

BYLAWS

OF

ANNAPOLIS PRESERVE COMMUNITY ASSOCIATION, INC.

ARTICLE 1

Name and Location

The name of the corporation is ANNAPOLIS PRESERVE COMMUNITY ASSOCIATION, INC., hereinafter referred to as the "Association". The principal office of the corporation shall be located at 3206 Tower Oaks Boulevard, Suite 310, Rockville, Maryland 20852, but meetings of Members and Directors may be held at such places within or outside the State of Maryland as may be designated by the Board of Directors.

ARTICLE 2

Definitions

Section 2.1. "Association" shall mean and refer to ANNAPOLIS PRESERVE COMMUNITY ASSOCIATION, INC., a nonstock Maryland corporation, its successors and assigns.

Section 2.2. "Common Area" shall mean and refer to all real property owned, leased or maintained by the Association (including the improvements thereto) for the common use and enjoyment of the Owners. Notwithstanding the foregoing, in the event the Association maintains all or any portion of any Lot(s), such property shall not be considered Common Area. The Common Area anticipated to be owned by the Association at the time of conveyance of the first Lot is more particularly described on the legal description attached to and made a part of the Declaration as Exhibit "B".

Section 2.3. "Common Expenses" shall mean and refer to the actual and estimated expenses of operating the Association, including a reasonable reserve, all as may be found to be necessary or appropriate by the Board of Directors pursuant to the Declaration, these Bylaws and the Articles of Incorporation of the Association.

Section 2.4. "Declarant" shall mean and refer to The Preserve at Annapolis Limited Partnership, a Maryland limited partnership, its successors and assigns if such successors or assigns should acquire more than one undeveloped Lot from the Declarant for the purpose of development, but only to the extent that any of the rights, reservations, easements, interests, exemptions, privileges or powers of the Declarant are specifically assigned or transferred to such successors or assigns by an instrument in writing.

Section 2.5. "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions applicable to the Property recorded among the Land Records for Anne Arundel County, Maryland, including any amendments and supplements thereto.

Section 2.6. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the Property upon which it is intended that a dwelling unit be constructed, including, without limitation, single-family detached dwelling units. The term "Lot" shall not include Common Area or outlots of property dedicated for public use.

Section 2.7. "Member" shall mean and refer to every person, group of persons, corporation, partnership, trust, or other legal entity, or any combination thereof, who holds any class of membership in the Association.

Section 2.8. "Mortgagee" shall mean the holder of any recorded mortgage, or the party secured or beneficiary of any recorded deed of trust, encumbering one or more of the Lots. "Mortgage", as used herein, shall include deeds of trust. "First Mortgage", as used herein, shall mean a mortgage with priority over all other mortgages. As used in the Declaration, the term "mortgagee" shall mean any mortgagee and shall not be limited to institutional mortgagees. As used in the Declaration, the term "institutional mortgagee" or "institutional holder" shall include banks, trust companies, insurance companies, mortgage insurance companies, savings and loan associations, trusts, mutual savings banks, credit unions, pension funds, mortgage companies, Federal National Mortgage Association ("FNMA"), Government National Mortgage Association ("GNMA"), Federal Home Loan Mortgage Corporation ("FHLMC"), all corporations and any agency or department of the United States Government or of any state or municipal government, or any other organization or entity which has a security interest in any Lot. In the event any mortgage is insured by the Federal Housing Administration ("FHA") or guaranteed by the Department of Veterans Affairs ("VA"), then as to such mortgage, the expressions "mortgagee" and "institutional mortgagee" include the FHA or the VA as the circumstances may require, acting, respectively, through the Federal Housing Commission and the Secretary of Veterans Affairs or through other duly authorized agents.

Section 2.9. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Lot which is a part of the Property, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 2.10. "Property" shall mean and refer to all real property as may hereafter be brought within the jurisdiction of the Association pursuant to Article 2 of the Declaration.

Any other capitalized terms used herein shall be defined as set forth in the Declaration unless specifically provided otherwise in these Bylaws.

ARTICLE 3
Meeting of Members

Section 3.1. Annual Meetings. The first annual meeting of the Members shall be held within twelve (12) months from the date of filing of the Articles of Incorporation of the Association, or within sixty (60) days of the date of conveyance of fifty percent (50%) of the Lots which may be annexed within the Property, whichever occurs earlier, and each subsequent regular annual meeting of the Members shall be held on the same day of the same month of each year thereafter or such other reasonably similar date as may be selected by the Board of Directors. If the day for the annual meeting of the Members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday.

