

**CRESCENT AT CHERRY LANE HOMEOWNERS  
ASSOCIATION, INC.**

**BY-LAWS**

# CRESCENT AT CHERRY LANE HOMEOWNERS ASSOCIATION, INC.

## BY-LAWS

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# CRESCENT AT CHERRY LANE HOMEOWNERS ASSOCIATION, INC.

## BY-LAWS

### ARTICLE I NAME AND LOCATION

The name of the corporation is **CRESCENT AT CHERRY LANE HOMEOWNERS ASSOCIATION, INC.**, hereinafter referred to as the "Association". The principal office of the Association in Maryland shall be located at 1901 Research Boulevard, Suite 500, Rockville, Maryland 20850, but meetings of Members and Directors may be held at such places within the State of Maryland as may be designated by the Board of Directors.

### ARTICLE II DEFINITIONS

**Section 2.1. "Association"** shall mean and refer to CRESCENT AT CHERRY LANE HOMEOWNERS ASSOCIATION, INC., a non-stock, non-profit Maryland corporation, its successors and assigns.

**Section 2.2. "Common Area"** shall mean and refer to all real property owned or leased by the Association, or otherwise available to the Association, for the exclusive benefit, use and enjoyment of its Members and their guests, and includes, as may be applicable, all recreational facilities and other features which are to be constructed on the Common Area. Notwithstanding the foregoing, in the event the Association maintains all or any portion of any Lot(s), such property shall not be considered part of the Common Area.

**Section 2.3. "Declarant"** shall mean and refer to Laurel Crescent, L.C., its successors and assigns, if such successors and assigns should acquire one or more undeveloped Lot from the Declarant for the purpose of development, but only to the extent any of the rights, reservations, easements, interests, exemptions, privileges and powers of the Declarant are specifically assigned or transferred in writing to such successors and assigns and recorded among the Land Records of Prince George's County, Maryland.

**Section 2.4. "Declarant Control Period"** shall mean and refer to the period commencing upon the recording of this Declaration and ending upon the first to occur of:

- (1) Six (6) months after all of the Property has been conveyed to an owner, other than the Declarant or a Builder;
- (2) The date designated in written notice from the Declarant to the Association as being the end of the Declarant Control Period.

**Section 2.5. "Declaration"** shall mean and refer to the Declaration of Covenants, Conditions and Restrictions applicable to the Property recorded, or to be recorded, among the Land Records for Prince George's County, Maryland, including amendments and supplements thereto.

**Section 2.6. "Electronic Transmission"** shall mean and refer to any form of communication, not directly involving the physical transmission of paper, that creates a record that (i) may be retained, retrieved, and reviewed by a recipient of such communication, and (ii) may be reproduced directly in paper form by the recipient through an automated process.

**Section 2.7. "Lot"** shall mean and refer to all subdivided parcels of land which are part of the Property and shown on any recorded subdivision plat of the Property in which it is intended that a dwelling unit be constructed thereon.

**Section 2.8. "Member"** shall mean and refer to every person, group of persons, corporation, trust or other legal entity, or any combination thereof, who or which holds a membership interest in the Association, provided, however, that any such person, group of persons, corporation, partnership, trust or other legal entity who or which holds such interest solely as security for the performance of an obligation shall not be a Member solely on account of such interest.

**Section 2.9. "Owner"** shall mean and refer to the record owner, whether one or more persons or entities, of the 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 that certain real property described in the Declaration, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

**Section 2.11. Other Definitions.** Unless it is plainly evident from the context that a different meaning is intended, other terms used herein shall have the same meaning as they are defined to have in the Declaration for Crescent at Cherry Lane Homeowners Association, Inc.

### **ARTICLE III** **MEMBERSHIP**

**Section 3.1. Membership.** Every person or entity who is a record Owner of a fee or undivided fee interest in any Lot, including contract sellers, shall be a Member of the Association; provided that any such person or entity who or which holds such interest merely as security for the performance of an obligation shall not be a Member. Membership shall be appurtenant to, and may not be separated from, ownership of any Lot which is subject to

assessment by the Association.

