lien shall be effective only after a Statement of Neighborhood Lien is recorded among the Land Records of Queen Anne's County, Maryland, after notice of the amount due and of the Owner's right to a hearing, all pursuant to Subsection 11-110(d) of the Maryland Homeowners Association Act, and Subsection 14-201, et. seq., of the Real Property Article of the Annotated Code of Maryland (1957, 2003 Repl. Vol.), as amended from time to time (the "Maryland Contract Lien Act"), and further provided that the Statement of Neighborhood Lien states the description of the Lot, the name of the Owner of record, and the amount due. Any such Statement of Neighborhood Lien shall be in substantially the following form or as may otherwise be required by the Maryland Contract Lien Act.

STATEMENT OF NEIGHBORHOOD LIEN

THIS IS TO CERTIFY that the property described as Lot No. _____, in "Ellendale" is subject to a lien under Title 14, Subtitle 2 of the Real Property Article, Maryland Annotated Code, in the amount of \$ _____. The property is owned by _____.

I HEREBY AFFIRM under the penalty of perjury that notice was given under Section 14-203(a) of the Real Property Article, and that the information contained in the foregoing Statement of Neighborhood Lien is true and correct to the best of my knowledge, information and belief.

Name of Party Claiming Lien: _____

9.4.2. The Statement of Neighborhood Lien shall be signed and verified as required in the Maryland Contract Lien Act by any officer of the Neighborhood Association, or any duly authorized agent, attorney, or other person duly authorized by the Neighborhood Board and the Neighborhood Association for such purpose.

9.4.3. Upon recordation of the Statement of Neighborhood Lien as aforesaid, the Lien shall bind the Lot described in the Statement of Neighborhood Lien in the hands of the Owner, his heirs, successors, devisees, personal representatives and assigns. In a voluntary grant, the grantee shall be jointly and severally liable with the grantor for all unpaid Assessments against the grantor for his share of the Neighborhood Association expenses up to the time of the voluntary grant for which a Statement of Neighborhood Lien is recorded, without prejudice to the rights of the grantee to recover from the grantor the amounts paid by the grantee for such Assessments. The personal obligation of the Owners to pay the Assessment shall, however, remain his personal obligation for the statutory period and a suit to recover a money judgment for non-payment of any Assessment levied pursuant to the Neighborhood Documents, the Neighborhood Declaration or these Neighborhood Bylaws, or any installment thereof, may be maintained without foreclosure or waiving the lien established by the Statement of Neighborhood Lien to secure payment of such Assessment. Upon full payment of the amount for which the lien is claimed, including payment of a fee for preparation and recording of the lien or order of satisfaction, the Owner shall be entitled to a recordable satisfaction of the lien.

9.4.4. Any assessment or portion thereof not paid within thirty (30) days after the due date thereof shall (a) be deemed delinquent and a default under this Declaration, (b) bear interest from the date of delinquency at the rate of 18% per annum (unless such rate of interest is not legally allowable in which event the highest rate permitted by law shall be applicable), (c) be subject to a late charge of Fifty Dollars (\$50.00), or one-tenth (1/10th) of the total amount of delinquent assessment or installment, whichever is greater (provided that the late charge may not be imposed more than once for the same delinquent payment), and (d) include the costs of reasonable attorney's and/or collection fees incurred by the Neighborhood Association should an attorney's or collection agency's services be utilized for the collection of such undue assessment or portion thereof. The Neighborhood Association shall have the right to declare the entire balance of the assessment and accrued interest thereon to be immediately due and payable, as well as to file a Statement of Lien. The Neighborhood Association may bring an action at law against the Owner personally obligated to pay the same, and/or without waiving any other right, at equity to foreclose the lien against the Lot in the same manner and subject to the same requirements as are specified by the laws of Maryland for the foreclosure of mortgages or deeds of trust containing a power of sale or an assent to a decree, and there shall be added to the amount of such assessment the reasonable costs of preparing and filing the complaint of such action, and in the event that judgment is obtained, such judgment shall include interest on the

assessment as above provided, late fees and reasonable attorneys' fees to be fixed by the court together with the cost of the action. Any and all unpaid assessments and any judgments relating thereto shall be deemed a lien against the defaulting Owner's Lot, and such lien shall run with the land and be the obligation of any subsequent Owner of the Lot, except as otherwise set forth herein. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Areas or abandonment of such Owner's Lot.

