

Bylaws
Council of Unit Owners of Cloister at Charles III, Inc.

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**BYLAWS
OF THE
COUNCIL OF UNIT OWNERS
OF
CLOISTERS AT CHARLES III, A CONDOMINIUM**

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BYLAWS
OF
COUNCIL OF UNIT OWNERS
OF
CLOISTERS AT CHARLES III, A CONDOMINIUM

ARTICLE 1

Plan of Condominium Ownership

Section 1.1. The Condominium. The property described on Exhibit "A" to the Declaration has been established as a Condominium pursuant to the Act. These Bylaws are attached to and made part of the Declaration as Exhibit "B" and are intended by the Declarant to set forth, among other things, a plan by which the affairs of the Condominium shall be administered and governed by the Council of Unit Owners and its Board of Directors pursuant to the Act.

Section 1.2. Definitions. In these Bylaws, all words shall have the same meanings as designated in the Declaration unless otherwise apparent from the context.

Section 1.3. Applicability of Bylaws. The provisions of these Bylaws are applicable to the Association and to the Condominium. All present and future Unit Owners, lessees and occupants of Units, and any other persons who may use the Condominium or the facilities of the Condominium in any manner, are subject to these Bylaws, the Declaration and the Rules from time to time promulgated by the Board of Directors of the Association. The acceptance of a deed of conveyance to a Unit shall constitute an agreement that these Bylaws, the Rules and the provisions of the Declaration, as they may be amended from time to time, are accepted, ratified and will be complied with.

ARTICLE 2

Council of Unit Owners

Section 2.1. Purpose and Status of Association. The purpose of the Association shall be to operate and maintain the Condominium for the benefit of the Unit Owners and to exercise the powers conferred upon it by the Act and these Bylaws. The Association shall be an unincorporated entity.

Section 2.2. Name and Mailing Address. The Association hereby organized and formed for the purposes set forth above shall be known as "Council of Unit Owners of Cloisters at Charles III Condominium". Unless changed from time to time by the Board of Directors, the office and mailing address of the Association and the Board of Directors shall be 10705 Charter Drive, Suite 320, Columbia, Maryland 21044.

Section 2.3. Powers of the Association. The Association shall have all of those powers enumerated in the Declaration and these Bylaws. All powers residing in the Association, except for such as are in the Act, the Declaration or these Bylaws expressly reserved to the Association, shall be delegated to and exercised by the Board of Directors

of the Association and/or the managing agent employed by the Board of Directors on behalf of the Association.

Section 2.4. Members. The Association shall have as its members every person, group of persons, corporation, partnership, trust or other legal entity, or any combination thereof, who or which owns a Unit (herein called "Unit Owner"); provided, however, that any person, group of persons, corporation, partnership, trust or other legal entity, or any combination thereof, who or which holds such interest solely as security for the performance of an obligation shall not be a member solely on account of such interest.

Section 2.5. Annual Meetings. Within sixty (60) days from the date that deeds to Units representing fifty percent (50%) of the votes in the Association have been delivered by the Declarant and title closed thereon, the Declarant shall notify the Unit Owners and a meeting of the Association shall be held for the purpose of electing members to the Board of Directors. Notice of such meeting shall be given in accordance with the provisions of Section 2.8 of this Article 2. Subsequent annual meetings of the Association should be held on the same date of each year as the first annual meeting, unless such date shall occur on a Friday, Saturday, Sunday or holiday, in which event the meeting shall be held on the next succeeding Monday which is not a holiday. Subsequent annual meetings of the Association shall be held for the purpose of electing Directors to succeed those whose terms shall have expired as of the date of such annual meetings, and for the transaction of such other business as may come before the meeting.

Section 2.6. Special Meetings. It shall be the duty of the President of the Association to call a special meeting of the Association (a) if so directed by resolution of the Board of Directors, or (b) upon a petition signed and presented to the Secretary of the Association by Unit Owners having not less than fifty percent (50%) of the total authorized votes of all Unit Owners; provided, however, that except on resolution of the Board of Directors, no special meetings shall be called prior to the first annual meeting of the Association as hereinabove provided for. No business shall be transacted at a special meeting of the Association except such as shall have been stated in the notice thereof.

Section 2.7. Place of Meetings. Meetings of the Association shall be held at the principal office of the Association or at such other suitable place convenient to the greatest number of Unit Owners as may be designated in the notice of meeting by the Secretary.

Section 2.8. Notice of Meetings. It shall be the duty of the Secretary to provide notice of each annual or special meeting of the Association at least ten (10) days, but not more than ninety (90) days prior to such meeting, stating the purpose thereof as well as the time and place where it is to be held, to each Unit Owner of record, at his address shown on the Association Roster. If the purpose of any meeting shall be to act upon a proposed amendment to the Declaration or to these Bylaws, the notice of meeting shall be mailed at least thirty (30) days prior to such meeting. The mailing of a notice of meeting in the manner provided in this Section shall be considered service of notice as of the date of such mailing. In addition to the mailing of notice of each annual and special meeting, notice may be personally delivered to each Unit Owner at his or her address as shown on the Association Roster. Service of notice shall be proven by affidavit of the person serving such notice. Attendance by a Unit Owner at a meeting in person or by

proxy shall constitute waiver of notice of the time, place and purposes of such meeting. All meetings of the Association shall be held at places and times convenient to the greatest number of Unit Owners.

Section 2.9. Adjournment of Meeting. If any meeting of the Association cannot be held because a quorum of members has not attended, a majority of the Unit Owners may adjourn the meeting and call for an additional meeting provided at least fifteen (15) days notice of the time, place and purpose of the additional meeting is given to all Unit Owners.

Section 2.10. Order of Business. The order of business at all meetings of the Association shall be as follows:

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

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

Section 2.11. Voting. Each Unit Owner, or, subject to the proxy limitations set forth below, some person designated by such Unit Owner to act as proxy on his behalf (and who need not be a Unit Owner), shall be entitled to cast the vote appurtenant to his Unit at all meetings of the Association. The designation of any such proxy shall be made in writing and filed with the Secretary, in a form approved by the Board of Directors, which approval may not be unreasonably withheld, before the appointed time of each meeting. Each proxy shall be revocable at any time by written notice to the Secretary by the Unit Owner who so designated the proxy, and shall automatically expire one hundred eighty (180) days following its issuance unless granted to a mortgagee or lessee. Proxies may be utilized to establish a quorum pursuant to Section 2.15 of this Article 2 and may be utilized to vote on any other matter at the meeting of the Association; provided, however, that an undesignated proxy may not be utilized to vote for nominees to the Board of Directors of the Association. In the case of a Unit which is owned by more than one person or entity, any or all of such owners may be present at any meeting of the Association and (those constituting the group acting unanimously) may vote or take any other action as a Unit Owner, either in person or by proxy. A fiduciary shall be the voting member with respect to any Unit owned in a fiduciary capacity. Where title to a Unit is in more than one person or entity, such multiple owners shall be entitled to cast, in the aggregate and as a single block, the vote allocated to the Unit. If such multiple owners shall be unable to agree upon their vote upon any subject at any meeting, they shall either designate a third party to cast their vote or shall lose their right to vote on such subject, but if all of them shall not be present at a meeting, either in person or by

proxy, the collective vote of the one or more present shall be the vote of all of the owners of the Unit. Whenever the vote of the Unit Owners at a meeting is required or permitted to be taken by any provisions of the Act, the Declaration or by these Bylaws, the meeting and vote of Unit Owners may be dispensed with if all of the Unit Owners who would have been entitled to vote thereat upon the action, if such meeting were held, consent in writing to such action being taken.

No Unit Owner shall be entitled to vote at a meeting of the Association unless and until he (1) shall have furnished the Association with his name and current mailing address for listing on the Association Roster in accordance with Section 11-109(c) of the Act, and (2) is current in the payment of the monthly installment of his assessments in accordance with Article 5, Section 5.6, of these Bylaws, provided that a Unit Owner that is not current in the payment of such assessments shall not be entitled to vote at any meeting of the Association if the Council of Unit Owners has recorded a statement of condominium lien on that Unit Owner's Unit and the amount necessary to release the lien has not been paid at the time of the meeting.

Section 2.12. Absentee Ballots. Absentee ballots may be utilized for purposes of (1) establishing a quorum pursuant to Section 2.15 of this Article 2, (2) voting for Board of Director nominees listed on the absentee ballot or written in by the absentee Unit Owner, or (3) voting for any other matter as set forth on the absentee ballot. Any unsigned absentee ballot, to be valid, shall be received in a signed, sealed envelope bearing the identification of the Unit and proportional voting percent, if any, on the outside, and shall be opened only at a meeting at which all candidates or their delegates have a reasonable opportunity to be present.

Section 2.13. Open Meetings. All meetings of the Association shall be open to all owners or occupants of Units or their agents (and other interested parties in the discretion of the Board of Directors or as required by law). Meetings of the Association may be held in closed session for the purposes set forth in Section 3.9(a) and in accordance with Section 3.9(b) of these Bylaws.

Section 2.14. Majority of the Unit Owners. As used in these Bylaws, the term "majority of the Unit Owners" shall mean those Unit Owners having more than fifty percent (50%) of the total authorized votes of all Unit Owners present, in person or by proxy, and voting at any meeting of the Association.

Section 2.15. Quorum. Except as otherwise provided in these Bylaws or in the Act, the presence in person or by proxy of Unit Owners having more than twenty-five percent (25%) of the total authorized votes of all Unit Owners constitutes a quorum at all meetings of the Association.

Section 2.16. Majority Vote. The vote of a majority of the Unit Owners shall be binding upon all Unit Owners for all purposes except where in the Declaration, under the Act or pursuant to these Bylaws a higher percentage vote is required.

Section 2.17. Liquidation Rights. In the event of any voluntary or involuntary dissolution of the Association, each Unit Owner shall be entitled to receive out of the assets of the Association available for distribution to the members thereof an amount equal to his Percentage Interest in the Common Profits and Common Expenses of the Association.

ARTICLE 3
Board of Directors

Section 3.1. Number and Qualification. The affairs of the Association shall be governed by a Board of Directors acting on behalf of the Association. Until the first annual meeting of the Association as provided for in Article 2, Section 2.5, of these Bylaws, and thereafter until their successors shall have been elected by the Unit Owners, the Board of Directors shall consist of three (3) Directors to be designated by the Declarant. Thereafter, the Board of Directors shall be composed of an uneven number of not less than three (3) or more than five (5) Directors, all of whom shall be elected by the Unit Owners. To qualify for election, Directors must either be Unit Owners or designees of the Declarant (for so long as the Declarant shall be a Unit Owner). At the first annual meeting of the Association the number of Directors shall be established by the vote of a majority of the Unit Owners and the number of Directors may be changed at any subsequent annual meeting of the Association by the vote of a majority of the Unit Owners, subject to the limitations stated in this Section; provided, however, that any change in the number of Directors shall not operate to curtail or extend the term of office of any incumbent Director. Within sixty (60) days from the date that deeds to Units representing fifty percent (50%) of the Units planned to be within the Condominium have been delivered by the Declarant and title closed thereon, or five (5) years from the date of recordation of the Declaration, whichever occurs earlier, the non-Declarant Unit Owners shall elect a majority of the members of the Board of Directors. The foregoing shall not preclude the non-Declarant Unit Owners from electing a majority of the members of the Board of Directors at an earlier date.

Section 3.2. Powers and Duties. The Board of Directors shall have and shall exercise the powers and duties of the Association as set forth in Article 2, Section 2.3 hereof, and may do all such acts and things except as by law or by the Declaration or by these Bylaws may not be, or have not been, delegated to the Board of Directors by the Unit Owners. Without limiting the generality of the foregoing, the Board of Directors' powers shall include the following:

- (a) Operation, care, upkeep and maintenance of the Common Elements and those portions of the Units for which the Association has exclusive control.
- (b) Determining the Common Expenses required for the affairs of the Association.
- (c) Collection of the common charges and expenses from the Unit Owners.
- (d) Employment and dismissal of personnel necessary for the maintenance and operation of the Common Elements.
- (e) Opening bank accounts on behalf of the Association and designating the signatories required therefor.
- (f) Purchasing Units at foreclosure or other judicial sales in the name of the Board of Directors, or its designee, corporate or otherwise, on behalf of the Association.
- (g) Obtaining insurance for the Condominium.

(h) Making repairs, additions, replacements and improvements to or alterations of the Common Elements in accordance with the other provisions of these Bylaws after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings.

(i) To sue and be sued, complain and defend, or intervene in litigation or administrative proceedings on behalf of two or more Unit Owners, but only with respect to matters affecting the Common Elements.

(j) Enacting uniform Rules from time to time which govern the use and operation of the Condominium, as well as the conduct and the enjoyment of the Unit Owners; provided, however, that such Rules are adopted in accordance with the Act and Article 5, Section 5.15, of these Bylaws or the Declaration; and provided further that no such Rules shall be so construed so as to impair in any manner the lien of any mortgage or deed of trust with respect to any Unit and/or the Common Elements if such Rules are promulgated after the recordation of said mortgage or deed of trust.

(k) Enforcing obligations of Unit Owners, allocating Common Profits and Common Expenses, if any, and doing anything and everything else necessary and proper for the sound management of the Condominium. In this connection, the Board of Directors shall have the power to enforce the provisions of the Act, the Declaration, Bylaws and Rules and, if permitted by law, to levy reasonable fines against Unit Owners for violations of the same after notice and an opportunity to be heard is given pursuant to the Act. Collection of fines may be enforced against the Unit Owner or Unit Owners involved as if the fines are a common charge owed by the particular Unit Owner or Unit Owners. Where a Unit Owner persists in violating the Rules, the Board of Directors may require him to post a bond, satisfactory to it, to secure future compliance with the Rules.

(l) Controlling the use of all Common Elements, including, but not limited to, designating parking spaces thereon for use by Unit Owners and/or their guests.

(m) Establishing reasonable reserve funds for emergencies and unforeseen contingencies and for the repair and replacement of Common Elements.

(n) Monitoring compliance with the requirements of any conservation easements and other restrictions imposed on the Common Elements.