Section 3.2. Special Meetings. Special meetings of the Members may be called at any time by the President or by the Board of Directors, or upon written request of the Members who are entitled to vote one-fourth (1/4) of all of the votes of the Class A membership.

Section 3.3. Notice of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of, the Secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, or hand delivering a copy of such notice, at least ten (10) days (but not more than ninety (90) days) before such meeting to each Member entitled to vote thereat, addressed to the Member's address last appearing on the books of the Association, or supplied by such Member to the Association for the purpose of notice. Such notice may be waived upon the declaration of an emergency by the person calling the meeting. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting. All meetings of the Members shall be held at places and times convenient to the greatest number of Members.

Section 3.4. Quorum. The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, one-fourth (1/4) of the votes of each class of membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration or these Bylaws. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

Section 3.5. Voting. At every meeting of the Members, each Class A Member shall have the right to cast one (1) vote for each Class A membership which he owns on each question. Each of the Class B Members shall have the right to cast one (1) vote for each Class B membership which he owns on each question. The vote of the Members representing fifty-one percent (51%) of the total of the votes of all of the memberships at the meeting, in person or by proxy, calculated as aforesaid, shall be necessary to decide any question brought before such meeting, unless the question is one upon which, by the express provision of law or of the Articles of Incorporation, or of the Declaration or of these Bylaws, a different vote is required, in which case such express provision shall govern and

control. The vote for any membership which is owned by more than one person may be exercised by any of the co-owners present at any meeting unless any objection or protest by any other owner of such membership is noted at such meeting. In the event all of the co-owners of any membership who are present at any meeting of the Members are unable to agree on the manner in which the votes for such membership shall be cast on any particular question, then such vote shall not be counted for purposes of deciding that question. In the event any membership is owned by a corporation, then the vote for any such membership shall be cast by a person designated in a certificate signed by the President or any Vice President of such corporation and attested by the Secretary or an Assistant Secretary of such corporation and filed with the Secretary of the Association, prior to or during the meeting. The vote for any membership which is owned by a trust or partnership may be exercised by any trustee or partner thereof, as the case may be, and, unless any objection or protest by any other such trustee or partner is noted at such meeting, the Chairperson of such meeting shall have no duty to inquire as to the authority of the person casting such vote or votes. No Class A Member shall be eligible to vote, either in person or by proxy, or to be elected to the Board of Directors, who is shown on the books or management accounts of the Association to be more than sixty (60) days delinquent in any payment due the Association. All election materials prepared with Association funds must list candidates in alphabetical order and must not suggest a preference among candidates.

Section 3.6. Absentee Ballots. Any unsigned absentee ballot, to be valid, shall be received in a signed, sealed envelope bearing the identification of the dwelling unit 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 3.7. Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his or her Lot. No proxy shall be valid after eleven (11) months from its date, unless otherwise provided in the proxy. Any proxy must be in writing and must be 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. Any written proxy which conforms with the applicable laws of Maryland shall be satisfactory and approved as to form by the Board of Directors. Notwithstanding anything herein to the contrary only a directed proxy may be utilized to vote for a member of the Board of Directors. A nondirected proxy may be counted toward a quorum and may vote on any matters of business other than the election of Directors.

Section 3.8. Rights of Mortgagees. Any institutional mortgagee of any Lot who desires notice of the annual and special meetings of the Members shall notify the Secretary to that effect by Registered Mail - Return Receipt Requested. Any such notice shall contain the name and post office address of such institutional mortgagee and the name of the person to whom notice of the annual and special meetings of the Members should be addressed. The Secretary of the Association shall maintain a roster of all institutional mortgagees from whom such notices are received and it shall be the duty of the Secretary to mail or otherwise cause the delivery of a notice of each annual or special meeting of the

Members to each such institutional mortgagee in the same manner, and subject to the same requirements and limitations as are otherwise provided in this Article for notice to the Members. Any such institutional mortgagee shall be entitled to designate a representative to attend any annual or special meeting of the Members and such representative may participate in the discussion at any such meeting and may, upon his or her request made to the Chairperson in advance of the meeting, address the Members present at any such meeting. Such representative shall have no voting rights at any such meeting. Such representative shall be entitled to copies of the minutes of all meetings of the Members upon request made in writing to the Secretary.

Section 3.9. Open Meetings.