9.4.5. In the event any proceeding to foreclose the lien for any Assessment due the Neighborhood Association pursuant to this Article 9 is completed with respect to any Lot(s) in the Neighborhood, then the Owner of such Lot(s), upon resolution of the Neighborhood Board, may be required to pay a reasonable rental for such Lot(s), and the Neighborhood Association shall be entitled to appoint a receiver to collect the same.

9.4.6. The Neighborhood Board may post a list of members who are delinquent in the payment of any Assessment or other fees which may be due the Neighborhood Association, including any installment thereof which becomes delinquent, in any prominent location within the Neighborhood.

9.5. Assessment Certificates. The Neighborhood Association shall, upon demand at any time, furnish to any member liable for any assessment levied pursuant to these Neighborhood By-Laws (or any party legitimately interested in the same) a certificate in writing signed by an officer or agent of the Neighborhood Association, setting forth the status of said assessment, i.e., whether the same is paid or unpaid. Such certificate shall be conclusive evidence of the payment of any assessment therein stated to have been paid. A charge not to exceed Twenty-Five Dollars (\$25.00) may be levied in advance by the Neighborhood Association for each certificate so delivered, except that no charge shall be levied against any institutional mortgagee of any Lot in the Neighborhood which requests such a certificate.

9.6. Acceleration of Installments. Upon default in the payment of any one or more installment of any Assessments levied pursuant to the Neighborhood Declaration and/or these Neighborhood By-Laws, or any other installment thereof, the entire balance of said Assessment may be accelerated at the option of the Neighborhood Board and may be declared due and payable in full, provided the Neighborhood Board complies with the procedures for acceleration set forth in the Maryland Homeowners Association Act.

9.7. Priority of Liens.

9.7.1. A lien established by the Neighborhood Association by a Statement of Neighborhood Lien shall have preference over any other assessments, liens, judgments or charges of whatever nature, except the following:

(a) a General Assessment and Special Assessments for real estate taxes on the Lot; and

(b) the lien of any bona fide deed of trust, mortgage, or other encumbrance duly Recorded and encumbering the Lot prior to the recordation of the Statement

of Neighborhood Lien, or duly Recorded on the Lot after receipt by the holder of any such mortgage (or the holder of the indebtedness or note secured thereby) of a certificate or statement in writing signed by an officer or agent of the Neighborhood Association stating that the payment on account of all assessments levied by the Neighborhood Association against the Lot were current as of the date of recordation of such deed of trust, mortgage instrument or other encumbrance.

9.7.2. Notwithstanding any other provisions hereof to the contrary, the lien of any assessment levied pursuant to the Neighborhood Documents upon any Lot in the Neighborhood shall be subordinate to, and shall in no way affect the rights of the holder of any indebtedness secured by any recorded first mortgage; provided, however, that such subordination shall apply only to assessments which have become due and payable prior to a sale or transfer of such Lot pursuant to a decree of foreclosure, or any other proceeding in lieu of foreclosure. Such sale or transfer shall not relieve the Lot from liability for any assessment thereafter becoming due, nor from the lien of any such subsequent assessments, which lien, if claimed, shall have the same effect and be enforced in the same manner as provided herein.

ARTICLE 10 HEARING PROCEDURES

10.1. Statement of Purpose. It is the declared intention of the Neighborhood Association that rules and regulations shall be adopted freely by the Neighborhood Board, and without the requirement of a vote of the Neighborhood Association as a requisite to their adoption, provided that the rules and regulations shall be adopted in accordance with the requirements of the Maryland Homeowners Association Act. All rules and regulations are intended to be adopted as supplements to, and not in lieu of, legally required provisions of these Neighborhood By-Laws. Should any adopted rules or regulations contradict any provisions of these Neighborhood By-Laws, as amended, such provisions of these Neighborhood By-Laws shall take precedence.