(o) The Council of Unit Owners shall have no authority or standing whatsoever to sue, complain, intervene or defend with respect to any right, claim, action, cause of action or other matter of any nature whatsoever accruing to or for the benefit of, or otherwise exercisable by or on behalf of, any individual Unit Owner (hereinafter referred to as a "Unit Owner Claim"), notwithstanding any purported delegation, assignment or transfer of such Unit Owner Claim by the Unit Owner, except to the extent that the Council of Unit Owners has otherwise been granted the specific authority or standing to pursue such Unit Owner Claim pursuant to these Bylaws, the Declaration or the Act.

(p) The Board of Directors is hereby irrevocably appointed as attorney-in-fact for all Unit Owners, and for each of them, to settle, compromise, waive, discharge, acquit and release any and all demands, claims, actions, causes of action, suits, litigations, proceedings, mediations, arbitrations, judgments, determinations, findings, orders and awards whatsoever, at law, in equity, or otherwise, relating to or arising out of matters affecting the Condominium and two or more Unit Owners, and with respect to

which the Council of Unit Owners otherwise has the authority to sue, complain, intervene or defend pursuant to these Bylaws, the Declaration or applicable law. The Board of Directors is hereby authorized to enter into, execute, acknowledge, deliver and record all agreements, releases, consents, certificates, papers, documents and other instruments as may be deemed necessary or desirable by the Board of Directors to effectuate the foregoing, and to generally say, do, act, transact, negotiate, determine, commence, accomplish and finish all matters and things whatsoever relating to the foregoing, as fully, amply and effectually, to all intents and purposes, as each Unit Owner, if present, ought or might do personally. The Unit Owners hereby ratify, approve and confirm all and whatsoever the Board of Directors shall lawfully do or cause to be done, in and about the premises, by virtue of the foregoing power of attorney, which is hereby expressly declared and acknowledged to be coupled with an interest in the subject matter hereof, and the same shall run with the title to any and all Units and be binding upon the heirs, personal representatives, successors, transferees and assigns of any of the foregoing parties. Further, the foregoing power of attorney shall not be affected by the death or disability of any principal, and is intended to deliver all right, title and interest of the principal in and to such power of attorney.

(q) To delegate (with the consent of the board of directors of the Cloisters at Charles Condominium Association) to the Cloisters at Charles Condominium Association, as the Board of Directors from time to time deems appropriate, all or a portion of the powers and duties of the Association including without limitation the operation, maintenance and repair of the Common Elements.

(r) Generally, to exercise the powers of the Association as set forth in the Act, subject to the Declaration and these Bylaws and to do every other act not inconsistent with the law, which may be appropriate to promote and attain the purposes set forth in the Act, the Declaration and these Bylaws.

Section 3.3. Managing Agent. The Board of Directors may employ for the Association a professional managing agent at a compensation established by the Board of Directors. All management agreements entered into on behalf of the Association shall (a) be for a term not in excess of one (1) year, (b) provide that either party may terminate the agreement, without cause, upon ninety (90) days written notice, without a termination fee (except that management agreements entered into while the Declarant is in control of the Association shall be terminable without cause on thirty (30) days written notice), (c) provide that the Board of Directors may, for cause, terminate such agreement upon thirty (30) days written notice (without a termination fee) and (d) provide for renewal upon agreement by the parties for successive one (1)-year periods.

Section 3.4. Election and Term of Office. The Directors of the Association designated by the Declarant in accordance with Article 3, Section 3.1, above shall hold office at the pleasure of the Declarant until the first annual meeting of the Association as provided for in Article 2, Section 2.5, of these Bylaws. At the first annual meeting of the Association, the members of the Board of Directors shall be elected by the Unit Owners. Commencing with the first annual meeting of the Association, the terms of office of the members of the Board of Directors shall be fixed at three (3) years. In the alternative, at the first annual meeting, or any annual meeting thereafter, Unit Owners having not less than fifty percent (50%) of the total authorized votes of all Unit Owners may vote to

establish the term of office for all Directors to be for a period less than three (3) years, or to establish staggered terms for the Directors of from one (1) to three (3) years. Any change in the term of office of Directors shall not operate to curtail or extend the term of office of any incumbent Director. Each Director shall hold office until the next meeting of the Board of Directors following the election of his or her successor. However, a member of the Board of Directors shall be deemed to have resigned whenever such Director, his or her spouse, firm, corporation or other entity he or she is associated with, sells the Unit which qualified such individual to become a member of the Board of Directors. All election materials prepared with Association funds shall list candidates in alphabetical order and shall not suggest a preference among candidates. Members of the Board of Directors shall be elected by secret ballot. At each election of members to the Board of Directors the Unit Owners or their proxies may cast, with respect to each vacancy, as many votes as they are entitled to exercise pursuant to the provisions of the Declaration and these Bylaws.

Section 3.5. Nominations. A call for nominations for candidates for the Board of Directors shall be sent to all Unit Owners not less than forty-five (45) days before notice of an election is sent. Only nominations made at least fifteen (15) days before notice of an election shall be listed on the election ballot. Nominations may also be made from the floor at the meeting at which the election of the members of the Board of Directors is held.

Section 3.6. Removal of Members of the Board of Directors. At any regular or special meeting of the Association after the first annual meeting of the Association, any one or more of the members of the Board of Directors elected by the Unit Owners may be removed, with or without cause, by Unit Owners having not less than fifty percent (50%) of the total authorized votes of all Unit Owners (based upon the total number of units anticipated in the Condominium); provided that prior to the first annual meeting of the Association any Director appointed or elected by the Declarant may be removed only with the consent of the Declarant. Any member of the Board of Directors whose removal has been proposed by the Unit Owners shall be given an opportunity to be heard at the meeting. The term of office of any Director who becomes more than forty-five (45) days delinquent in the payment of common charges against the Unit of which he or she is the owner shall automatically terminate on the forty-sixth (46th) day, and his or her successor shall thereupon be appointed by the remaining Directors to fill out the unexpired portion of such Director's term. Prior to the first annual meeting of the Association, the Declarant may remove any member of the Board of Directors appointed or elected by the Declarant, at any time, with or without cause, by written notification to the Board of Directors specifying the date of such removal and the name of the individual designated to succeed the Director so removed.

Section 3.7. Vacancies. Except with respect to Directors appointed or elected by the Declarant prior to the first annual meeting of the Association, vacancies on the Board of Directors shall be filled by vote of a majority of the remaining Directors at a special meeting of the Board of Directors held for that purpose promptly after the occurrence of any such vacancy, even though the Directors present at such meeting may constitute less than a quorum, and each person so elected shall be a member of the Board of Directors for the remainder of the term of the predecessor Director, and until a

successor shall be elected at the next annual meeting of the Association at which the term of such predecessor Director was to have expired. Prior to the first annual meeting of the Association, members of the Board of Directors appointed or elected by the Declarant shall serve at the pleasure of and may be removed and/or replaced, with or without cause, solely by the Declarant.

Section 3.8. Organization Meeting. The first regular meeting of the Board of Directors following an annual meeting of the Association shall be held within ten (10) days thereafter, at such time and place as shall be fixed by a majority of the members of the Board of Directors, and no notice shall be necessary to the newly elected members of the Board of Directors in order to legally constitute such meeting, provided that a majority of the whole Board of Directors shall be present thereat. Unit Owners shall be provided with notice of such meeting in accordance with Section 3.9 of these Bylaws.

Section 3.9. Regular and Special Meetings.

(a) All regular meetings of the Board of Directors or any committee created by the Board of Directors shall be held only upon regularly scheduled and established dates or periods at such time and place as shall have been made known to all members in accordance with the procedures set forth below. All regular or special meetings of the Board of Directors or any committee created by the Board of Directors shall be open to all Unit Owners or their agents (and other interested parties in the discretion of the Board of Directors or as required by law), except that such meetings may be held in closed session for the following purposes:

- (i) Discussion of matters pertaining to employees and personnel;
- (ii) Protection of the privacy or reputation of individuals in matters not related to Association business;
- (iii) Consultation with legal counsel;
- (iv) Consultation with staff personnel, consultants, attorneys or other persons in connection with pending or potential litigation;
- (v) Investigative proceedings concerning possible or actual criminal misconduct;
- (vi) Complying with a specific constitutional, statutory or judicially imposed requirement protecting particular proceedings or matters from public disclosure; or
- (vii) On an individually recorded affirmative vote of two-thirds (2/3) of the members of the Board of Directors (or committee, if applicable) present, for some other exceptional reason so compelling as to override the general public policy in favor of open meetings.

(b) If a meeting is held in closed session pursuant to the procedures established above, (i) no action may be taken and no matter may be discussed other than those permitted above; and (ii) a statement of the time, place and purpose of any closed meeting, the record of the vote of each member of the Board of Directors (or committee, if applicable) by which any meeting was closed, and the authority under this Section for closing any meeting shall be included in the minutes of the next meeting of the Board of Directors (or committee, if applicable).

(c) The Secretary shall maintain a current roster of names and addresses of each Unit Owner to which notices of regular meetings of the Board of Directors or any committee created by the Board of Directors shall be sent at least annually. Special meetings of the Board of Directors shall be held whenever called by direction of the President or Vice President, and must be called by the President or the Secretary upon written request of a majority of the Board of Directors. Notice of special meetings of the Board of Directors or any committee created by the Board of Directors shall be given to each Unit Owner, by posting or otherwise, not less than seventy-two (72) hours nor more than ninety (90) days prior to the date of the special meeting, except upon the declaration of an emergency by the person calling the meeting, in which event such notice may be waived. Unless otherwise indicated in the notice thereof, any and all business may be transacted at any regular or special meeting of the Board of Directors. All meetings of the Board of Directors or any committee created by the Board of Directors shall be held at places and times convenient to the greatest number of Unit Owners.

Section 3.10. Waiver of Notice. Any member of the Board of Directors may at any time waive notice of any meeting of the Board of Directors, in writing, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a member of the Board of Directors at any meeting of the Board shall constitute a waiver of notice by him of the time, place and purpose thereof.

Section 3.11. Quorum of Board of Directors. At all meetings of the Board of Directors, a majority of the members thereof shall constitute a quorum for the transaction of business and the votes of a majority of the members of the Board of Directors present at a meeting at which a quorum is present shall constitute the decision of the Board of Directors, except as may otherwise be provided in the Declaration or these Bylaws. If at any meeting of the Board of Directors there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time. At any such meeting at which a quorum is present, any business which might have been transacted at the meeting originally called and adjourned may be transacted without further notice.

Section 3.12. Fidelity Insurance. To the extent reasonably available, blanket fidelity insurance shall be required to be maintained by the Board of Directors for all officers, directors, managers, trustees, employees and volunteers of the Association and all other persons handling or responsible for funds held or administered by the Association, whether or not they receive compensation for their services. Where the Board of Directors has delegated some or all of the responsibility for the handling of funds to a managing agent, such managing agent shall be covered by its own fidelity insurance policy which must provide the same coverage as fidelity insurance maintained by the Board of Directors. Except for fidelity insurance that a managing agent obtains for its personnel, all other fidelity insurance policies shall name the Association as the insured and should have their premiums paid as a common expense by the Association. Fidelity insurance obtained by a managing agent shall name the Association as an additional insured. The total amount of fidelity coverage required shall be sufficient to cover the maximum funds (including reserve funds) that will be in the custody of the Association or managing agent at any time while the fidelity insurance policy is in force, but must at least equal the sum of three (3) months aggregate assessments on all Units

within the Condominium plus any reserves. Fidelity insurance policies shall contain waivers by the insurers of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees", or similar terms or expressions. The fidelity insurance policies shall provide that they cannot be canceled or substantially modified (including cancellation for non-payment of premium) without at least thirty (30) days prior written notice to the Association, any Insurance Trustee (as defined herein), all Eligible Mortgage Holders and each servicer servicing a mortgage in the Condominium owned or securitized by the Federal National Mortgage Association ("FNMA").

Section 3.13. Compensation. No member of the Board of Directors shall receive any compensation for acting as such, but a Director may be reimbursed for actual out-of-pocket expenses incurred by him in the proper performance of his duties.

Section 3.14. Liability of the Board of Directors; Indemnification.

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

(b) The Association shall indemnify every Director against any and all expenses, including counsel fees, reasonably incurred by or imposed upon any Director in connection with any action, suit or other proceeding (including the settlement of any such suit or proceeding if approved by the then Board of Directors of the Association) to which he may be made a party by reason of being or having been a Director of the Association, whether or not such person is a Director at the time such expenses are incurred. The Board of Directors shall obtain adequate directors and officers insurance. The Directors of the Association shall have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Association (except in their capacity as Unit Owners) and the Association shall indemnify and forever hold each such Director free and harmless against any and all liability to others on account of any such contract or commitment. Any right to indemnification provided for herein shall not be exclusive of any other rights to which any Director of the Association or former Director of the Association may be entitled.

(c) The provisions of "(a)" and "(b)" above shall also apply to each and every officer of the Association and the members of any committee created by the Board of Directors.

Section 3.15. Executive Committee. The Board of Directors may, by resolution duly adopted, appoint an Executive Committee to consist of three (3) members of the Board of Directors. The Executive Committee shall have and may exercise all of the powers of the Board of Directors in the management of the business and affairs of the Association during the intervals between the meetings of the Board of Directors insofar as may be permitted by law, except that the Executive Committee shall not have power (a) to determine the common charges and expenses required for the affairs of the Association, or (b) to adopt or amend the Rules covering the details of the operation and use of the Condominium.

Section 3.16. Common or Interested Directors. The Directors shall exercise their powers and duties in good faith and with a view to the interests of the Association and consistent with the purposes set forth in the Declaration. No contract or other

transaction between the Association and one or more of its Directors, or between the Association and any corporation, firm, entity or association in which one or more of the Directors are directors or officers or are pecuniarily or otherwise interested, shall be either void or voidable because such Director or Directors are present at the meeting of the Board of Directors or any committee thereof which authorizes or approves the contract or transaction, or because his or their votes are counted for such purpose, if such action complies with the provisions of Section 2-419 of the Corporations and Associations Article of the Annotated Code of Maryland (1999), as amended, or its successor statute.