(a) All meetings of the Association shall be open to all Members of the Association or their agents, 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) Consideration of the terms or conditions of a business transaction in the negotiation stage if the disclosure could adversely affect the economic interests of the Association;
- (vii) Complying with a specific constitutional, statutory or judicially imposed requirement protecting particular proceedings or matters from public disclosure; or
- (viii) 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 the meeting shall be included in the minutes of the next meeting of the Board of Directors (or committee, if applicable).

ARTICLE 4

Board of Directors; Selection; Term of Office

Section 4.1. Number. The affairs of the Association shall be managed by a Board of Directors initially consisting of three (3) natural persons who shall be designated by the Declarant and who shall hold office until the election of their successors at the first annual meeting of the Members of the Association. The names of the initial Directors are set forth in the Articles of Incorporation.

Commencing with the first annual meeting of the Association, the Board of Directors shall consist of an uneven number of not less than three (3) nor more than nine (9) Directors who shall be elected by the Members of the Association. Prior to the lapse of all of the Class B memberships as provided for in the Articles of Incorporation and the Declaration, the number of Directors shall be determined from time to time by the Declarant; thereafter, the number of Directors shall be determined by a vote of the Members at any annual or special meeting of Members and the number of Directors may be changed by a vote of the Members at any subsequent annual or special meeting of the Members; provided, however, that (a) the limitations of this Section shall continue to apply; and (b) no such change shall operate to curtail or extend the term of any incumbent Director.

A majority of the Board of Directors (after lapse of the Class B memberships as provided for in the Articles of Incorporation and the Declaration) shall be Members of the Association.

Section 4.2. Term of Office. The Directors of the Association designated by the Declarant in accordance with Article 4, Section 4.1, above, shall hold office at the pleasure of the Declarant until the first annual meeting of the Association as provided for in Article 3, Section 3.1, of these Bylaws. Commencing with the first annual meeting of the Association, the terms of office of members of the Board of Directors shall be fixed at three (3) years. In the alternative, the Members may resolve at any annual meeting, following the lapse of the Class B memberships, to establish the term of office for all Directors to be for a period less than three (3) years, or to establish staggered terms of office for the Directors of from one (1) to three (3) years. Any change in the number of Directors or term of office of Directors shall not act to extend or curtail the term of office of any incumbent. Directors shall hold office until their successors have been elected and hold their first regular meeting.

Section 4.3. Removal. Except with respect to Directors elected or appointed by the Declarant, any Director may be removed from the Board, with or without cause, by a majority vote of all the Members of the Association, and, in the event of the death, resignation or removal of a Director, a successor shall be selected by the remaining members of the Board who shall serve for the unexpired term of such Director's predecessor. Members of the Board of Directors elected or appointed 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 4.4. Compensation. No Director shall receive compensation for any service he or she may render to the Association. However, any Director may be reimbursed for his or her actual expenses incurred in the performance of his or her duties.

Section 4.5. Action Taken Without a Meeting. The Directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the Directors and filing such approval with the minutes of the proceedings of the Board of Directors. Any action so approved shall have the same effect as though taken at a meeting of the Directors.

ARTICLE 5 Nomination and Election of Directors

Section 5.1. Nomination. Nomination for election to the Board of Directors, commencing with the first annual meeting of Members, may be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairperson, who shall be a member of the Board of Directors, and two or more Members of the Association. The Nominating Committee, if any, may be appointed by the Board of Directors prior to each annual meeting of the Members and such appointment may be announced at each annual meeting. The Nominating Committee may make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among Members or non-Members.

Section 5.2. Election. Election to the Board of Directors shall be by secret written ballot. At such election the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. Only directed proxies shall be valid for the purpose of casting of votes for election of members to the Board of Directors. All election materials prepared with funds of the Association shall list candidates in alphabetical order and shall not suggest a preference among candidates. The persons receiving the largest number of votes shall be elected. Votes shall not be counted until after the time allotted by the Association for voting has ended. Cumulative voting is not permitted.

ARTICLE 6
Meetings of Directors

Section 6.1. Regular and Special Meetings. All 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 writing or upon written notice provided by mail or hand delivery not less than seventy-two (72) hours nor more than ninety (90) days prior to the date of the meeting. All such meetings shall be open to all Members of the Association or their agents, and shall be held at places and times convenient to the greatest number of Members. Meetings of the Board of Directors may be held in closed session only in accordance with Section 3.9 of these Bylaws.