10.2. Rules and Regulations. All rules and regulations may be proposed by the Neighborhood Board provided that each Owner shall be mailed or delivered:

10.2.1. a copy of the proposed rules and regulations;

10.2.2. notice that Owners are allowed to submit written comments on the proposed rules and regulations; and

10.2.3. notice of the proposed effective date of the proposed rules and regulations.

Before a vote is taken on a proposed rule, an open meeting is held to allow each Owner or tenant to comment on the proposed rule and regulation.

10.3. Hearing and Comment.

10.3.1. The meeting held may not be held unless each Owner receives written

notice at least fifteen (15) days before the meeting, a quorum of the Neighborhood Board is present, and after notice has been given to the Owners, the proposed rule and regulation is passed at a regular or special meeting by a majority vote of the Neighborhood Board.

10.3.2. The vote on the proposed rule and regulation shall be final unless:

(a) Within fifteen (15) days after the vote to adopt the proposed rule and regulation, 15% of the Neighborhood Association signs and files a petition with the Neighborhood Board calling for a special meeting;

(b) A quorum of the Neighborhood Association attends the meeting;
and

(c) At the meeting, a Majority of the Owners disapproves the proposed rule and regulation, and the Owners voting to disapprove the proposed rule are more than 33% of the total votes in the Neighborhood.

10.3.3. During the special meetings held under Subsection 10.3.1, Owners, tenants, and Mortgagees may comment on the proposed rule.

10.3.4. A special meeting held under Subsection 10.3.1 shall be held:

(a) After the Owners and any Mortgagees have at least fifteen (15) days' written notice of the meeting; and

(b) Within thirty (30) days after the day the petition is received by the Neighborhood Board.

10.3.5. Each Owner or tenant may request an individual exception to a rule and regulation adopted while the individual was the Owner or tenant of the Neighborhood. The request for an individual exception as set forth herein shall be (i) written; (ii) filed with the Neighborhood Board that voted to adopt the proposed rule; and (iii) filed within thirty (30) days after the effective date of the rule.

10.3.6. Each rule adopted under this Section shall state that the rule and regulation was adopted under the provisions of Section 11-111 of the Maryland Homeowners Association Act.

10.4. Right of Appeal.

10.4.1. Each Owner shall have a right to appeal to the Neighborhood Board for an individual exception to any rules or regulations adopted by the Neighborhood Board.

10.4.2. The appeal period shall begin on the effective date of the rules and regulations and shall run for a period of thirty (30) days.

10.4.3. No appeals shall be considered, except by permission of the Neighborhood Board, if filed after the expiration of the appeal period.

10.4.4. All appeals shall be in writing, shall be signed and dated by the Owner or Owners making such appeal, and shall be delivered to a member of the Neighborhood Board. The Neighborhood Board shall consider all appeals and shall render a decision at its next regularly scheduled meeting. Said decision shall be in writing and shall be addressed to the Owner or Owners making the appeal. If the Neighborhood Board shall deny an appeal, there shall be no requirement of publication as to the denial.

10.4.5. If the Neighborhood Board shall uphold any appeal, thus granting an individual exception to an adopted rule, the Neighborhood Board shall publish or communicate in a reasonable manner to the Neighborhood Association an explanation of the reasons for granting the exception.