Section 3.17. Delegation of Power to Board. Except as may be provided otherwise by law or by the Declaration or these Bylaws, all of the powers and duties of the Council of Unit Owners are hereby delegated to the Board of Directors so as to permit the Board of Directors to fulfill all of its powers, functions and duties under the provisions of the Act, the Declaration and these Bylaws.

Section 3.18. Committees/Cloisters at Charles Condominium Association. The Board of Directors may appoint an Architectural Control Committee and, if necessary, an Executive Committee, as provided in these Bylaws. In addition, the Board of Directors may appoint other committees as deemed appropriate in carrying out its powers and duties. Further, pursuant to Section 3.2(q) above, the Board of Directors may delegate all or a portion of its powers and duties to the board of directors of the Cloisters at Charles Condominium Association.

ARTICLE 4 Officers

Section 4.1. Designation. The principal officers of the Association shall be the President (who shall also act as chairman of the Board of Directors of the Association), the Vice President, the Secretary, and the Treasurer, all of whom shall be elected by the Board of Directors. The Board of Directors may appoint an assistant treasurer, an assistant secretary, and such other officers as in its judgment may be necessary or desirable. The President and Vice President, but no other officers, must be members of the Board of Directors.

Section 4.2. Election of Officers. The officers of the Association shall be elected annually by the Board of Directors and shall hold office at the pleasure of the Board of Directors.

Section 4.3. Removal of Officers. Upon the affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and his successor may be elected at any regular meeting of the Board of Directors or at any special meeting of the Board of Directors called for such purpose.

Section 4.4. President. The President shall be the chief executive and operating officer of the Association. He shall preside at all meetings of the Association. He shall have all of the general powers and duties which are incident to the office of president of a stock corporation organized and existing under the laws of the State of Maryland.

Section 4.5. Vice President. The Vice President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint some other member of the Board of Directors to act in the place of the President on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors or by the President.

Section 4.6. Secretary. The Secretary shall keep the minutes of all meetings of the Association (including copies of all resolutions adopted thereat), and of the Board of Directors; shall count the votes at meetings of the Council of Unit Owners; shall have charge of such books and papers as the Board of Directors may direct; shall maintain the roster of Unit Owners and shall, in general, perform all the duties incident to the office of secretary of a stock corporation organized and existing under the laws of the State of Maryland.

Section 4.7. Treasurer. The Treasurer shall have the responsibility for Association funds and securities and shall be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements, and for the preparation of all required financial data. He shall be responsible for the deposit of all moneys and other valuable effects in the name of the Association in such depositories as may from time to time be designated by the Board of Directors, and he shall, in general, perform all the duties incident to the office of treasurer of a stock corporation organized and existing under the laws of the State of Maryland.

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

Section 4.8. Compensation of Officers. No officer shall receive any compensation from the Association for acting as such; provided, however, that an officer is entitled to reimbursement from the Association for any bona fide expenses incurred by such officer in the performance of his duties pursuant to the Declaration or these Bylaws. The determination of a bona fide expense shall be at the sole discretion of the Board of Directors.

ARTICLE 5 Operation of the Condominium

Section 5.1. Determination of Common Expenses and Fixing of Common Charges. Unless otherwise expressly provided herein, Common Expenses of the Association, in general, shall include maintenance, operation, repair, or replacement of the Common Elements. They include, but are not limited to:

- (a) Management fees;
- (b) Insurance premiums; real estate taxes (if any);
- (c) Charges for landscaping, snow removal, trash removal and maintenance of sidewalks (if any), private streets, open spaces, parking areas, and retaining walls (if any);

(d) Attorneys' fees, and like administrative costs;
 (e) Reserves for replacements or other expenses of a non-recurring nature;

(f) Service contracts and employees' salaries;
 (g) Payment of utility bills and like expenses (except to the extent that such bills or expenses are individually metered for any Unit, in which event such bills or expenses shall be the responsibility of the Unit Owner receiving the benefit of such individually metered service; commonly metered utilities may be assessed against the Units based upon usage rather than Percentage Interest, as determined by the Board of Directors in its sole discretion); and

(h) Payment of any charges accruing under any cross-easement or other agreement including without limitation, any such agreement for the maintenance of any storm water management facility;

(i) Such other expenses as shall be necessary or desirable in the judgment of the Board of Directors for the administration and operation of the Condominium, or which may be declared to be Common Expenses by the Act, the Declaration, these Bylaws or by resolution of the Council of Unit Owners.

Section 5.2. Preparation and Approval of Budget. Each year, at least thirty (30) days before the adoption of a budget for the Condominium, the Board of Directors shall cause to be prepared and submitted to the Unit Owners a proposed annual budget for the next fiscal year of the Association. The proposed annual budget shall contain, at a minimum, an estimate of the total amount of income the Association expects to receive, as well as an estimate of expenses for administration, maintenance, utilities, general expenses, reserves and capital items that are expected for the next fiscal year. The budget shall be adopted at an open meeting of the Board of Directors. The Board of Directors shall thereafter send to each Unit Owner a copy of the approved budget which sets forth the amount of the Common Expenses payable by each Unit Owner, on or before thirty (30) days preceding the beginning of the fiscal year to which the budget applies or as soon thereafter as is possible. The said budget shall constitute the basis for determining each Unit Owner's contribution for the Common Expenses of the Condominium. The failure or delay of the Board of Directors to prepare or adopt the annual budget for any fiscal year shall not constitute a waiver or release in any manner of a Unit Owner's obligation to pay his allocable share of the Common Expenses, as herein provided, whenever the same shall be determined, and in the absence of any annual budget, each Unit Owner shall continue to pay his allocable share of the Common Expenses at the then existing rate established for the previous fiscal period until the new payment is established. The Board of Directors may determine, at its discretion, to round the Unit Owners' allocable share of the Common Expenses of the Association to the nearest half dollar or whole dollar amount. All budget figures and other information set forth in any proposed annual budget prepared by the managing agent, including, without limitation, the estimated Common Expenses, income and assessments, and the reserve analysis and projected life expectancy of reserve items, are based on estimates made by the managing agent, and shall not be deemed to be part of any contract, or to constitute the basis of the bargain, between the Declarant and any unit purchaser, nor shall such budget figures or other information be deemed to give rise to or constitute any

representation or warranty whatsoever, whether express or implied, regarding the level of assessments or any other matter and neither the Board of Directors or the Declarant have authorized any other party to make any such representation or warranty, and such other parties are without legal authority to enforceably make any such representation or warranty. All budget figures are, of course, good faith estimates and neither the managing agent, the Declarant or the Board of Directors can be certain that sufficient funds have been budgeted to cover all Common Expenses that may be incurred. Because actual expenditures may differ from estimated expenditures, due to possible changes in the future expenses of the Condominium and other variable factors, such good faith estimates are not intended nor shall they be considered as guarantees of any kind whatsoever.

Section 5.3. Reserves. As part of the annual budget the Board of Directors shall build up and maintain an adequate reserve for working capital and contingencies, and an adequate reserve for substantial periodic repair and replacement of the Common Elements and Limited Common Elements required to be repaired and/or replaced by the Association, including, without limitation, reserves for the routine inspection, maintenance and long term repair of any on-site storm water management facilities serving and/or benefiting the Condominium. Insurance deductibles associated with insurance policies of the Association should also be funded through the reserves maintained by the Association. All funds accumulated for reserves shall be kept in a separate bank account, segregated from the general operating funds, and, if the Board of Directors deems it advisable, funds accumulated for each type of reserve shall be kept in a separate bank account, identified by reference to the specific category of reserve. Extraordinary expenditures not originally included in the annual budget which may become necessary during the year shall be charged first against such reserves. Except where an emergency requires an expenditure to prevent or minimize loss from further damage to, or deterioration of, the Common Elements or Limited Common Elements, reserves accumulated for one purpose may not be expended for any other purpose unless approved by the Board of Directors and by the affirmative vote of Unit Owners representing not less than sixty-seven percent (67%) of the Unit Owners present, in person or by proxy, and voting at any meeting of the Association. If the reserves are inadequate for any reason, including non-payment of any Unit Owner's assessment, the Board of Directors may, subject to the limitations of Section 5.4 below, levy a further assessment, which shall be assessed against the Unit Owners according to their Percentage Interests, and which may be payable in a lump sum or in installments as the Board of Directors may determine. The Board of Directors shall serve notice of any such further assessment on all Unit Owners by a statement in writing giving the amount and reasons therefor, and such further assessment shall, unless otherwise specified in the notice, become effective with the next regular payment which is due more than ten (10) days after the delivery or mailing of such notice of further assessment.

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

Section 5.4. Amendment to Budget: Special Assessments. Any expenditure, including, without limitation, any expenditure intended to be funded by a special assessment, which is deemed necessary by the Board of Directors (other than those required because of conditions which, if not corrected, could reasonably result in a threat to the health or safety of the Unit Owners or a significant risk of damage to the Condominium) that, if made, would result in an increase in the amount of assessments for the current fiscal year of the Condominium in excess of fifteen percent (15%) of the budgeted amount previously adopted shall be approved by an amendment to the budget adopted at a special meeting of the Association, upon not less than ten (10) days written notice to the Unit Owners, by the affirmative vote of Unit Owners representing not less than sixty-seven percent (67%) of the Unit Owners present, in person or by proxy, and voting at such meeting. Any provision of the foregoing to the contrary notwithstanding, any such amendment to the budget shall be subject to such additional approvals as may be provided in the Declaration or these Bylaws.

Section 5.5. Initial Working Capital Fund Assessment. When the first Board of Directors takes office, it shall determine the budget for the period commencing upon the conveyance of legal title to the first Unit by the Declarant and ending on the last day of the fiscal year established by the Board of Directors in which such conveyance occurs. The Board of Directors shall establish an initial working capital fund equal to three (3) months regular assessments through a special assessment (the "Initial Working Capital Fund Assessment") which shall be levied against each Unit Owner upon purchase of a Unit from the Declarant. The Initial Working Capital Fund Assessment shall not be deemed to constitute advance payment of regular assessments. The Declarant will deliver the funds so collected to the Board of Directors, who shall maintain the funds in a segregated account for the use and benefit of the Association to provide the necessary working capital for the Council of Unit Owners. Such funds may be used for certain prepaid items, initial equipment, supplies, organizational costs and other start-up costs, or for such other purposes related to the operation of the Association as the Board of Directors may determine.

In the event that the Declarant shall own a Unit which is not subject to a binding contract of sale, the Declarant shall pay the foregoing Initial Working Capital Fund Assessment for each such Unit owned by the Declarant upon the later to occur of (i) the date that the non-Declarant Unit Owners shall elect a majority of the members of the Board of Directors pursuant to Article 3, Section 3.1 of these Bylaws, or (ii) the annexation of such Unit within the Condominium. Upon conveyance of any Unit for which the Declarant was required to pay an Initial Working Capital Fund Assessment, the purchasing Unit Owner shall pay the Declarant the full amount of such assessment paid by the Declarant with respect to such Unit. Any Initial Working Capital Fund Assessment paid by the Declarant shall be deposited in the segregated account maintained for such funds by the Board of Directors. Prior to the date that the non-Declarant Unit Owners shall elect a majority of the members of the Board of Directors pursuant to Article 3, Section 3.1 of these Bylaws, the Declarant shall not use any Initial Working Capital Assessment to pay Declarant expenses, reserve contributions, construction costs or budget deficits.

Section 5.6. Payment of Common Charges: Lien. Each Unit Owner shall be obligated to pay, in advance, the common charges assessed by the Board of Directors against his Unit. The amount levied and assessed against each Unit for common charges shall constitute a lien against said Unit from the date of assessment until the date of full payment, provided that the requirements of the Maryland Contract Lien Act have been fulfilled. All assessments and charges levied against a Unit by the Board of Directors of the Council of Unit Owners shall also be the personal obligation of the Unit Owner of such Unit. At the option of the Board of Directors, the common charges may be payable in annual, quarterly, monthly or other convenient installments, to the Board of Directors or to such person or entity who or which the Board of Directors shall designate.

No Unit Owner may be exempted from liability for the assessment of Common Expenses by waiver of the use or enjoyment of any of the Common Elements or by abandonment of his Unit. No Unit Owner shall be liable for the payment of any part of the Common Expenses assessed against his Unit subsequent to the date of recordation of a conveyance by him in fee of such Unit. Prior to or at the time of such conveyance, all liens, unpaid charges and assessments shall be paid in full and discharged. The purchaser of a Unit shall be jointly and severally liable, in accordance with the Act, with the selling Unit Owner for all unpaid assessments against the selling Unit Owner for the selling Unit Owner's proportionate share of the Common Expenses up to the time of such recordation, without prejudice to the purchaser's right to recover from the selling Unit Owner amounts paid by the purchaser therefor; provided, however, that no purchaser from a selling Unit Owner other than the Declarant shall be liable for, nor shall the Unit conveyed be subject to a lien for, any unpaid assessments greater than the amount set forth in any resale certificate provided by the Association or its managing agent. The conveyance of a Unit shall not affect any lien established by the Association against such Unit. Notwithstanding anything contained herein to the contrary, any mortgagee who comes into possession of a Unit by virtue of foreclosure of a deed of trust or mortgage or a deed or other conveyance in lieu of foreclosure shall take the Unit free of any liens or claims for unpaid assessments or charges against such Unit which accrue prior to the time such mortgagee comes into possession thereof, except for liens or claims for a pro-rata share of such assessments or charges resulting from a pro-rata reallocation of such assessments or charges to all Units, including the mortgaged Unit. The sale or transfer of a Unit by virtue of foreclosure of a deed of trust or mortgage or a deed or other conveyance in lieu of foreclosure shall not relieve such mortgagee, the purchaser at such sale or transfer, or any subsequent Unit Owner from liability for any assessments thereafter coming due, nor from the lien of such subsequent assessments, which lien, if any, shall have the same effect and may be enforced in the same manner as provided herein. Notwithstanding anything herein to the contrary, the lien of the Association against any Unit shall be subordinate to the First Mortgage (as defined in Article 6, Section 6.5 hereof) against such Unit, unless otherwise provided by law. Any assessment of the Association shall also be subordinate to any mortgage against a Unit guaranteed by the VA.