Section 6.2. Quorum. A majority of the number of Directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

Section 6.3. Rights of Mortgagees. Any institutional mortgagee of any Lot who desires notice of the regular and special meetings of the Board of Directors shall notify the Secretary to that effect by Registered Mail - Return Receipt Requested. Any such notice shall contain the name and post office address of such institutional mortgagee and the name of the person to whom notice of the regular and special meetings of the Board of Directors should be addressed. The Secretary of the Association shall maintain a roster of all institutional mortgagees from whom such notices are received and it shall be the duty of the Secretary to mail or otherwise cause the delivery of a notice of each regular or special meeting of the Board of Directors to each such institutional mortgagee, in the same manner, and subject to the same requirements and limitations, as are otherwise provided in this Article for notice to the members of the Board of Directors. Any such institutional mortgagee shall be entitled to designate a representative to attend any regular or special meeting of the Board of Directors and such representatives may participate in the discussion at any such meeting and may, upon his or her request made to the Chairperson in advance of the meeting, address the members of the Board of Directors present at any such meeting. Such representative shall have no voting rights at any such meeting. Such representative shall be entitled to copies of the minutes of all meetings of the Board of Directors upon request made in writing to the Secretary.

Section 6.4. Fidelity Insurance. The Board of Directors may require that all officers, Directors and employees of the Association regularly handling or otherwise responsible for the funds of the Association furnish adequate fidelity insurance against acts of dishonesty. The premiums on such insurance shall be paid by the Association.

ARTICLE 7

Powers and Duties of the Board of Directors

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

- (a) adopt and publish rules governing the use of the Common Area and any facilities situated thereon, and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;
- (b) suspend the voting rights and right to use of the Common Area and any facilities situated thereon of a Member during any period in which such Member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and an opportunity for a hearing for a period not to exceed sixty (60) days for infraction of published rules;
- (c) exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these Bylaws, the Articles of Incorporation, or the Declaration;
- (d) declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors; and
- (e) employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties.

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

- (a) cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members, or at any special meeting when such statement is requested in writing by one-fourth (1/4) of the Class A Members who are entitled to vote;
- (b) supervise all officers, agents and employees of this Association, and to see that their duties are properly performed;
- (c) as more fully provided in the Declaration, to:
 - (1) fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period (the Board may determine, at its discretion, to round the assessments applicable to each Lot to the nearest half dollar or whole dollar amount);
 - (2) send written notice of each assessment to every Owner subject thereto at least fourteen (14) days in advance of the commencement date of the new assessments; and

(3) foreclose the lien against any property for which assessments are not paid within sixty (60) days after due date or to bring an action at law against the Owner personally obligated to pay the same;

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

(e) procure and maintain adequate liability and hazard insurance on property owned by the Association;

(f) cause all officers or employees having fiscal responsibilities to be insured, as it may deem appropriate;

(g) cause the Common Area to be maintained and maintain any other property which is the responsibility of the Association pursuant to the Declaration or the direction of any governmental agency or agreement or which is appurtenant to or serves and benefits any portion of the Property; and

(h) otherwise perform or cause to be performed the functions and obligations of the Board of Directors and the Association as provided for in the Declaration and Articles of Incorporation and these Bylaws, including collection of assessments payable pursuant to any cross easement or other similar agreement. The Association may periodically employ an insurance consultant if the Board of Directors deems it necessary to do so in order to analyze the insurance requirements of the Association.

Section 7.3. Management Agent. The Board of Directors may employ for the Association a management agent or manager (the "Management Agent") at a rate of compensation established by the Board of Directors to perform such duties and services as the Board of Directors shall from time to time authorize in writing. Any management agreement entered into by the Association shall provide, *inter alia*, that such agreement may be terminated for cause by either party upon thirty (30) days written notice thereof to the other party. The term of any such management agreement shall not exceed one year; provided, however, that the term of any such management agreement may be renewable by mutual agreement of the parties for successive one (1)-year periods.

ARTICLE 8

Officers and Their Duties

Section 8.1. Enumeration of Officers. The officers of this Association shall be a President and Vice President, who shall at all times be members of the Board of Directors, a Secretary, and a Treasurer, and such other officers as the Board may from time to time by resolution create; all of which officers are to be elected by the Board of Directors.

Section 8.2. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the Members; provided that the initial Board of Directors shall elect the first group of officers at its first organizational meeting.

Section 8.3. Term. The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year or until his or her successor is duly elected and qualified, unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve.

Section 8.4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 8.5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 8.6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he or she replaces.