ARTICLE 11 INSURANCE

11.1. Types of Insurance Maintained by Neighborhood Association. The Board of Directors shall have the authority to and shall obtain the following types of insurance:

11.1.1. insurance on all insurable improvements on the Common Areas against loss or damage by fire or other hazards, including extended coverage, vandalism, and malicious mischief in an amount sufficient to cover the full replacement cost of such improvements in the event of damage or destruction;

11.1.2. a public liability insurance policy covering the Neighborhood Association, its officers, directors and managing agents, having at least a One Million Dollars (\$1,000,000.00) limit per total claims that arise from the same occurrence, (which limit may be increased from time to time by Neighborhood Board) including but not limited to liability insurance for the recreational facilities located in the Neighborhood, or in an amount not less than the minimum amount required by applicable law, ordinance or regulation;

11.1.3. workers' compensation insurance, if and to the extent required by law; and

11.1.4. fidelity bond or bonds covering all directors, officers, employees and other persons handling or responsible for the funds of the Neighborhood Association, in such amounts as the Neighborhood Board deems appropriate.

NOTICE IS HEREBY GIVEN BY THE DECLARANT THAT THE NEIGHBORHOOD POLICY REFERRED TO IN SECTION 11.1 DOES NOT INSURE ANY ADDITIONS, ALTERATIONS, IMPROVEMENTS, BETTERMENTS OR MODIFICATIONS TO ANY LOT AS SOLD BY THE DECLARANT.

11.2. Premiums for Insurance Maintained by Neighborhood Association. Premiums for all insurance and bonds required to be carried under Section 11.1 hereof or otherwise obtained by

the Neighborhood Association on the Common Areas shall be an expense of the Neighborhood Association, and shall be included in the Annual Assessments. Premiums on any fidelity bond maintained by a third party manager shall not be an expense of the Neighborhood Association.

11.3. General.

11.3.1. Any insurance policy issued to the Neighborhood Association does not prevent a Owner from obtaining insurance for his own benefit.

11.3.2. An Insurer that has issued an insurance policy under this Section shall issue certificates or memoranda of insurance to the Neighborhood Association and, upon request, to any Owner, Mortgagee, or beneficiary under a deed of trust. The insurance may not be canceled until thirty (30) days after the notice of the proposed cancellation has been mailed to the Neighborhood Association, each Owner, and each Mortgagee to whom certificates of insurance have been issued.

11.3.3. It is recommended by the Neighborhood Board that each Owner should obtain his own insurance policy on his Lot in the HO-6 form with an "improvements and betterments," "alterations and additions", or similar endorsement. NOTICE IS HEREBY GIVEN BY THE DECLARANT THAT THE NEIGHBORHOOD POLICY REFERRED TO IN SECTION 11.1 DOES NOT INSURE ANY ADDITIONS, ALTERATIONS, IMPROVEMENTS, BETTERMENTS OR MODIFICATIONS TO ANY LOT AS SOLD BY THE DECLARANT.

ARTICLE 12
CASUALTY DAMAGES/USE OF PROCEEDS

12.1. Damage and Destruction of Common Areas.

12.1.1. Immediately after any damage or destruction by fire or other casualty to all or any part of the insurable improvements on the Common Areas, Neighborhood Board, or its agent, shall proceed with the filing and adjustment of all claims arising under the fire and extended coverage insurance maintained by the Neighborhood Association and obtain reliable estimates of the cost of repair or reconstruction of the damaged or destroyed improvements. Repair or reconstruction means repairing or restoring the improvements to substantially the same condition in which they existed prior to the fire or other casualty.

12.1.2. Any damage or destruction to insurable improvements on the Common Areas shall be repaired or reconstructed unless at least a Majority of the Owners held within 90 days after the casualty shall decide not to repair or reconstruct.

12.1.3. If, in accordance with 12.1.2, the improvements are not to be repaired or reconstructed and no alternative improvements are authorized by the members, then and in that event the damaged Common Areas shall be restored to its natural state and maintained as an undeveloped portion of the Common Areas by the Neighborhood Association in a neat and attractive condition. In such event, any excess insurance proceeds shall be paid over to the

Neighborhood Association for the benefit of the Property, which proceeds may be used and/or distributed as determined by Neighborhood Board, in its discretion, or as otherwise provided in the articles of incorporation and/or the bylaws of the Neighborhood Association.