All taxes, assessments, and charges which may become liens prior to any First Mortgage shall relate only to the individual unit and not to the Condominium as a whole.

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

Section 5.7. Collection of Assessments. The Board of Directors shall take prompt action to collect any common charges due from any Unit Owner which remain unpaid for more than thirty (30) days from the due date for payment thereof. The Board of Directors shall notify any Eligible Mortgage Holder who holds a mortgage upon a Unit to which there exists a delinquency in the payment of common charges, which delinquency has existed for sixty (60) days or more. Upon default in the payment of any one or more installments of any annual assessment levied pursuant to the Declaration and/or these Bylaws and upon notice as required by law, the entire balance of said annual assessment may be accelerated at the option of the Board of Directors and be declared due and payable, in full, together with interest thereon at the maximum rate permitted by law at the time the assessment became due.

Section 5.8. Default in Payment of Common Charges. The lien for unpaid assessments for common charges may be enforced and foreclosed in such manner as may from time to time be provided in the Act and the Maryland Contract Lien Act. Any assessment, until paid, may at the election of the Board of Directors bear interest up to the maximum rate permitted by law at the time the assessment became due. In addition, the Board of Directors may impose late charges and/or the costs of collection (including reasonable attorneys' fees); if any, with respect to any assessment which has not been fully paid when due. Such late charges and other costs shall not exceed the permissible amounts provided for in the Act, and shall otherwise comply therewith. All such interest, late charges and other costs shall constitute a lien upon the Unit until fully paid as provided in Article 5, Section 5.6, above.

In any action brought by the Association to foreclose a lien against a Unit because of unpaid common charges, the Unit Owner shall be required to pay a reasonable rental for the use of his Unit, and the plaintiff in such foreclosure action shall be entitled to the appointment of a receiver to collect the same, such rent to accrue from the date that the foreclosure decree becomes final until the plaintiff in such foreclosure action regains possession from the Unit Owner.

No suit or other proceeding may be brought by the Association to foreclose the lien for any assessments levied pursuant to the Declaration or these Bylaws except after ten (10) days written notice to the holder of the First Mortgage which is a lien on the Unit that is the subject matter of the proceeding. In the event the VA guarantees any mortgage against a Unit, the Association shall notify the VA in writing prior to instituting any action or proceeding to foreclose the lien for any assessments or charges levied by the Association against such Unit.

Section 5.9. Statement of Common Charges; Resale Certificate. Any owner, first mortgagee or any purchaser in connection with any sale or conveyance of a Unit, shall be entitled to a statement furnished by the Board of Directors setting forth in detail the amount of any unpaid assessments owed by the Unit Owner, and such party shall be entitled to rely on such statement and shall have no liability for, nor shall the Unit be encumbered with, an amount of unpaid assessments accruing prior to the date of such

statement which are greater than that shown on such statement. The Board may impose a reasonable fee to furnish this information.

Upon written request by a Unit Owner and receipt of a reasonable fee therefor, the Board of Directors shall furnish a certificate containing the information required by Section 11-135(a) of the Act.

Section 5.10. Insurance. The Board of Directors shall be required to comply with the insurance requirements of the Act and, to the extent not in violation of the Act, shall also comply with the provisions of this Article 5, Section 5.10.

The Board of Directors shall be required to obtain and maintain a master or blanket type of hazard insurance policy covering the Units and all of the Common Elements that are normally included in a policy of this type, including, but not limited to, fixtures, building service equipment and common personal property and supplies belonging to the Association. The policy must also cover fixtures, equipment and other personal property inside individual Units if such items are typically conveyed as part of the Unit.

The hazard insurance policy shall afford, as a minimum, protection against loss or damage by fire and all other perils normally covered by the standard extended coverage endorsement, as well as all other perils which are customarily covered with respect to projects similar in construction, location and use, including all perils normally covered by the standard "all risk" endorsement, where such is available. The insurance should cover one hundred percent (100%) of the current replacement cost (less a reasonable deductible) of the insured property. Coverage need not include land, foundations, excavations or other items that are usually excluded from insurance coverage. Unless a higher maximum amount is required pursuant to the law of the State of Maryland, the maximum deductible amount for coverage of the Common Elements is the lesser of Ten Thousand Dollars (\$10,000.00) or one percent (1%) of the policy face amount. The maximum deductible related to coverage on individual Units will be the least amount of deductible which is available at the time the Policy is obtained.

Each hazard insurance policy must be written by a hazard insurance carrier which has a current rating by the Best's Insurance Reports of B or better (or its equivalent), or a rating that meets any other applicable standard established by FNMA. Each insurer must be specifically licensed or authorized by law to transact business within the State of Maryland. The policy contract shall provide that no assessment may be made against the mortgagee, and that any assessment made against others may not become a lien on the mortgaged Unit superior to the First Mortgage.

The hazard insurance policy must provide that the insurance carrier shall notify the Association and each mortgagee named in the mortgagee clause in writing at least thirty (30) days before it cancels or substantially changes the Condominium's coverage. In addition, each Eligible Mortgage Holder shall receive timely written notice of any lapse, material modification or cancellation of any insurance policy covering the Condominium.

All policies of hazard insurance must contain or have attached the standard mortgagee clause commonly acceded by private institutions as mortgage investors in the area in which the mortgaged premises are located and must name as mortgagee either the FNMA or the servicers for the mortgages FNMA holds on Units.

The following endorsements are also required: (i) an Inflation Guard Endorsement (if reasonably available); (ii) a Building Ordinance or Law Endorsement if the enforcement of any building, zoning or land use law would result in loss or damage, increased cost of repairs or reconstruction or additional demolition and removal costs; (iii) a Steam Boiler and Machinery Coverage Endorsement if the Condominium has central heating or cooling, which should provide for the insurer's minimum liability per accident per location to be at least equal to the lesser of Two Million Dollars (\$2,000,000.00) or the insurable value of the structure(s) housing the boiler or machinery; and (iv) a Special Condominium Endorsement which provides that any Insurance Trust Agreement will be recognized, the right of subrogation against Unit Owners will be waived, the insurance will not be prejudiced by any acts or omissions of individual Unit Owners that are not under the control of the Association, and that the policy will be primary, even if a Unit Owner has other insurance that covers the same loss.

If the Condominium is located in a Special Flood Hazard Area designated as A, AE, AH, AO, A1-30, A-99, V, VE, or V1-30 on a Flood Insurance Rate Map, the Association must maintain a "master" or "blanket" policy of flood insurance on the Condominium. The amount of flood insurance shall be at least equal to the lesser of one hundred percent (100%) of the insurable value of all structures and improvements situated in such Special Flood Hazard Area or the maximum coverage available under the applicable National Flood Insurance Administration program. The contents coverage must include one hundred percent (100%) of the insurable value of all contents, including any machinery and equipment that are not part of the building, but which are owned in common by the Unit Owners. Unless a higher deductible amount is required under the laws of the State of Maryland, the maximum deductible amount for flood insurance policies shall be the lesser of Five Thousand Dollars (\$5,000.00) or one percent (1%) of the policy's face amount. The funds to cover this deductible amount should be included in the Association's operating reserve account.

The Association shall obtain and maintain a commercial general liability policy of insurance covering all of the Common Elements, public ways and any other areas that are under the Association's supervision. The policy shall also cover any commercial space owned by the Association, even if such space is leased to others. The policy should provide coverage for bodily injury (including death) and property damage that results from the operation, maintenance or use of the Common Elements and any legal liability that results from law suits related to employment contracts in which the Association is a party. Supplemental coverage to protect against additional risks should also be obtained, if required by a mortgagee. Such insurance policy shall contain a "severability of interest" endorsement which shall preclude the insurer from denying the claim of a Unit Owner because of negligent acts of the Association or other Unit Owners. Liability coverage shall be at least One Million Dollars (\$1,000,000.00) per occurrence, for bodily injury and property damage, unless higher amounts of coverage are required by a mortgagee. The liability policy must provide that the insurance carrier shall notify the Association and the holder of a First Mortgage on any Unit in writing at least thirty (30) days before it cancels or substantially modifies the Condominium's coverage.

The named insured under all insurance policies shall be the Council of Unit Owners of Cloisters at Charles III, A Condominium, for the use and benefit of each

Unit Owner. The "loss payable" clause should show the Council of Unit Owners of Cloisters at Charles III, A Condominium, or the Insurance Trustee (as hereinafter defined, if applicable) as a trustee for each Unit Owner and the holder of each Unit's mortgage. The Council of Unit Owners shall hold any proceeds of insurance in trust for Unit Owners and their First Mortgage holders, as their interests may appear. Each Unit Owner and each Unit Owner's mortgagee, if any, shall be beneficiaries of the policies to the extent of the Unit Owner's Percentage Interest in the Common Profits and Common Expenses of the Council of Unit Owners. Certificates of insurance shall be issued to each Unit Owner and mortgagee upon request. The policies must also contain the standard mortgage clause and must name as mortgagee FNMA or the servicers for the mortgages held by FNMA on Units within the Condominium, FHLMC and/or such other mortgagees as hold mortgages on Units, as well as their successors and assigns.

Notwithstanding any provision of the Declaration or these Bylaws relating to property or liability insurance, there may be named as an insured, on behalf of the Association, the Association's authorized representative, including any Insurance Trustee with whom the Association may enter into any Insurance Trust Agreement or any successor to such trustee, who shall have exclusive authority to negotiate losses under any policy providing such property or liability insurance and to perform such other functions as are necessary to accomplish this purpose. The insurance policy(ies) covering the Condominium obtained by the Association shall provide that any Insurance Trust Agreement will be recognized.

Except to the extent inconsistent with applicable law, each Unit Owner is deemed to appoint the Association, or any Insurance Trustee or substitute Insurance Trustee designated by the Association, as attorney-in-fact for the purpose of purchasing and maintaining such insurance, including: (1) the collection and appropriate disposition of the proceeds thereof; (2) the negotiation of losses and execution of releases of liability; and (3) the execution of all documents and the performance of all other acts necessary to accomplish such purpose.

The insurance policy(ies) covering the Condominium obtained by the Association shall provide that (i) the right of subrogation against Unit Owners will be waived, (ii) the insurance will not be prejudiced by any acts or omissions of individual Unit Owners that are not under the control of the Association, and (iii) the policy(ies) will be primary, even if a Unit Owner has other insurance covering the same loss.

Section 5.11. Repair or Reconstruction After Fire or Other Casualty. Except as hereinafter provided, and as provided in the Act, in the event of damage to or destruction of the Condominium as a result of fire or other casualty, the Board of Directors shall arrange for the prompt repair and restoration thereof (including any damaged Units, and any fixtures, equipment or other property covered by the Association's insurance installed therein on the date of recordation of the Declaration, but not including any wall, ceiling or floor decorations or coverings or other furniture, furnishings, fixtures, personal property or equipment installed by Unit Owners in the Units), and the Board of Directors or the Insurance Trustee, as the case may be, shall disburse the proceeds of all insurance policies to the contractors engaged in such repair and restoration, as provided below.

The Insurance Trustee may rely upon a certificate of the Board of Directors which certifies whether or not the damaged Condominium is to be

reconstructed or repaired. The Board of Directors, upon request of the Insurance Trustee, shall deliver such certificate as soon as practicable.

Except to the extent required otherwise by the Act, if the damage is only to those parts of a Unit for which the responsibility of maintenance and repair is borne by the Unit Owner, then the Unit Owner shall be responsible to arrange for and oversee the reconstruction and repair after a casualty and shall be entitled to apply the applicable insurance proceeds thereto. In all other instances, the responsibility of reconstruction and repair after casualty shall be that of the Association.

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

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

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

(b) any restoration or repair of the project shall be performed substantially in accordance with the Declaration and the original plans and specifications, unless other action is approved by at least fifty-one percent (51%) of the Eligible Mortgage Holders (based upon one vote for each First Mortgage owned), and two-thirds (2/3) of the owners (other than the sponsor, developer or builder) of the individual condominium units;

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

(d) each request for an advance of the proceeds of insurance shall be accompanied by satisfactory waivers of liens covering that portion of the repair or reconstruction for which payment or reimbursement is being requested, together with

appropriate evidence from a title insurance company or the like to the effect that there has not been filed with respect to the Condominium, or any part thereof, any mechanics' or other lien, or notice of intention to file the same, which has not been dismissed, bonded, or satisfied of record;

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

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

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

Section 5.12. Abatement and Enjoinment of Violations by Unit Owners. The violation of any of the Rules adopted by the Board of Directors, or the breach of these Bylaws or of any provision of the Declaration, shall give the Board of Directors the right, in addition to any other rights set forth in these Bylaws: (a) to enter the Unit in which or as to which such violation or breach exists and to summarily abate and remove, at the expense of the defaulting Unit Owner, any structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions hereof, and the Board of Directors shall not thereby be deemed guilty in any manner of trespass; provided, however, that no structure or improvement may be altered or demolished until proper judicial proceedings have been instituted; or (b) to enjoin, abate or remedy by appropriate legal proceeding, either at law or in equity, the continuance of any such breach.

Section 5.13. Maintenance and Repair.