**Section 3.2. Voting Rights.** Every Owner shall be a Member of the Association and shall hold one (1) membership interest for each Lot owned. When more than one (1) person holds an interest in any Lot, all such persons shall be Members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast by a Member with respect to any one (1) Lot. During the Declarant Control Period, all of the voting rights of the Owners at any meeting of the Members of the Association or otherwise shall be vested exclusively in the Declarant, and Owners other than the Declarant shall have no voting rights. After the end of the Declarant Control Period, all of the voting rights at any meeting of the Members of the Association or otherwise, shall be vested in the Members.

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

**Section 3.3. Good Standing with the Association.** Members must be in good standing with the Association to vote on those matters which come before the Association. In order to be in good standing, a Member must not be delinquent in the payment of his financial obligations to the Association more than sixty (60) days, and must not be adjudged by the Association's Board of Directors or Covenants Committee to be in violation of the Association's governing documents.

#### **ARTICLE IV** **MEETINGS OF MEMBERS**

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

**Section 4.2. Annual Meetings.** The first annual meeting of the Members of the Association shall be held at such time and place as may be designated by the Board of Directors. Thereafter, the annual meetings of the Members shall be held around the same general time each succeeding year, as determined by the Board of Directors, in its sole discretion. At the first of such meetings following the lapse of the Declarant Control Period, there shall be elected by ballot of the Members a Board of Directors in accordance with the requirements of Article V of these By-Laws. The Members may also transact such other business as may properly come before them.

**Section 4.3. Special Meetings.** It shall be the duty of the President to call a special meeting of the Members as directed by resolution of the Board of Directors or upon a petition signed by at least twenty percent (20%) of the then Members having been presented to the Secretary; provided, however, that no special meetings shall be called either (a) except upon resolution of the Board of Directors, prior to the first annual meeting

of the Members as hereinabove provided for; or (b) to consider any matter which is substantially the same as a matter voted on at any special meeting of the Members held during the preceding twelve (12) months. The Secretary shall inform the Members who petition for a special meeting of the reasonably estimated cost of preparing and mailing a notice of the meeting and, upon payment of the estimated cost to the Association, shall notify each Member entitled to notice of the meeting. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice.

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

**Section 4.5. Roster of Membership.** The Board of Directors of the Association shall maintain a current roster of the names and addresses (including email addresses, if delivery by Electronic Transmission is authorized, as hereinafter set forth) of each Member, to which written notice of meetings of the Members of the Association shall be delivered. Each Owner shall furnish the Board of Directors with his name and current mailing address and, if so determined by the Board of Directors and the Owner, e-mail address.

**Section 4.6. Quorum.** The presence, either in person or by proxy, of Members entitled to cast thirty percent (30%) of the votes of the membership, shall be requisite for, and shall constitute a quorum for the transaction of business at all meetings of Members, except as otherwise provided in the Articles of Incorporation, the Declaration or the By-Laws. If the number of Members at a meeting drops below the quorum and the question of a lack of a quorum is raised, no business may thereafter be transacted. The Members present thereat shall have the power to adjourn the meeting from time to time and call an additional meeting giving at least fifteen (15) days notice. At the additional meeting, the Members present in person or by proxy, shall constitute a quorum.

**Section 4.7. Adjourned Meetings.** If any meeting of Members cannot be organized because a quorum has not attended, the Members who are present, either in person, by proxy, or may, adjourn and reconvene the meeting in accordance with the provisions and requirements of § 5-206 of the Corporations and Associations Article, *Annotated Code of Maryland*, as amended from time to time.