12.2. Repair and Reconstruction of Common Areas. If any improvements on the Common Areas are damaged or destroyed, and the proceeds of insurance received by the Neighborhood Association are not sufficient to pay in full the cost of the repair and reconstruction of the improvements, Neighborhood Board shall, without the necessity of a vote of the members, levy a Special Assessment against all Owners in order to cover the deficiency in the manner provided in Article 9 hereof. If the proceeds of insurance exceed the cost of repair, such excess shall be retained by the Neighborhood Association and used for such purposes as Neighborhood Board shall determine.

12.3. Destruction or Damage. Notwithstanding any other provision of these By-Laws, if the Neighborhood is destroyed or damaged to the extent of at least 80% of its then replacement cost, the Neighborhood may be terminated pursuant to Section 13.9.2 of the Neighborhood Declaration.

12.4. Condemnation. The Neighborhood Association shall represent the Owners in any condemnation proceeding (for the purposes of this Declaration, a condemnation includes any sale in settlement of a pending or threatened condemnation) to the extent said condemnation pertains to all or any part of the Common Areas, except that each Owner shall be entitled to assert a separate claim for the consequential damages to his Lot resulting from said condemnation. Any award made in connection with the condemnation of all or any part of the Neighborhood, including the net proceeds of any sale in settlement of a condemnation proceeding, shall be allocated among the Owners as follows: (a) each Owner shall be entitled to the entire award for the taking of all or part of his Lot and for the consequential damages to said Lot resulting from said condemnation; and (b) any award for the taking of Common Areas shall be allocated equally among all Owners. All such awards shall be payable to the Neighborhood Association, which shall distribute the amount(s) allocated to each Owner pursuant to the preceding sentence, to the end and intent that all Mortgages and other liens on such Lot shall first be paid out of the award allocated to such Owner, all in the order in which same appear, but in no event shall such award exceed the total ownership interests an Owner has in the Neighborhood. The Neighborhood Association shall not be obligated to replace property taken, but promptly shall undertake to restore the remaining property within the Neighborhood to a safe and habitable condition. The cost of such restoration shall be a Neighborhood expense. Notwithstanding any other provision of this Declaration, if at least 80% of the fair market value of the Neighborhood is taken under the power of eminent domain, the Neighborhood may be terminated pursuant to Section 13.9.2 of the Neighborhood Declaration.

12.5. Termination. Notwithstanding anything herein to the contrary, no termination may occur during the development period of the Neighborhood without the express consent of Declarant.

12.6. Ownership upon Termination. Upon any termination of the homeowners association, except for a termination implemented after a taking under the power of eminent

domain as provided in Section 12.4, each Owner shall own, as a tenant in common, from the time the Neighborhood is terminated until the time the property which constituted the Neighborhood is sold, an undivided interest in such property determined, to the extent permitted by law, as follows: Based upon fair market values in effect immediately prior to the termination of the regime, such undivided interest shall equal a fraction, the numerator of which is the sum of the fair market value of his Lot, and the denominator of which is the sum of the fair market values of all Lots and the Common Areas; provided, however, that if any Lot or any Common Area has been damaged or destroyed by fire or other casualty prior to said termination, an estimate of the fair market value of such Lot or Common Area immediately prior to such damage or destruction shall be used.

ARTICLE 13 MAINTENANCE, REPAIR AND REPLACEMENT

13.1. Maintenance by Owners.

13.1.1. Except as otherwise provided in Section 13.2, each Owner shall maintain, repair and replace all portions of his Lot, and each improvement thereon or therein, except those portions of or duties with respect to the Lots which are, under the provisions of the Neighborhood Declaration or these Neighborhood By-Laws, to be undertaken by the Neighborhood Association. Each Owner shall keep his Lot in an orderly, neat and clean condition. Without limiting the foregoing, to prevent freezing of any water in any pipe, plumbing fixture or other facility in the Neighborhood, and to minimize the heating costs of any adjacent Lots and Common Areas, each Owner, at his own expense, shall maintain the temperature inside his Lot at not less than sixty-two (62) degrees Fahrenheit throughout each calendar year. Furthermore, each Owner shall shut off any water main serving such Lot if the Owner will not be residing in the Lot for more than five (5) consecutive days.