(a) By the Association. The Association shall be responsible for the maintenance, repair and replacement of the following, except to the extent that the Cloisters at Charles Condominium Association undertakes some or all of such responsibilities:

(i) Except as otherwise provided in paragraph (b) of this Section 5.13, all of the General Common Elements and Limited Common Elements (if any), whether located inside or outside of the Units; and

(ii) The sanitary and storm sewer systems and appurtenances; all water, electric, gas, heating, air conditioning, plumbing and telephone lines, facilities and systems that are deemed Common Elements, including all conduits, ducts, plumbing, wiring and other facilities for the furnishing of all utility services into two (2) or more Units, but excluding therefrom all air-handling units, heating units, air-conditioning units, fireplaces, lighting fixtures, plumbing (including, but not limited to, the components of any sprinkler system), electrical appliances and systems, fixtures and

other components of the dwelling which are located solely within the boundary of a single Unit and/or in a Limited Common Element designated in the Declaration or on the Condominium Plat as being appurtenant to a single Unit and which serve that Unit and no other; and

(iii) The Association may elect, as determined by the Board of Directors in its sole discretion, to maintain the exterior painted surfaces of the dwellings within the Units, provided that such maintenance shall be limited to painting and repainting the exterior doors, wood trim and other exterior features of such dwellings as were painted by the Declarant or a builder as part of the original construction of such dwellings. Maintenance of the exteriors of the dwellings within the Units shall be with such frequency and in conformity with such standards as may be established by the Board of Directors from time to time;

(iv) The Association may elect, as determined by the Board of Directors in its sole discretion, to maintain the Lawn and Garden Area within any one or more of the Units, as provided below. The Board of Directors may elect, in its sole discretion, to assume such maintenance responsibilities with respect to the Lawn and Garden Area as the Board may deem necessary or appropriate, including, without limitation, responsibility for mowing, fertilizing, trimming, pruning and/or otherwise maintaining the grass, trees, shrubs and other planted materials, and any replacements thereof, as may be located within the Lawn and Garden Area. Maintenance of the Lawn and Garden Area by the Association shall be with such frequency and in conformity with such standards as may be established by the Board of Directors from time to time. Any Unit Owner may request that the Association refrain from performing all or a part of the Lawn and Garden Area maintenance described above. Such a request must be made to the Association at least thirty (30) days prior to the date the Unit Owner desires the Association to refrain from such maintenance. The Association shall not unreasonably withhold approval of such a request, provided that the Unit Owner has demonstrated to the satisfaction of the Board of Directors his or her intention to maintain the Lawn and Garden Area, as applicable, in a manner acceptable to the Association. In the event that a Unit Owner elects to maintain the Lawn and Garden Area situated within his or her Unit pursuant to the terms hereof, such Unit Owner shall not be entitled to any reimbursement from the Association or reduction in the assessments levied against such Unit; and

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

The cost of the Association's maintenance, repair and replacement responsibilities shall be charged to all Unit Owners as a common expense, except as otherwise provided in these Bylaws or except to the extent that such work is undertaken by the Cloisters at Charles Condominium Association, in which case, the cost of such work may instead be assessed by the Cloisters at Charles Condominium Association.

(b) By the Unit Owner.

(i) Except for the portions of any Unit required or authorized or to be maintained by the Association, each Unit Owner shall be responsible for the maintenance, repair and replacement, at his or her expense, of such Unit and all improvements therein and components thereof, including, without limitation, the

following: all exterior walls, doors, shutters and surfaces of the dwelling within the Unit (including the painting thereof), the roof of such dwelling, including all vents, flues, ducts, skylights, gutters, leaders and any other equipment or apparatus located thereon, all lead walks, driveways, garages, patios, terraces, decks, balconies, landscaping, front, rear and side yard areas, as applicable (except to the extent maintained by the Association), all interior walls, ceilings, doors, floors, kitchen and bathroom fixtures and equipment, and all air-handling units, heating units, air-conditioning units, fireplaces, lighting fixtures, plumbing (including, but not limited to, the components of any sprinkler system), electrical appliances and systems, fixtures and other components of such dwelling which are located within the boundary of such Unit and/or in a Limited Common Element designated in the Declaration or on the Condominium Plat as being appurtenant to that Unit and which serve that Unit and no other; and

(ii) Each party wall or party fence which is a part of the original construction and any part of which is placed upon the dividing line between separate Units shall constitute a "Shared Improvement". All Owners who make use of or benefit by any Shared Improvement shall share the cost of the maintenance, repair and replacement of any Shared Improvement party wall or party fence in equal proportions provided, however, that if any such Shared Improvement is damaged or destroyed through the act of one adjoining Owner and/or resident, so as to deprive the other adjoining Owner and/or resident of the full use and enjoyment of such Shared Improvement, then the Owner and/or resident responsible for such damage shall proceed forthwith to rebuild or repair such Shared Improvement to its original condition or the condition which existed immediately prior to the damage, without cost to the adjoining Owner and/or resident. In the event of a dispute between Owners with respect to the maintenance, repair or replacement of a Shared Improvement or with respect to the sharing of the cost thereof, then, upon written request of one of such Owners addressed to the Association, the matter may be submitted to its Board of Directors who may (but shall not be required to) decide the dispute, and the decision of such Board of Directors shall be final and conclusive upon the parties; and

(iii) If the cause of any damage to or destruction of any portion of the Condominium originates from any unit, the Owner of such Unit shall reimburse the Association for the cost of any property insurance deductible in an amount not to exceed One Thousand Dollars (\$1,000.00), or such other amount as may be permitted under Section 11-114 of the Act, as amended (the "Deductible Reimbursement"). The Deductible Reimbursement shall be collected by the Association from the Unit Owner obligated to pay such reimbursement in the same manner as set forth in Article 5 of these Bylaws for the collection of common charges. Any property insurance deductible in excess of the Deductible Reimbursement shall be a common expense of the Association; and

(iv) Each Unit Owner shall perform his or her responsibilities under this Section 5.13 in such a manner as shall not unreasonably disturb or interfere with the other Unit Owners. Each Unit Owner shall promptly report to the Board of Directors or the managing agent any defect or need for repairs for which the Association is responsible.

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

Section 5.14. Restrictions on Use of Units. In order to provide for the congenial occupancy of the Condominium and for the protection of the values of the Units, the use of the Condominium shall be restricted to and shall be in accordance with the following provisions:

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

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

(c) Nothing shall be done in any Unit or in, on, or to the Common Elements which will impair the structural integrity of the Condominium, or which would structurally change any building or improvements thereon except as is otherwise provided in these Bylaws, provided, further, that interior partitions contributing to the support of any Unit shall not be altered or removed.

(d) Except for uses permitted by these Bylaws or which may not be prohibited pursuant to law, no industry, business, trade, occupation or profession of any kind, commercial, religious, educational, or otherwise, designed for profit, altruism, exploration, or otherwise, shall be conducted, maintained, or permitted on any part of the Condominium. Except as expressly permitted by the Act, no Unit Owner may post any advertisement, poster or sign of any kind on the exterior of his Unit or in the windows of his Unit or on any of the Common Elements; provided, however, that one sign not exceeding two (2) square feet in areas and not illuminated may be attached to Unit where a "No-Impact Home-Based Business", as defined in §11-111.1 of the Act, is maintained pursuant to these Bylaws, and provided further a permitted a temporary sign not more than six (6) square feet in size advertising the sale or rental of a Unit shall be permitted. Any such temporary real estate sign shall be removed promptly following the sale or rental of such Unit. The right is reserved by the Declarant or its agents to use any unsold Unit or Units for display purposes and to display "For Sale" or "For Rent" signs for unsold Units; such right to exist for as long as the Declarant owns any Unit.

(e) Except as specifically permitted by applicable governmental regulations, no exterior antennas of any type, including, but not limited to, satellite dishes for reception or transmission, may be erected or maintained within the Condominium;

provided, however, that satellite dishes not in excess of one (1) meter in diameter are permitted. The Board of Directors may impose reasonable Rules regarding the location and screening of any such satellite dish, subject to applicable governmental regulations. Antennas situated entirely within a dwelling, and not visible from the exterior, are permitted.

(f) No transient tenants may be accommodated in any Unit, nor shall any Unit be utilized for hotel purposes. Garages within Units may only be rented or leased to the Owner of a Unit, or to the tenant or lessee of a Unit. No portion of a Unit (other than the entire Unit) may be rented unless the prior written approval of the Board of Directors is obtained. Any lease agreement shall provide that the terms of the lease shall be subject in all respects to the provisions of the Act, Declaration and Bylaws and that any failure of the lessee to comply with the terms of such provisions shall be a default under the lease, which default may be remedied by the Unit Owner in accordance with the lease and by the Council of Unit Owners, in accordance with the Act. All leases must be in writing. The limitations of this Section shall not apply to any institutional mortgagee of any Unit who comes into possession of the Unit by reason of any remedies provided by law or in the mortgage, or as a result of foreclosure sale or other judicial sale, or as a result of any proceeding, arrangement, assignment, or deed in lieu of foreclosure.

(g) With the exception of lawn care equipment used by the Association, motorized vehicles may only be used or maintained on the roadways within or adjacent to the Condominium and no unlicensed vehicles are allowed within the Condominium.

(h) Trash shall be stored in accordance with county health regulations within the Unit or upon the Common Element site, if any, set aside by the Board of Directors for such storage. If applicable, trash shall not be set out for collection prior to the night before the date of collection and the empty containers shall be returned to the proper place of storage promptly after collection. Trash shall not be stored or placed upon patios, terraces, decks, balconies or porches. No garbage or trash containers shall be kept on the front or side yard of any Unit and garbage and trash containers kept or maintained in the rear yard of any Unit shall be screened from public view at all times. No burning of any trash and no accumulation or storage of litter, lumber, scrap metals, refuse, bulk materials, waste, new or used building materials, or trash of any other kind shall be permitted on any part of the Condominium. Firewood shall be neatly stacked in the rear yard areas of the Units.

(i) No tree, hedge or other landscape feature shall be planted or maintained in a location which obstructs sight-lines for vehicular traffic on public streets or on private streets and roadways. Without limiting the generality of the foregoing, no wire or other lawn edging, fencing or other treatment shall be placed or maintained on any yard areas of the Units which would impede the Association's ability to perform its obligations as set forth in these Bylaws, or which would be inharmonious with the aesthetics of the Condominium.

(j) The maintenance, keeping, boarding or raising of animals, livestock, or poultry of any kind, regardless of number, shall be and is hereby prohibited within any Unit or upon the Common Elements, except that this shall not prohibit the

keeping of a reasonable number of dogs, cats, caged birds or other small domestic animals as pets provided (i) they are not kept, bred or maintained for commercial purposes; (ii) such domestic pets are not a source of annoyance or nuisance to the neighborhood or other Owners; and (iii) such pets are maintained in strict conformance to all laws and ordinances. The Board of Directors shall have the authority, after a hearing, to determine whether a particular pet is a nuisance or a source of annoyance and such determination shall be conclusive. Pets shall be attended at all times and shall be registered, licensed and inoculated as may from time to time be required by law. Pets shall not be permitted upon the Common Elements unless accompanied by a responsible person and unless they are carried or leashed. The person accompanying any pet is responsible for the removal and disposal of any solid waste deposited by the pet upon any portion of the Condominium. Any member who keeps or maintains any pet upon any portion of the Condominium shall indemnify and hold the Association, and each of its members free and harmless from any loss, claim or liability of any kind or character whatever arising by reason of keeping or maintaining such pet within the Condominium. The Board of Directors shall have the right to adopt such additional Rules regarding pets as it may from time to time consider necessary or appropriate.

(k) Except for parking within garages, and except as herein elsewhere provided, no junk vehicle, commercial vehicle (including vans used for commercial use and vehicles displaying commercial signage), truck (as defined by the Maryland Department of Motor Vehicles and/or by common usage and practice, not including light pick-up trucks of three-quarter (3/4) ton capacity or less used for non-commercial purposes), unlicensed or inoperable motor vehicle (which shall include, without limitation, any vehicle which would not pass applicable state inspection criteria), trailer, mobile home, camp truck, house trailer, recreational vehicle, boat or other similar vehicles, machinery or equipment of any kind or character (not including such equipment and machinery as may be reasonable, customary and usual in connection with the use and maintenance of any dwelling and any equipment and machinery as the Association may require in connection with the maintenance and operation of the Condominium) shall be kept upon any portion of the Condominium or upon the public or private streets adjacent to the Condominium (except for bona fide emergencies), nor shall the repair or extraordinary maintenance of automobiles or other vehicles be carried out thereon. The Association may, in the discretion of the Board of Directors, provide and maintain a suitable area designated for the parking of such vehicles. The Board of Directors may establish supplemental Rules regarding parking and traffic control within the Condominium, including, without limitation, within any garages located within the Units.

(l) No decorative lawn ornament, structure of a temporary character, trailer, tent, shack, barn, pen, kennel, run, stable, or other similar building shall be erected, used or maintained within the Condominium at any time. A storage shed may be erected, constructed or placed on the yard areas of a Unit provided that such shed (i) is approved, in writing, with respect to design (including, but not limited to color and materials), location and construction by the Board of Directors; (ii) if constructed, such shed must conform to the architectural style and materials of the dwelling situated within

the Unit boundaries; and (iii) any shed must be properly maintained at all times by the Owner of the Unit upon which it is located.

(m) No water pipe, sewer pipe, gas pipe, drainage pipe, cable or other similar transmission line shall be installed or maintained upon a Unit above the surface of the ground and no wire, cable or other similar transmission line may be attached to the exterior of any Unit; provided, however, that such transmission lines, wires or cables providing utility services to any Unit (including, but not limited to, electricity, telephone, gas, water and cable television) shall be permitted. Except during periods of actual use, no hose shall be stored or placed in the front or side yard of any Unit unless screened from public view.

(n) No play equipment, including, without limitation, basketball backboards, basketball hoops and other equipment associated with either adult or juvenile recreation, shall be attached in any manner to the exterior of any dwelling without the prior written approval of the Board of Directors or the Architectural Control Committee pursuant to Article 5 hereof. If approved in accordance with these Bylaws, such play equipment must be properly maintained at all times.

(o) Children's play and similar equipment shall not be allowed to remain overnight within any front yard of any Unit or within the Common Elements.

(p) Vegetable gardens shall be maintained only within the rear yard of any Unit, and shall be maintained in a neat and attractive manner.

(q) Lawn furniture shall be used and maintained in rear yards or decks only and shall be maintained in a neat and attractive manner.

(r) No equipment or machinery (including, without limitation, equipment or machinery for use in connection with the maintenance of any dwelling) shall be stored in the front, rear or side yard of any Unit.

(s) Bed sheets, plastic sheets, newspapers, plastic storm windows or other similar window treatments shall not be hung or placed in or on any window on any dwelling located on any Unit.

(t) No exterior lighting, emanating from a Unit, shall be directed outside the boundaries of the Unit.