Section 8.7. Multiple Offices. The offices of Secretary and Assistant Secretary, Treasurer and Vice President may be held by the same person, but in no event shall the same officer execute, acknowledge or verify any instrument in more than one capacity, if such instrument is required by law, the Declaration, the Articles of Incorporation or these Bylaws to be executed, acknowledged or verified by two (2) or more officers. No person shall simultaneously hold more than one (1) of any of the other offices except in the case of special offices created pursuant to Section 8.4 of this Article and except as otherwise provided in this Section.

Section 8.8. Duties. The duties of the officers are as follows (any of which may be assigned, in whole or in part, by the Board of Directors to the Management Agent in accordance with Section 7.3 hereof):

President

(a) The President shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all checks and promissory notes.

Vice President

(b) The Vice President shall act in the place and stead of the President in the event of his or her absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required by him or her of the Board.

Secretary

(c) The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; keep the corporate seal of the Association and affix it on all papers requiring said seal; serve notice of meetings of the Association; and shall perform such other duties as required by the Board.

Treasurer

(d) The Treasurer shall receive and deposit in appropriate bank accounts all moneys of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign all checks and promissory notes of the Association; keep proper books of account, cause an annual audit of the Association books to be made by a public accountant at the completion of each fiscal year; and shall prepare an annual budget and a statement of income and expenditures to be represented to the membership at its regular annual meeting, and deliver a copy of each to the Members.

Section 8.9. Compensation. No officer shall receive compensation for any service he or she may render to the Association. However, any officer may be reimbursed for his or her actual expenses incurred in the performance of his or her duties.

ARTICLE 9

Liability and Indemnification of Officers and Directors

The Association shall indemnify every officer and Director of the Association against any and all expenses, including counsel fees, reasonably incurred by or imposed upon an officer or Director in connection with any action, suit or other proceeding (including the settlement of any such suit or proceeding if approved by the then Board of Directors of the Association) to which he or she may be made a party by reason of being or having been an officer or Director of the Association, whether or not such person is an officer or Director at the time such expenses are incurred. The officers and Directors of the Association shall not be liable to the Members of the Association for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. The officers and 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 and the Association shall indemnify and forever hold each such officer and Director free and harmless against any and all liability to others on account of any such contract or commitment. Any right to indemnification provided for herein shall not be exclusive of any

other rights to which any officer or Director of the Association or former officer or Director of the Association may be entitled.

ARTICLE 10 **Committees**

The Board of Directors may appoint a Covenant Committee, as provided in the Declaration, and a Nominating Committee, as provided in these Bylaws. In addition, the Board of Directors may appoint other committees as deemed appropriate in carrying out its purposes. All committees appointed by the Board of Directors shall hold meetings in accordance with Section 3.9 and Section 6.1 of these Bylaws.

ARTICLE 11 **Insurance**

Section 11.1. Insurance. In addition to the insurance coverage required to be maintained by the Declaration, the Board of Directors of the Association may obtain and maintain, to the extent reasonably available, the following:

- (a) workmen's compensation insurance for employees of the Association to the extent necessary to comply with any applicable law; and
- (b) a "Legal Expense Indemnity Endorsement", or its equivalent, affording protection for the officers and Directors of the Association for expenses and fees incurred by any of them in defending any suit or settling any claim, judgment or cause of action to which any such officer or Director shall have been made a party by reason of his or her services as such; and
- (c) such other policies of insurance, including director and officer liability insurance and insurance for other risks of a similar or dissimilar nature and fidelity insurance as required by these Bylaws, as are or shall hereafter be considered appropriate by the Board of Directors.

Section 11.2. Limitations. Any insurance obtained pursuant to the requirements of this Article shall be subject to the following provisions:

- (a) All policies shall be written or reinsured with a company or companies licensed to do business in the State of Maryland and holding a rating of "B/III" or better (or its equivalent) in the current edition of Best's Insurance Guide.
- (b) Exclusive authority to negotiate losses under said policies shall be vested in the Board of Directors of the Association, or its authorized representative.

(c) In no event shall the insurance coverage obtained and maintained pursuant to the requirements of this Article be brought into contribution with insurance purchased by the owners of the Lots or their mortgagees, as herein permitted, and any "no other insurance" or similar clause in any policy obtained by the Association pursuant to the requirements of this Article shall exclude such policies from consideration.

(d) All policies shall provide that such policies may not be canceled or substantially modified (including cancellation for non-payment of premium) without at least thirty (30) days prior written notice to any and all insureds named thereon, including any mortgagee of any Lot who requests such notice in writing.