13.1.2. In the event any Owner fails to maintain, repair or replace all portions of his Lot as set forth herein and in the Neighborhood Declaration, it shall be deemed a violation of these Neighborhood By-Laws, and, in addition to the right of entry by the Neighborhood Association to remedy the violation, the Neighborhood Association may assess the Owner for any expenses incurred by the Neighborhood Association (including but not limited to administrative costs and attorneys' fees relating to pursuit of the violation) for maintenance, repair or replacement of the Lot or for repairs or replacements to other Lots or the Common Areas resulting from the negligent act, the failure to act, or the failure of such Owner, his family members, tenants, invitees or other user of the Lot to maintain, repair or replace all portions of the Lot. Such expenses may be levied and the collection of such expenses may be enforced against the Owner in the same manner as regular Assessments.

13.2. Maintenance by the Neighborhood Association. Except as provided elsewhere in the Neighborhood Declaration or these Neighborhood By-Laws, the Neighborhood Association shall maintain, repair, and replace all Common Areas, the costs of which shall be a Neighborhood Association expense.

13.3. Additions, Alterations, Improvements and Decorations.

13.3.1. Except as otherwise provided herein or in the Neighborhood Declaration, or in Subsection 13.3.2, no Owner, except the Declarant, shall make (i) any structural addition, alteration or improvement to his Lot, or (ii) any non-structural addition, alteration, improvement or decoration to or upon the windows and doors enclosing his Lot without limitation, the addition of any awning or screen to any window, door, patio or balcony, unless and until plans and specification, in duplicate, showing the nature, kind, shape, height, color, materials, location and approximate cost of such addition, alteration, improvement or decoration shall have been submitted to and approved in writing by the Architectural Review Committee; provided, however, that if such authority was delegated to the Neighborhood Board, then such request shall be submitted to and approved in writing by the Neighborhood Board, which shall have the right to refuse to approve any such plans or specifications which it deems unsuitable or undesirable, whether based on aesthetic or other reasons, except that (a) the Neighborhood Board shall not refuse to permit a Owner to make reasonable modifications to his Lot if such modifications are necessary under the Federal Fair Housing Act (as heretofore and hereafter amended) to afford one (1) or more Person(s) with a disability who is residing at or intending to reside at such Lot the full enjoyment of such Lot, and (b) if the Neighborhood Board fails to deny any requested addition, alteration, improvement or decoration within ninety (90) days after receipt of two (2) complete sets of plans and specifications therefor and a processing fee of Fifteen Dollars (\$15.00) of the review thereof, such request shall be deemed approved. The Neighborhood Board may delegate its authority under this Subsection 13.3.1 to an architectural committee appointed by the Neighborhood Board. The plans and specifications for any addition, alteration, improvement or decoration approved by the Neighborhood Board or the architectural committee and actually constructed or installed shall be filed and maintained at the principal office of the Neighborhood, and, if appropriate, the Neighborhood Plat shall be amended to reflect any such addition, alteration or improvement.

13.3.2. The Neighborhood Board may adopt reasonable rules and regulations as provided herein establishing general standards for the making of one or more types of non-structural addition, alteration, improvements or decorations to or upon the windows and doors enclosing the Lots. Such rules and regulations may provide that to the extent any particular addition, alteration, improvement or decoration is made in compliance with such general standards, such addition, alteration, improvement or decoration may be made without the submission of plans and specifications therefor to the Neighborhood Board and without written approval by the Neighborhood Board of said plans and specifications.