(u) No structure, planting or other material shall be placed or permitted to remain within the yard areas of a Unit which may damage or interfere with any easement for the installation or maintenance of utilities, or which may unreasonably change, obstruct or retard the direction or flow of any drainage channels.

(v) If fences are constructed as part of the original construction of the dwelling, then any fences to be constructed upon the Property after such original construction shall be: (i) substantially similar in design, dimension and material to the fences installed as part of the original construction; and (ii) constructed in compliance with the other terms and conditions of the Declaration and these Bylaws and with applicable law. The location of fences on end Units shall be considered on a case-by-case basis. Chainlink and other wire fencing is specifically prohibited; provided, however, that thin wire fencing used in conjunction with a split rail or similar fencing for the purpose of enclosing pets is permitted if prior written approval of the Board of Directors or the Architectural Control Committee in accordance with these Bylaws is obtained. No fence shall be constructed within the Property except with the prior written

approval of the Board of Directors or the Architectural Control Committee in accordance with these Bylaws. No fence shall be more than six feet (6') in height.

(w) No garage or outbuilding properly erected within a Unit shall at any time be used for human habitation, temporarily or permanently, nor shall any structure of a temporary character be used for human habitation. No garage may be altered, modified or changed in any manner which would inhibit or in any way limit its function as a parking area for vehicles without the prior written approval of the Board of Directors or Architectural Control Committee pursuant to Article 5 of these Bylaws. Notwithstanding the foregoing, any Unit owned by the Declarant upon which is situated a dwelling unit in which the garage has been modified to serve as living area shall be exempt from this paragraph and any grantee of the Declarant, and such Grantee's successors and assigns, shall also be exempt until such time as the garage is restored or a garage is constructed within such Unit. Except when being used for entrance or exit, garage doors shall be maintained in a closed position at all times.

Notwithstanding any provision contained in this Article 5, Section 5.14, to the contrary, the use and other restrictions set forth in this Section 5.14 shall not apply to the construction or development activities of the Declarant or to the use of the Common Elements and/or Units owned by the Declarant for display, marketing, promotion, sales, rental, leasing or construction purposes or the use of Units as "models", or the use of any portion of the Condominium as a sales, rental or management office.

Section 5.15. Rules - Adoption and Enforcement. The Board of Directors may, from time to time, enact uniform Rules which govern the use and operation of the Condominium, as well as the conduct and the enjoyment of the Unit Owners, provided that such Rules are not in conflict with the Declaration or these Bylaws, and provided further that such Rules are adopted in accordance with the Act and the following procedures:

(a) At least fifteen (15) days prior to the adoption of any proposed new Rule, a notice must be mailed or delivered to each Unit Owner. The notice shall (i) contain a copy of the proposed Rule, (ii) inform the Unit Owner of the right to submit written comments on the proposed Rule to the Board of Directors, (iii) state the effective date of the proposed Rule, and (iv) inform the Unit Owner of the meeting of the Board of Directors which has been scheduled to consider and adopt the proposed Rule.

(b) Provided that the notice set forth in Section 5.15(a) of this Article 5 is mailed or delivered to each Unit Owner, an open meeting of the Board of Directors shall be held at which each Unit Owner or tenant present at such meeting shall be given an opportunity to comment on the proposed Rule.

(c) If a majority of the members of the Board of Directors present at the open meeting at which a quorum is present vote in favor of the proposed Rule, such proposed rule shall become effective upon its effective date unless (i) within fifteen (15) days after the affirmative vote, fifteen percent (15%) of the Unit Owners sign and file a petition with the Board of Directors requesting a special meeting, and (ii) a quorum is present at such special meeting, and (iii) at such special meeting fifty percent (50%) of the Unit Owners present and voting, vote against the proposed Rule and such Unit

Owners represent more than thirty-three percent (33%) of the total votes in the Condominium.

Section 5.16. Additions, Renovations, Alterations or Improvements by Board of Directors. Whenever in the judgment of the Board of Directors the Common Elements shall require additions, renovations, alterations or improvements costing in excess of Twenty-Five Thousand Dollars (\$25,000.00), and the making of such additions, renovations, alterations or improvements shall have been approved by a majority of the Unit Owners, the Board of Directors shall proceed with such additions, renovations, alterations or improvements and may assess the Unit Owners for the cost thereof as a common expense. If such additions, renovations, alterations or improvements, if not made, could reasonably result in a threat to the health or safety of the Unit Owners or a significant risk of damage to the Condominium, then such additions, renovations, alterations or improvements may be made without the prior approval of Unit Owners. Any additions, renovations, alterations or improvements costing Twenty-Five Thousand Dollars (\$25,000.00) or less may be made by the Board of Directors without approval of the Unit Owners, provided said Unit Owners are given at least ten (10) days written notice of a special meeting at which such additions, renovations, alterations, or improvements are approved by an amendment to the budget by the Board of Directors. The cost of any such additions, renovations, alterations or improvements shall constitute a common expense. Any provision of the foregoing to the contrary notwithstanding, any expenditure of reserve funds for the normal care, upkeep, repair, maintenance or replacement of the existing Common Elements pursuant to the terms of these Bylaws shall not require the consent or approval of the Unit Owners under this Section, provided that such expenditures shall otherwise be subject to the Declaration and other applicable provisions of these Bylaws.

Section 5.17. Architectural Control. Except for purposes of proper maintenance and repair or as otherwise permitted or required by law or these Bylaws and subject to the exemption set forth in Section 5.23 of this Article, it shall be prohibited for any Unit Owner to install, erect, attach, apply, paste, hinge, screw, nail, build, alter, remove or construct any lighting, shades, screens, awnings, patio covers, decorations, fences, walls, signs, exterior antennas (except as specifically permitted by applicable federal governmental regulations), radio broadcasting or receiving devices, slabs, sidewalks, curbs, gutters, patios, terraces, decks, balconies, porches or driveways, or to make any change or otherwise alter (including any alteration in color) in any manner whatsoever the exterior of any Unit or the Common Elements within the Condominium or to combine or otherwise join two (2) or more Units (or parts thereof), or to partition the same, or to remove or alter any window or exterior doors of any Unit, or to make any change or alteration within any Unit which will alter the structural integrity of any building or otherwise affect the property, interest or welfare of any other Unit Owner, materially increase the cost of operation or insuring the Condominium or impair any easement, until complete plans and specifications, showing the nature, kind, shape, materials and location of the same (including, without limitation, any other materials and information as may be specified by the Board of Directors or its designated committee) shall have been submitted to and approved in writing as to the effect of any such alterations on the costs of maintaining and insuring the Condominium and harmony of

design, color and location in relation to surrounding structures and topography, by the Board of Directors of the Association, or by the Architectural Control Committee designated by the Board of Directors.

Section 5.18. Architectural Control Committee - Operation. The Architectural Control Committee shall be composed of an uneven number of three (3) or more natural persons designated from time to time by the Board of Directors of the Association and such persons shall serve at the pleasure of the Board of Directors. In the event the Board of Directors fails to appoint an Architectural Control Committee, then the Board of Directors shall constitute the Committee. The affirmative vote of a majority of the members of the Architectural Control Committee shall be required in order to make any finding, determination, ruling or order, or to issue any permit, consent, authorization, approval or the like pursuant to the authority contained in this Article.

Section 5.19. Architectural Control Committee - Approvals, Etc. Upon approval of the Architectural Control Committee of any plans and specifications submitted pursuant to the provisions of this Article, a copy of such plans and specifications, as approved, shall be deposited among the permanent records of such Committee and a copy of such plans and specifications bearing such approval, in writing, shall be returned to the applicant submitting the same. In the event the Architectural Control Committee fails to approve or disapprove any plans and specifications which may be submitted to it pursuant to the provisions of this Article within forty-five (45) days after such plans and specifications (and all other materials and information as may be required by the Architectural Control Committee) have been submitted to it in writing, then approval will not be required and this Article will be deemed to have been fully complied with. Approval by the Architectural Control Committee (or by the Board of Directors, if applicable) shall in no way be construed as to pass judgment on the correctness of the location, structural design, suitability of water flow or drainage, location of utilities, or other qualities of the item being reviewed, nor shall such approval be substituted in lieu of applicable governmental approvals and permits or be deemed to constitute a determination as to compliance with local zoning ordinances, governmental guidelines or restrictions.

Section 5.20. Architectural Control Committee - Limitations. Construction of alterations in accordance with plans and specifications approved by the Architectural Control Committee pursuant to the provisions of this Article shall be commenced within six (6) months following the date upon which the same are approved by the Architectural Control Committee (whether by affirmative action or by forbearance from action), and shall be substantially completed within twelve (12) months following the date of commencement, or within such longer period as the Architectural Control Committee shall specify in its approval. In the event construction is not commenced within the period aforesaid, then approval of the plans and specifications by the Architectural Control Committee shall be conclusively deemed to have lapsed and compliance with the provisions of this Article shall again be required. There shall be no deviations from plans and specifications approved by the Architectural Control Committee without the prior consent in writing of the Architectural Control Committee. Approval of any particular plans and specifications or design shall not be construed as a waiver of the right of the Architectural Control Committee to disapprove such plans and specifications, or any

elements or features thereof, in the event such plans and specifications are subsequently submitted for use in any other instance.

Section 5.21. Architectural Control Committee - Certificate of Compliance.

Upon the completion of any construction, alteration or other improvements or structures in accordance with plans and specifications approved by the Architectural Control Committee in accordance with the provisions of this Article, the Architectural Control Committee shall, at the request of the owner thereof, issue a certificate of compliance which shall be prima facie evidence that such construction, alteration or other improvements or structures referenced in such certificate have been approved by the Architectural Control Committee and constructed or installed in full compliance with the provisions of this Article and with such other provisions and requirements of these Bylaws as may be applicable.

Section 5.22. Architectural Control Committee - Rules, Etc. The Architectural Control Committee may from time to time adopt and promulgate such Rules regarding the form and content of plans and specifications to be submitted for approval and may publish such statements of policy, standards, guidelines and establish such criteria relative to architectural styles or details, or other related matters, as it may consider necessary or appropriate; provided, however, that such Rules are adopted in accordance with the provisions of §11-111 of the Act. No such Rules, statements, criteria or the like shall be construed as a waiver of the provisions of this Article or any other provision or requirement of the Declaration or these Bylaws. The Architectural Control Committee may charge and collect a reasonable fee for the examination of any plans and specifications submitted for approval pursuant to the provisions of this Article. The decision of the Architectural Control Committee shall be final except that any Unit Owner who is aggrieved by any action or forbearance from action by the Architectural Control Committee shall have the right to appeal to the Board of Directors of the Association and, upon the request of such Unit Owner, shall be entitled to a hearing before the Board of Directors.

Section 5.23. Declarant's Exemption. Notwithstanding any provision of Sections 5.17 through 5.22 of this Article to the contrary, the provisions of said Sections 5.17 through 5.22 shall not apply to a Unit owned by the Declarant or its designee which is used as a model or is being or will be offered for sale by the Declarant until a deed to such Unit has been delivered by the Declarant to a purchaser thereof. Further, the aforesaid provisions shall not apply to the Declarant's actions with respect to the Common Elements of the Condominium until the completion of the Declarant's construction thereof, as well as the completion of Declarant's development, marketing, sales, management and leasing activities regarding the Property.

Section 5.24. Cloisters at Charles Condominium Association. Access to Cloisters at Charles III Condominium is through the existing Cloisters at Charles Condominium project and has the benefit of certain common-use facilities including, but not limited to, the use of the roads within the Cloisters at Charles Condominium, sewer and water facilities and the security gate. The Owners of Units in the Cloisters at Charles III, A Condominium shall be subject to the payment of certain assessments for the maintenance of the common facilities located in the Cloisters at Charles Condominium in

accordance with the terms of a Common Use and Maintenance Agreement between the Declarant and the Cloisters at Charles Condominium Association.

Section 5.25. Right of Access. All Unit Owners hereby grant a right of access to their Units to the managing agent and/or such other persons as may be authorized by the Board of Directors or the managing agent for the purpose of making inspections and for the purpose of performing installations, alterations or repairs to the mechanical and electrical services and other Common Elements in their Units or elsewhere in the Condominium, and to correct any condition which violates the provisions of any mortgage covering a Unit, provided that requests for entry are made in advance and that such entry is at a time reasonably convenient to the Unit Owner. In case of an emergency such right of entry shall be immediate, whether the Unit Owner is present at the time or not.

Section 5.26. Family Day Care. The use of any Unit within the Property as a "Family Day Care Home", as defined in §11-111.1 of the Act, as amended, is permitted, provided that it meets all of the necessary approvals under the law and provided that: (i) before any Unit may be used as a Family Day Care Home, the Owner and/or resident of such Unit shall notify the Association, in writing, at least thirty (30) days prior to the opening of the Family Day Care Home through the filing of an application for approval; and further, provided (ii) that the Board of Directors, or its designee, is provided at least annually with evidence to its satisfaction that any such dwelling continues to be in compliance with all of the necessary approvals under the law, including, without limitation, any local ordinances. In addition to the foregoing, an application filed with Board of Directors for use of a dwelling unit as a Family Day Care Home, is subject to the following conditions:

(a) The percentage of Family Day Care Homes permitted within the Property shall not be more than the seven and one-half percent (7.5%) of the total number of Units within the Property.

(b) Each "Day Care Provider", as defined in §11-111.1 of the Act, operating a Family Day Care Home within the Property shall pay, on a pro-rata basis (based on the total number of Family Day Care Homes operating within the Property) any increase in insurance costs incurred by the Association that is solely and directly attributable to the operation of Family Day Care Homes within the Property.

(c) The Association may impose a reasonable fee not to exceed Fifty Dollars (\$50.00) per year (or such other amount as may be allowed under applicable law) on each Family Day Care Home for the use of the Common Elements.

(d) Each day care provider operating a Family Day Care Home within the Property shall obtain the liability insurance described under Article 48A, §481D of the Annotated Code of Maryland (1991), as amended, in at least the minimum amount described under that statute, and shall not operate unless such minimum liability insurance is in effect at all times.