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

ARTICLE 12 Books and Records/Fiscal Management

Section 12.1. Fiscal Year. The fiscal year of the Association shall begin on the first day of January every year, except for the first fiscal year of the Association which shall begin on the date of recordation of the Declaration. The commencement date of the fiscal year herein established shall be subject to change by the Board of Directors should the practice of the Association subsequently dictate.

Section 12.2. Principal Office - Change of Same. The principal office of the Association shall be as set forth in Article 2 of the Articles of Incorporation of the Association. The Board of Directors, by appropriate resolution, shall have the authority to change the location of the principal office of the Association from time to time.

Section 12.3. Books and Accounts. Books and accounts of the Association shall be kept under the direction of the Treasurer in accordance with generally accepted accounting practices, consistently applied. The same shall include books with detailed accounts, in chronological order, of receipts and of the expenditures and other transactions of the Association and its administration and shall specify the maintenance and repair expenses of the Common Area and any facilities situated thereon, services required or provided with respect to the same and any other expenses incurred by the Association. The amount of any assessment or portion of any assessment, required for payment of any capital expenditure or reserves of the Association shall be credited upon the books of the Association to the "Paid-in-Surplus" account as a capital contribution by the Members.

Section 12.4. Auditing. At the close of each fiscal year and at the election of the Board of Directors, the books and records of the Association may be audited by an independent Public Accountant whose report shall be prepared in accordance with generally accepted auditing standards, consistently applied. Based upon such report, if prepared, the

Association shall furnish the Members and any mortgagee requesting the same with an annual financial statement, including the income and disbursements of the Association, within one hundred twenty (120) days following the end of each fiscal year.

Section 12.5. Inspection of Books. The books and accounts of the Association, vouchers accrediting the entries made thereupon and all other records maintained by the Association shall be available for examination by the Members and their duly authorized agents or attorneys, and to the institutional holder of any first mortgage on any Lot and its duly authorized agents or attorneys, during normal business hours and for purposes reasonably related to their respective interests and after reasonable notice. The Declaration, the Articles of Incorporation and these Bylaws of the Association shall be available for inspection by any Member at the principal office of the Association, where copies may be purchased at reasonable cost.

ARTICLE 13

Assessments

As more fully provided in the Declaration, each Member is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment may bear interest from the date of delinquency at the rate established by the Board of Directors, up to the maximum rate permitted by law, and the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property, and interest, late charges, costs, and reasonable attorneys' fees of any such action shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his or her Lot.

ARTICLE 14

Corporate Seal

The Association shall have a seal in circular form having within its circumference the words: ANNAPOLIS PRESERVE COMMUNITY ASSOCIATION, INC., a Maryland corporation.

ARTICLE 15
Amendments

These Bylaws may be amended, at a regular or special meeting of the Members, by a vote of a majority of a quorum of Members present in person or by proxy.

ARTICLE 16
Interpretation/Miscellaneous

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

Section 16.2. Notices. Unless another type of notice is hereinelsewhere specifically provided for, any and all notices called for in these Bylaws shall be given in writing.

Section 16.3. Severability. In the event any provision or provisions of these Bylaws shall be determined to be invalid, void or unenforceable, such determination shall not render invalid, void or unenforceable any other provisions hereof which can be given effect.

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

Section 16.5. Captions. The captions contained in these Bylaws are for convenience only and are not a part of these Bylaws and are not intended in any way to limit or enlarge the terms and provisions of these Bylaws or to aid in the construction thereof.

Section 16.6. Gender, etc. Whenever in these Bylaws the context so requires, the singular number shall include the plural and the converse, and the use of any gender shall be deemed to include all genders.

IN WITNESS WHEREOF, we, being all of the Directors of ANNAPOLIS PRESERVE COMMUNITY ASSOCIATION, INC., have hereunto set our hands this _____ day of _____, 1996.

WITNESS:

Melanie Reeves

David K. Sadler
David K. Sadler
Director

Alberta Culp

Alberta Culp
Alberta Culp
Director

Melanie Reeves

Melanie Reeves
Melanie Reeves
Director

CERTIFICATION

I, the undersigned, do hereby certify:

THAT I am the duly elected and acting Secretary of ANNAPOLIS PRESERVE COMMUNITY ASSOCIATION, INC., a Maryland nonstock corporation, and,

THAT the foregoing Bylaws constitute the original Bylaws of said Association, as duly adopted at a meeting of the Board of Directors hereof, held on the 1st day of August, 1996.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this 1st day of August, 1996.

Melanie Reeves
Secretary

[CORPORATE SEAL]