13.3.3. For the purposes of the Neighborhood Declaration, and of this Section 13, a structural addition, alteration or improvement to a Lot shall include, without limitation, any addition, alteration or improvement involving any portion of the Lot (such as a utility line or duct serving that Lot) located above the top surface of any sheetrock ceiling within the Lot, whether such ceiling is a drop ceiling or is located at the upper boundary of the Lot.

13.4. Water, Gas and Electricity. Water, electricity and gas are furnished to the Common Areas through a separate meter or meters designed for the property held in common, and the Neighborhood Board shall pay, as a Neighborhood Association expense, the cost of all

water, electricity and gas furnished through said meter or meters. Water, gas and electricity are furnished to the Lots through separate meters, and each Owner shall pay for all water, gas and electricity furnished through a separate meter to his Lot.

13.5. Neighborhood Declaration. The Neighborhood Association will perform certain maintenance of the Common Areas as more particularly described in the Neighborhood Declaration.

ARTICLE 14 DISPUTE RESOLUTION

14.1. Fine Imposition Procedure. The Neighborhood Association shall be entitled to impose a reasonable fine against a Owner, Tenant or resident of a Lot for the violation of any of the use restrictions or any of the rules and regulations adopted by the Neighborhood Association pursuant to the Neighborhood Declaration and these Neighborhood By-Laws.

14.2. Arbitration. If there is any dispute concerning rules and regulations or any other matter related to the Neighborhood, between the Neighborhood Association, the Neighborhood Board or the manager, on the one part, and any Owner, Tenant or resident of a Lot, on the other part, such dispute or such appeal, as applicable, shall be submitted to arbitration. Either party shall have the right to notify the other party that it is invoking the arbitration provisions of these Neighborhood By-Laws, as herein provided. The party initiating the arbitration shall set forth in its written notice (the "Notice Invoking Arbitration") the desire to invoke the arbitration provisions of this Article, and shall specify the name and address of the arbitrator selected to represent the party initiating the arbitration and the matter to be arbitrated. Within ten (10) days after receipt of such notice, the other party to the dispute shall specify by written notice to the party invoking arbitration, the name and address of the arbitrator to represent it. Within seven (7) days after the designation of the second arbitrator, the two (2) arbitrators so designated shall name the third arbitrator by their joint agreement. If the party requested to name its arbitrator fails to do so within the time limited, or if the two (2) arbitrators fail to agree within seven (7) days after appointment of a second arbitrator, as to a third arbitrator, then the one or two designated arbitrators, as the case may be, shall then request the then Chief Judge of the Circuit Court for Queen Anne's County to designate an arbitrator or arbitrators so that there will be three (3) arbitrators. Such arbitration shall be conducted in accordance with all applicable arbitration laws of the State of Maryland, except that in the event of any conflict between said laws and the provisions of this Article, the provisions of this Article shall be controlling, unless otherwise required by law. A decision of the majority of the arbitrators shall be final, conclusive and binding upon both parties. The controlling decision shall be in writing, signed by the arbitrators making same, shall briefly state the grounds therefor and shall fix and allocate the cost of the proceedings between the parties. Notwithstanding the above provisions of this Section 14.2, any dispute between the Neighborhood Association, the Neighborhood Board or the manager, on the one part, and the Declarant, on the other part, involving the Declarant in its role as the Declarant (rather than its role merely as a Owner or Tenant) shall be resolved without the use of arbitration unless the parties to the dispute mutually agree in writing to submit such dispute to arbitration.

14.3. Failure to Comply. If either party to an arbitration proceeding shall fail to comply

with the decision of the arbitrators, the other party may seek enforcement by appropriate judicial proceedings, either an action at law for damages, or a suit in equity to enjoin a breach or violation, or enforce performance, of any rule, regulation or other obligation. The prevailing party in any such proceeding shall be entitled to an award for counsel fees and other litigation expenses at the discretion of, and to the extent determined by, the court.