(e) Each Family Day Care Home must be registered under Title 5, Subtitle 5 of the Family Law Article of the Code, and shall not operate unless such registration remains current.

Section 5.27. No-Impact Home-Based Business. The use of any Unit within the Condominium as a "No-Impact Home-Based Business", as defined in §11-111.1 of the Act, as amended, shall be permitted provided that:

(a) Before any Unit may be used as a No-Impact Home-Based Business the Owner and/or resident of such Unit shall notify the Association, in writing, at least thirty (30) days prior to the opening of the No-Impact Home-Based Business.

(b) No activities associated with a No-Impact Home-Based Business may be conducted in the Common Elements.

Nothing contained in this Section 5.27, shall be construed to prohibit the Declarant from the use of any portion of the Condominium, for promotional or display purposes, or as "model homes", a sales and/or construction office, or the like.

ARTICLE 6 Mortgages

Section 6.1. Notice to Board of Directors. A Unit Owner who mortgages his Unit shall notify the Board of Directors in writing of the name and address of his mortgagee. The Board of Directors shall maintain such information in a book entitled "Mortgages of Units".

Section 6.2. Examination of Books. Each Unit Owner, contract purchaser of a Unit and each mortgagee of a Unit shall be permitted to examine the books and records of the Association at reasonable times on business days.

Section 6.3. Notice of Loss to or Taking of Common Elements. The Board of Directors shall give written notice to Eligible Mortgage Holders who have requested such notice of any condemnation or casualty loss which affects a material portion of the Condominium or any Unit on which a First Mortgage is held, insured or guaranteed by such Eligible Mortgage Holder of any Unit or the Common Elements or related facilities of the Condominium.

Section 6.4. Financial Statement. The Association shall provide any Eligible Mortgage Holder who submits a written request, a copy of an annual financial statement for the preceding fiscal year of the Association within ninety (90) days following the end of such fiscal year. Such financial statement shall be audited by an independent certified public accountant if:

(a) the Condominium contains fifty (50) or more Units, in which case the cost of the audit shall be a common expense; or

(b) the Condominium contains fewer than fifty (50) Units and the Eligible Mortgage Holder bears the cost of the audit.

Section 6.5. Definition. As used in these Bylaws, the term "mortgagee" shall mean any mortgagee or trustee under a deed of trust which is a lien upon a Unit, or the party secured or beneficiary of any recorded deed of trust, and shall not be limited to institutional mortgagees; and the term "mortgage" shall include a deed of trust. As used generally in these Bylaws, the term "institutional holder" or "institutional mortgagee" shall include banks, trust companies, insurance companies, mutual savings banks, mortgage insurance companies, mortgage companies, credit unions, savings and loan associations, pension funds, FNMA, FHLMC, and any corporation, including a

corporation of, or affiliated with, the United States Government, or any agency thereof. "First Mortgage" shall mean a mortgage with priority over all other mortgages. As used in these Bylaws, the term "Eligible Mortgage Holder" shall mean a holder, insurer or guarantor of a First Mortgage on a unit who has requested notice from the Council of Unit Owners of amendments to the condominium documents or other significant matters which would affect the interests of the mortgagee.

Section 6.6. Percentage of Eligible Mortgage Holders. Wherever in the Declaration or these Bylaws the approval or consent of a specified percentage of Eligible Mortgage Holders is required, it shall mean the approval or consent of Eligible Mortgage Holders holding security interests in Units which in the aggregate have allocated to them such specified percentage of votes in the Association as compared to the total allocated to all Units then subject to security interests held by Eligible Mortgage Holders. An Eligible Mortgage Holder who is notified of any proposed amendment(s) to the condominium documents or other matter for which it is entitled to notice as provided in the Declaration or these Bylaws (such notice to be delivered by certified or registered mail, return receipt requested), and which fails to respond within sixty (60) days of receipt of such notice shall be deemed to have consented to the proposed amendment(s) or other matter which the Eligible Mortgage Holder was provided notice of.

Section 6.7. Notice of Actions. The Association shall give prompt written notice to each Eligible Mortgage Holder of (and each Unit Owner hereby consents to, and authorizes such notice):

(a) Any condemnation loss or any casualty loss which affects a material portion of the Common Elements, Condominium or any Unit subject to a First Mortgage or security interest held, insured, or guaranteed by such Eligible Mortgage Holder.

(b) Any delinquency in the payment of common expense assessments or charges owed by a Unit Owner whose Unit is subject to a First Mortgage or security interest held, insured, or guaranteed, by such Eligible Mortgage Holder which remains uncured for a period of sixty (60) days.

(c) Any lapse, cancellation, or material modification of any insurance policy or fidelity insurance maintained by the Association.

(d) Any proposed amendment to the Declaration, these Bylaws or Condominium Plat effecting a change in the purposes to which any Unit or the Common Elements are restricted.

(e) Any proposed termination of the Condominium.

(f) Any proposed action which would require the consent of a specified percentage of Eligible Mortgage Holders as specified in Article 9, Section 9.5 of the Declaration.

To be entitled to receive notice of the foregoing, the Eligible Mortgage Holder must send a written request to the Association, stating both its name and address and the Unit number or address of the Unit on which it has (or insures or guarantees) the mortgage.

Section 6.8. Development Rights. No development rights may be voluntarily abandoned or terminated by the Declarant unless all persons holding security interests in the development rights consent to the abandonment or termination.

Section 6.9. Enforcement. The provisions of this Article are for the benefit of Eligible Mortgage Holders and their successors, and may be enforced by any of them by any available means, at law, or in equity.

Section 6.10. Attendance at Meetings. Any representative of an Eligible Mortgage Holder may attend and address any meeting which a Unit Owner may attend.

ARTICLE 7 Sales and Mortgages of Units

Section 7.1. Sales. A Unit Owner may sell, convey or otherwise transfer his or her Unit, or any interest therein, without the consent of the Association.

Section 7.2. No Severance of Ownership. Except as may be provided in the Act, no Unit Owner shall execute any lease, mortgage or other instrument conveying or mortgaging title to his or her Unit without including therein the appurtenant Common Elements, it being the intention hereof to prevent any severance of such combined ownership. Any such lease, mortgage or other instrument purporting to affect one or more of such interests, without including all such interests, shall be deemed and taken to include the interest or interests so omitted, even though the latter shall not be expressly mentioned or described therein. No part of the appurtenant Common Elements of any Unit may be sold, transferred or otherwise disposed of, except as part of a sale, transfer or other disposition of the Unit to which such interests are appurtenant, or as part of a sale, transfer or other disposition of such part of the appurtenant Common Elements of all Units.

ARTICLE 8 Condemnation

In the event of a taking in condemnation (or by purchase in lieu thereof) of a Unit or any part thereof or of part or all of the Common Elements, the Association is hereby appointed by each Unit Owner as its attorney-in-fact in any proceedings, negotiations, settlements or agreements related to such condemnation (or purchase in lieu thereof). Any proceeds from the settlement of such condemnation (or purchase in lieu thereof) shall be payable to the Association, or an Insurance Trustee (if an Insurance Trustee is appointed by the Association) for the benefit of the Unit Owners and their mortgage holders. Any distribution of funds in connection with the termination of the Condominium shall be made in accordance with the Act.

ARTICLE 9 Records and Audits

The Board of Directors or the managing agent shall keep books and records in accordance with good accounting practices on a consistent basis. In addition to the provisions of Article 6, Section 6.4 of these Bylaws, on the request of the Unit Owners of at least five percent (5%) of the Units, an audit by an independent Certified Public Accountant shall be made, provided an audit shall be made not more than once in

any consecutive twelve (12)-month period. The cost of such audit shall be a common expense. Every record kept by the Council of Unit Owners and current copies of the Declaration, Bylaws and Rules (if any) of the Association shall be available in accordance with the Act and these Bylaws for examination and copying by any Unit Owner, contract purchaser of a Unit and mortgagee of a Unit (and insurers and guarantors of First Mortgages secured by a Unit or Units), and their respective duly authorized agents or attorneys, during normal business hours and after reasonable notice.

ARTICLE 10

Parking

Any parking spaces not designated as a part of a Unit by the Declaration, these Bylaws or on the Condominium Plat are part of the General Common Elements of the Condominium and are hereby unassigned and designated for general use, to be used on a "first come, first served" basis. Subject to applicable law, the Board of Directors may assign all or any portion of these parking spaces as "reserved" for the exclusive use of designated Unit Owners. No vehicle belonging to any Unit Owner, or to any guest or employee of any Unit Owner, shall be parked in a manner which unreasonably interferes with or impedes ready vehicular access to any adjoining parking space.

Each Unit Owner shall comply in all respects with such supplementary Rules which are not inconsistent with the provisions of the Declaration or these Bylaws which the Board of Directors may from time to time adopt and promulgate with respect to parking and traffic control within the Condominium, and the Board of Directors is hereby, and elsewhere in these Bylaws, authorized to adopt such Rules. The location of any parking space assigned to any Unit Owner in accordance with this Article may be changed by the Board of Directors, at any time and from time to time, upon reasonable notice thereof in writing. The Board of Directors reserves the right to assign and reassign parking spaces if necessary to fulfill federal, state or local laws, including, without limitation, the Fair Housing Amendments Act of 1988, as amended, and any Unit Owner requested by the Board of Directors to relinquish or convey his or her reserved parking space shall promptly comply with such request; provided, however, if another reserved parking space is not made available to such Unit Owner, the Board of Directors shall reimburse such Unit Owner for any monies previously paid to acquire such reserved parking space.

ARTICLE 11

Easements for Utilities and Related Purposes

Subject to the requirements of Section 11-125 of the Act, the Association is authorized and empowered to grant (and shall from time to time grant) such licenses, easements, leases and/or rights-of-way for sewer lines, water lines, electrical cables, cable television, telephone cables, gas lines, storm drains, underground conduits and/or such other purposes related to the provision of public utilities to the Condominium as may be considered necessary or appropriate by the Board of Directors for the orderly

maintenance, preservation, and enjoyment of the Common Elements or for the preservation of the health, safety, convenience and/or welfare of the owners of the Units or the Declarant and/or as required by the Declaration. The Association shall have the power to grant such licenses, easements, leases and rights-of-way as set forth in Section 11-125 of the Act.

ARTICLE 12
Dispute resolution; Arbitration

Section 12.1. Claim Notice: Inspection. Every claim against the Declarant (including any of the Declarant's employees, agents or contractors) by the Council of Unit Owners and/or any Owner or Owners (the "Claimant") regarding the design, construction, or warranty of the Common Elements or other portion of the Condominium shall be resolved pursuant to the requirements of this Article. Should the Claimant fail to follow the procedures set forth in Sections 12.1 or Section 12.2, the Declarant may demand binding arbitration as set forth in Section 12.3.

(a) The Claimant shall make a prudent and reasonable attempt to mail or otherwise deliver written notice to the Declarant specifying the defect or defects that are the subject of its claim, including identification of all Common Elements and other portions of the Condominium that have manifested damage or otherwise indicate existence of a defect (the "Claim Notice").

(b) Within twenty (20) days after the receipt of the Claim Notice, the Declarant may make a written request to the Claimant to inspect the Common Elements and other portions of the Condominium identified in the Claim Notice (the "Inspection Request"). If the Declarant fails to deliver a timely Inspection Request, the Claimant or the Declarant may demand binding arbitration as set forth in Section 12.3.

(c) Within ten (10) days after receipt of the Inspection Request, the Claimant shall make available for inspection all Common Elements and/or other portions of the Condominium identified in the Claim Notice during normal working hours or other mutually agreed upon times. If necessary, interior inspections of Units shall occur only during normal business hours or other mutually agreed upon times, only upon prior notice to the Owner or occupant of the Unit, and only with the consent of the Owner of the Unit, which consent may not be unreasonably withheld or delayed.

(d) Such inspection shall be completed within fifteen (15) days after the date the Common Elements and other portions of the Condominium are made available to the Declarant by the Claimant for inspection; provided, however, that if such inspection is not reasonably capable of being completed within such fifteen (15) day period, and provided further that the Declarant commences good faith efforts to commence such inspection within such fifteen day (15) day period and thereafter diligently prosecutes such efforts to completion, such fifteen (15) day period shall be extended for the period of time reasonably necessary for the Declarant to commence and complete such inspection. The Declarant shall pay all costs of such inspection, shall restore the Common Elements and other portions of the Condominium to the condition that existed immediately before such inspection within five (5) days after the completion of such inspection, and shall indemnify the Claimant for any and all damages resulting

from such inspection; provided, however, that if such restoration is not reasonably capable of being completed within such five (5) day period, and provided further that the Declarant commences good faith efforts to commence such restoration within such five (5) day period and thereafter diligently prosecutes such efforts to completion, such five (5) day period shall be extended for the period of time reasonably necessary for the Declarant to commence and complete such restoration.

Section 12.2. Settlement Statement; Conference.

(a) Within fifteen (15) days after completion of the inspection under Section 12.1 of this Article, the Declarant shall submit a written statement to the Claimant stating the Declarant's proposed settlement of the claim or claims identified in the Claim Notice, and stating whether the Declarant proposes to do any remedial work, pay the Claimant a cash amount, or both (the "Settlement Statement").

(b) If the Declarant fails to deliver a timely Settlement Statement, the Claimant or the Declarant may demand binding arbitration as set forth in Section 12.3.

(c) If the Declarant delivers a timely Settlement Statement, then within fifteen (15) days after receipt of the Settlement Statement, the Unit Owner or at least a majority of the Board of Directors (if the Claimant is the Council of Unit Owners) shall hold a settlement conference with the Declarant to discuss the claim or claims identified in the Claim Notice and the proposed settlement stated in the Settlement Statement (the "Settlement Conference"). The Claimant and the Declarant may be represented at the Settlement Conference, and any mutually agreed upon continuation thereof, by attorneys and consultants.

(d) If a settlement of the claim or claims identified in the Claim Notice is not reached within fifteen (15) days after the Settlement Conference, or any mutually agreed upon continuation thereof, the Claimant or the Declarant may deliver to the other party a written demand for binding arbitration as set forth in Section 12.3.