14.4. Enforcement. All of the use restrictions and all of the rules and regulations adopted by the Neighborhood Board pursuant to the Neighborhood Declaration and these Neighborhood By-Laws shall be held and construed to run with and bind the Common Areas and all Lots located within the Neighborhood and all Owners and Tenants of such Lots, their respective heirs, personal representatives, successors and assigns, forever, all except as otherwise expressly set forth in said rules and regulations. Said limitations and rules and regulations shall inure to the benefit of and be enforceable by the Neighborhood Association, Neighborhood Board and manager in accordance with the procedures set forth in Sections 14.1, 14.2 and 14.3 against anyone violating or attempting to violate any of said rules and regulations, provided, however, that if the person who commits or attempts such a violation is not a Owner, Tenant or resident of a Lot (or if, for any reason, such person is not subject to the procedures set forth in Sections 14.1 and 14.2 notwithstanding that such person is a Owner or Tenant), the Neighborhood Association, Neighborhood Board or manager may enforce such limitation, rule or regulation in accordance with the procedure set forth in Section 3 of this Article, without resort to the procedures set forth in Sections 14.1 and 14.2. Furthermore, and in any event, the Neighborhood Association, for itself, its agents, servants, employees and contractors, after notice to a Owner of any breach or violation of any rule or regulation within his Lot, and the failure of said Owner to correct the same within a reasonable time thereafter, shall have the right to enter said Lot and, at the expense of said Owner, summarily abate or remove the breach or violation occurring in said Lot; provided, however, that appropriate judicial proceedings shall be instituted before any item of construction can be altered or demolished.

ARTICLE 15 FISCAL MANAGEMENT

15.1. Fiscal Year. The fiscal year of the Neighborhood Association shall begin on the first day of January every year and shall end on the 31st day of December, except that the first year of the Neighborhood Association shall begin on the date of the recording of the Neighborhood Declaration. The commencement date of the fiscal year herein established shall be subject to change by the Board in its discretion.

15.2. Books and Accounts.

15.2.1. Books and accounts of the Neighborhood Association shall be kept under the direction of the Treasurer in accordance with good accounting practices. The same shall include books with detailed accounts, in chronological order, of the receipts and expenditures affecting the Neighborhood and its administration and shall specify the maintenance and repair expenses of the Common Areas and services and any other expenses incurred. That amount of any assessment required for payment on any capital expenditures of the Neighborhood Association shall be a credit upon the books of the Neighborhood Association as a capital

contribution by the Owners.

15.2.2. The Neighborhood Association shall be required to make available to all Owners, Lenders and the Eligible Holders or Insurers of the First Mortgage on any Lot, current copies of the Neighborhood Declaration, the Neighborhood By-Laws and other rules governing the Neighborhood (if any), and any other books, records and financial statements of the Neighborhood Association. The Neighborhood Association shall also be required to make available to prospective purchasers current copies of the Neighborhood Declaration, Neighborhood By-Laws, any rules governing the Neighborhood and the most recent annual audited financial statement, if the same has been prepared. "Available" for purposes of this Section shall mean available for inspection upon request during normal business hours or under other reasonable circumstances.

15.3. Auditing. At the close of each fiscal year, the books and records of the Neighborhood shall be audited, and if such audit is by an independent Certified Public Accountant, his report shall be prepared and may be certified in accordance with generally accepted auditing standards. Based upon such audit or report, the Neighborhood Association shall furnish the Owners with an annual financial statement, including the income and disbursements of the Neighborhood Association. Upon request of Owners of at least 5% of the Lots, an audit of the Neighborhood shall be made by an independent Certified Public Accountant, provided an audit shall not be made more than once in any consecutive twelve (12) month period. The cost of the audit shall be a Neighborhood Association expense. In addition, upon written request from any entity which has an interest or prospective interest in the Neighborhood, the Neighborhood Association may be required to furnish within a reasonable time an audited financial statement of the Neighborhood Association for the immediately preceding fiscal year.

ARTICLE 16 AMENDMENTS

These Neighborhood By-Laws may be amended only as set forth in the Neighborhood Declaration or as otherwise provided for under the Maryland Homeowners Association Act.