(e) Any notice, request, statement, or other communication required to be sent to the Declarant or the Council of Unit Owners under this Article shall be mailed by first-class registered or certified mail, return receipt requested, or sent by facsimile (with evidence of transmission and receipt), or personally served on the party entitled to receive such notice, request statement or other communication.

Section 12.3. Arbitration.

(a) Every claim against the Declarant by a claimant regarding the design, construction, or warranty of the Common Elements or other portion of the Condominium which has not been resolved pursuant to Sections 12.1 and Section 12.2 above shall be submitted to binding arbitration in accordance with this Section 12.3, unless the parties to such dispute agree otherwise.

(b) Either party may commence the arbitration process called for in this Section by filing a written demand for arbitration with the other party. The arbitration shall be conducted at a location determined by the arbitrator in the Baltimore metropolitan area and will be administered in accordance with the provisions of the Commercial Arbitration Rules of the American Arbitration Association in effect at the time of filing of the demand for arbitration, or such other rules and procedures that are agreed to by all parties. The parties covenant that they will participate in the arbitration in good faith and that they will share equally in the fees and expenses of the arbitrator.

Should Claimant in violation of this Article 12, commence legal action in a court, Declarant shall have the right to have such legal action dismissed and to recover the cost of obtaining the dismissal.

(c) The arbitrator shall determine which is the prevailing party and shall include in the award payment by the non-prevailing party of the prevailing party's reasonable attorneys' fees and expenses. The provisions of this Section 12.3 and any judgment rendered by the arbitrator may be enforced by any court of competent jurisdiction, and the party seeking enforcement shall be entitled to an award of all costs, fees and expenses, including attorneys' fees, to be paid by the party against whom enforcement is ordered.

(d) **EACH CLAIMANT COVENANTS AND AGREES TO HAVE ALL DISPUTES COVERED BY THIS ARTICLE 12 DECIDED BY NEUTRAL ARBITRATION IN ACCORDANCE WITH THIS SECTION 12.3 AND RELINQUISH ANY RIGHTS THAT MAY BE AVAILABLE TO HAVE SUCH MATTERS LITIGATED IN A COURT OR BY JURY TRIAL, INCLUDING JUDICIAL RIGHTS TO DISCOVERY AND APPEAL. THE REFUSAL BY A PARTY TO SUBMIT TO ARBITRATION IN ACCORDANCE WITH THIS SECTION 12.3 MAY RESULT IN THE PARTY BEING COMPELLED TO ARBITRATE UNDER FEDERAL OR STATE LAW.**

Section 12.4. Statute of Limitations: Tolling.

(a) Delivery of the Claim Notice to the Declarant shall, upon receipt by the Declarant, toll any applicable statutes of limitations regarding the claim or claims identified in the Claim Notice for the period of time specified in this Section, except for any statutes of limitations that have already expired pursuant to applicable law.

(b) If the Declarant fails to deliver a timely Inspection Request, the tolling of applicable statutes of limitations provided for by this Section shall cease on the twentieth (20th) day after delivery of the Claim Notice. In all other cases the tolling of applicable statutes of limitations provided for in this Section shall cease on the first to occur of (i) the twentieth (20th) day after the Declarant's failure to deliver a timely Settlement Statement, (ii) the sixtieth (60th) day after the Settlement Conference, or any mutually agreed upon continuation thereof.

Section 12.5. Amendment. Any provision of these Bylaws or the Declaration to the contrary notwithstanding, no amendment to this Article shall be made without the prior written consent of the Declarant, which consent shall be recorded among the Land Records of Baltimore County, Maryland; provided, however, that the Council of Unit Owners and the Declarant may mutually agree, in writing, to modify or excuse any of the conditions or time periods set forth in this Article.

ARTICLE 13
Miscellaneous

Section 13.1. Notices. All notices hereunder to the Council of Unit Owners or the Board of Directors shall be sent by personal delivery with a signed receipt, or by first-class registered or certified mail, return receipt requested, postage prepaid, to the Board of Directors or managing agent (if any), to the mailing address specified in these Bylaws.

All notices hereunder to any Unit Owner shall be sent by mail or personally delivered to the address as may have been designated by such Unit Owner from time to time, in writing, for inclusion on the Association Roster. All notices hereunder to mortgagees of Units shall be sent by first-class mail or personally delivered to their respective addresses as designated by them from time to time, in writing, to the Board of Directors. All notices hereunder to the Declarant shall be sent by personal delivery with a signed receipt, or by first-class registered or certified mail, return receipt requested, postage prepaid, to:

Declarant: Goodier Builders at the Cloisters, LLC
10705 Charter Drive
Suite 320
Columbia, Maryland 21044

with a copy to: Reese and Carney, LLP
10715 Charter Drive
Suite 200
Columbia, Maryland 21044
Attention: Laurence B. Raber, Esquire

Any notice hereunder may also be sent by facsimile (provided the original is, on the same day, sent to the addressee by one of the other methods of delivery set forth in this Section). All notices shall be in writing and shall be deemed to have been given (i) when delivered if by personal delivery, (ii) on the date evidenced by the return receipt if by registered or certified mail, or (iii) three (3) days after mailing, if mailed by first-class or other mail, postage prepaid; provided, however, that all notices of a change of address shall be deemed to have been given when received. The parties shall be responsible for notifying each other of any change of address.

Section 13.2. Invalidity. The provisions of these Bylaws shall be severable, and the invalidity of any part of these Bylaws shall not impair or affect in any manner the validity, enforceability or effect of the balance of these Bylaws.

Section 13.3. Captions. The captions herein are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of these Bylaws, or the intent of any provision thereof.

Section 13.4. Gender. The use of the masculine gender in these Bylaws shall be deemed to include the feminine gender and the use of the singular shall be deemed to include the plural, whenever the context so requires, and vice versa.

Section 13.5. Waiver. No restriction, condition, obligation or provision contained in these Bylaws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches thereof which may occur.

Section 13.6. Amendments to Bylaws. Except as elsewhere herein or in the Declaration provided otherwise, these Bylaws may be modified or amended in accordance with Section 11-104(e) of the Act.

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Section 13.7. Conflicts. In case any part of these Bylaws conflict with the Act and/or the Declaration, the provisions of the Act and/or Declaration as the case may be, shall control.

END OF BYLAWS

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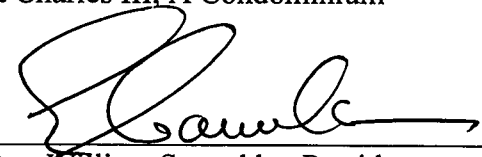
AMENDMENT TO THE BYLAWS OF THE COUNCIL OF UNIT OWNERS OF CLOISTERS AT CHARLES III, A CONDOMINIUM

As set forth herein, this Amendment is intended to amend and replace Article II, Sections 2.5 of the By-Laws of the Council of Unit Owners of Cloisters at Charles III, A Condominium which are recorded in liber 25230, folio 308 of the land records of Baltimore County, Maryland.

Section 2.5. Annual Meetings. Annual meetings of the Association shall be held in the month of September of each year at a time and place determined by the Board of Directors. Notice of such meetings shall be given in accordance with the provisions of Section 2.8 of this Article 2. Annual meetings of the Association shall be held for the purpose of electing Directors to succeed those whose terms shall have expired as of the date of such annual meetings, and for the transaction of such other business as may come before the meeting.

IN WITNESS WHEREOF, this Amendment to the By-laws of the Council of Unit Owners of Cloisters at Charles III, A Condominium is declared to be the act of the Council of Unit Owners in accordance with the By-laws.

Council of Unit Owners of Cloisters
at Charles III, A Condominium



By: William Spannhke, President

BALTIMORE

STATE OF MARYLAND, COUNTY OF _____, TO WIT:

I HEREBY CERTIFY that on this 22ND day of JANUARY, 2013, before me, the subscriber, a Notary Public for the state aforesaid, personally appeared William Spannhke, President for Council of Unit Owners of Cloisters at Charles III, A Condominium, and acknowledged the foregoing to be the act of said Condominium and he further acknowledged and certified that he is the person specified in the By-laws to execute the amendment to the By-laws of the Condominium.

Beverley D. Gotsinsky
Notary Public

My Commission Expires: 12/16/2015

THIS IS TO CERTIFY that the within Amendment to the By-laws was prepared by, or under the supervision of the undersigned, an attorney duly admitted to practice before the Court of Appeals of Maryland.

[Signature]
John M. Oliveri, Esq.

AFTER RECORDING, PLEASE

RETURN TO:

Oliveri & Associates, LLC
The Law Office of John M. Oliveri
635 Bestgate Road, Suite 200
Annapolis, Maryland 21401
(410) 295-3000

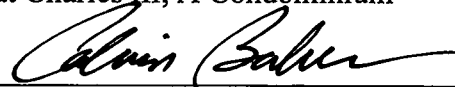
Order: 28P9YKKJ5
Address: 6507 Abbey View Way
Order Date: 02-05-2025
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CERTIFICATE OF SECRETARY
OF THE COUNCIL OF UNIT OWNERS OF CLOISTERS AT CHARLES III, A
CONDOMINIUM FILED PURSUANT TO SECTION 11-104 OF THE REAL PROPERTY
ARTICLE OF THE ANNOTATED CODE OF MARYLAND

I HEREBY CERTIFY AS FOLLOWS:

1. That I am the person designated pursuant to Article IV, Section 4.6 the By-Laws of the Council of Unit Owners of Cloisters at Charles III, A Condominium to count and record the votes at the meeting of the Council of Unit Owners of Cloisters at Charles III, A Condominium held on September 19, 2012 and any continuance thereof.
2. That the amendment to Article II, Section 2.5 was duly approved by unit owners having the required percentage of votes at a meeting of the Council of Unit Owners of Cloisters at Charles III, A Condominium held on September 19, 2012 and any continuance thereof and shall be effective upon recordation.
3. That the amendment to Article II, Section 2.5 of the By-Laws of Council of Unit Owners of Cloisters at Charles III, A Condominium was approved by nineteen (19) votes in favor of the amendment, with no votes against the amendment or abstentions thereto.
4. As of September 19, 2012, there were 26 unit owners eligible to vote on the amendment.
5. The amendment to Article II, Section 2.5 was approved by seventy-three percent (73%) of the unit owners of the Council of Unit Owners of Cloisters at Charles III, A Condominium

Council of Unit Owners of Cloisters
at Charles III, A Condominium



By: Calvin Baker, Secretary

STATE OF MARYLAND, COUNTY OF BALTIMORE, TO WIT:

I HEREBY CERTIFY that on this 22ND day of JANUARY, 2013, before me, the subscriber, a Notary Public for the state aforesaid, personally appeared Calvin Baker, - Secretary for Council of Unit Owners of Cloisters at Charles III, A Condominium, and acknowledged the foregoing to be the act of said Condominium and he further acknowledged and certified that he is the person specified in the By-laws to tally votes at meetings of the Condominium and that the foregoing was approved by the percentage of votes required by law and the By-laws of the Condominium.

Reverley D. Kotishy
Notary Public

My Commission Expires: 12/14/2015

AMENDMENT TO ARTICLE 2, SECTION 2.5 OF THE
BYLAWS OF THE COUNCIL OF UNIT OWNERS OF
CLOISTERS AT CHARLES III, A CONDOMINIUM

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State of Maryland Land Instrument Intake Sheet
Baltimore City County Baltimore
Information provided is for the use of the Clerk's Office, State Department of Assessments and Taxation, and County Finance Office Only.

Space Reserved for Circuit Court Clerk Recording Validation

IMP FD SURE 40.00
RECORDING FEE 20.00
TOTAL 60.00
Rest BADA Rcpt # 22249
JLE CR Blk # 182
May 01, 2013 11:35 am

1 Type(s) of Instruments
2 Conveyance Type Check Box
3 Tax Exemptions (if applicable)

4 Consideration and Tax Calculations
Consideration Amount
Purchase Price/Consideration
Any New Mortgage
Balance of Existing Mortgage
Other:
Full Cash Value:
Finance Office Use Only
Transfer and Recordation Tax Consideration

5 Fees
Amount of Fees
Recording Charge
Surcharge
State Recordation Tax
State Transfer Tax
County Transfer Tax
Other
Other

6 Description of Property
SDAT requires submission of all applicable information.
A maximum of 40 characters will be indexed in accordance with the priority cited in Real Property Article Section 3-104(g)(3)(i).

7 Transferred From
Doc. 1 - Grantor(s) Name(s)
Doc. 2 - Grantor(s) Name(s)
Doc. 1 - Owner(s) of Record, if Different from Grantor(s)
Doc. 2 - Owner(s) of Record, if Different from Grantor(s)

8 Transferred To
Doc. 1 - Grantee(s) Name(s)
Doc. 2 - Grantee(s) Name(s)
New Owner's (Grantee) Mailing Address

9 Other Names to Be Indexed
Doc. 1 - Additional Names to be Indexed (Optional)
Doc. 2 - Additional Names to be Indexed (Optional)

10 Contact/Mail Information
Instrument Submitted By or Contact Person
Name: John M. Oliveri, Esq.
Firm Oliveri & Associates, LLC
Address: 635 N. Bestgate Road, Suite 200
Annapolis, Maryland 21401
Phone: (410) 295-3000

11 Assessment Information
IMPORTANT: BOTH THE ORIGINAL DEED AND A PHOTOCOPY MUST ACCOMPANY EACH TRANSFER
Will the property being conveyed be the grantee's principal residence?
Does transfer include personal property?
Was property surveyed?

Assessment Use Only - Do Not Write Below This Line
Terminal Verification
Agricultural Verification
Whole Part Tran. Process Verification
Transfer Number
Date Received:
Deed Reference:
Assigned Property No.:
Year 20 20
Geo. Map Sub Block
Land Zoning Use Parcel Plat Lot
Buildings Use Parcel Section Occ. Cd.
Total Town Director of Budget and Finance BALTIMORE COUNTY, MARYLAND x. Cd.

BALTIMORE COUNTY CIRCUIT COURT (Land Records) JLE 33554, p. 0311, MSA_CE62_33410, Date available 05/08/2013, Printed 02/05/2020.