**Section 4.8. Voting after the Declarant Control Period.** Following the lapse of the Declarant Control Period, at every meeting, the Members shall have the right to cast



one (1) vote on each question for each membership interest which he owns. The vote of the Members representing fifty-one percent (51%) of the total of the votes of the membership present at the meeting, in person, by proxy, and by Electronic Transmission if so determined by the Board of Directors, as hereinafter set forth, calculated as aforesaid, shall be necessary to decide any question brought before such meeting, unless the question is one upon which, by the express provision of law or of the Articles of Incorporation, or of the Declaration or of these By-Laws, a different vote is required, in which case such express provision shall govern and control. The vote for any membership which is owned by more than one person may be exercised by any of them present at any meeting unless any objection or protest by any other owner of such membership is noted at such meeting. In the event all of the co-owners of any membership who are present at any meeting of the Members are unable to agree on the manner in which the votes for such membership shall be cast on any particular question, then such vote shall be counted for purposes of deciding that question in accordance with the provisions and requirements of §2-508 of the Corporations and Associations Article, *Annotated Code of Maryland*, as amended from time to time. In the event any membership is owned by a corporation, then the vote for any such membership shall be cast by a person designated in a certificate signed by the President or any Vice President of such corporation and filed with the Secretary of the Association, prior to or during the meeting. Any such certificate shall remain valid until revoked or superseded in writing. The vote for any membership which is owned by a trust or partnership may be exercised by any trustee or partner thereof, as the case may be, and, unless any objection or protest by any other such trustee or partner is noted at such meeting, the Chairman of such meeting shall have no duty to inquire as to the authority of the person casting such vote or votes. No Member shall be eligible to vote, either in person, by proxy, or Electronic Transmission, or to be elected to the Board of Directors, who is shown on the books or management accounts of the Association to be more than sixty (60) days delinquent in any payment due the Association.

**Section 4.9. Action Without Meeting.** Any action required or permitted to be taken at any annual or special meeting of the Members may be taken without a meeting if the required percentage of the Members shall individually or collectively consent in writing to such action and if such written consent or consents is filed with the minutes of the proceedings of the Members.

**Section 4.10. Proxies.** A Member may appoint any other Member or the Declarant or the management agent (if any) as his proxy. Any proxy must be in writing, and must be filed with the Secretary in a form and by a method approved by the Board of Directors before the appointed time of each meeting. Unless limited by its terms, any proxy shall continue until revoked, or by the death of the Member; provided, however, that no proxy shall be effective for a period in excess of one hundred eighty (180) days unless granted to a mortgagee or lessee of the Lot to which the votes are appurtenant. If the proxy was granted in writing then revocation must be made by written notice of revocation.

**Section 4.11. Electronic Transmission.** Notices to Members may be delivered by Electronic Transmission, in accordance with the provisions of §11B-113.1 of the Real Property Article, *Annotated Code of Maryland*, as amended from time to time.

Notice by Electronic Transmission shall be considered to be ineffective if:

- (a) The Association is unable to deliver two (2) consecutive notices; and
- (b) The inability to deliver the notice by Electronic Transmission becomes known to the person responsible for sending such Electronic Transmission.

In addition to the foregoing, proxies and other required filings with the Secretary of the Association may be delivered to the Secretary of the Association by Electronic Transmission, in accordance with the provisions of §11B-113.2 of the Real Property Article, *Annotated Code of Maryland*, as amended from time to time, and votes may be cast by Members in accordance with the provisions of §11B-113.2, Real Property Article, *Annotated Code of Maryland*, as amended from time to time or superseded. If the anonymity of voting by Electronic Transmission cannot be guaranteed, voting by Electronic Transmission shall be permitted only if the applicable Lot Owner has the option of casting an anonymous printed ballot, in accordance with §11B-113.2, Real Property Article, *Annotated Code of Maryland*, as amended from time to time or superseded.

**Section 4.12. Order of Business.** The order of business at all regularly scheduled meetings of the Members shall be as follows:

- (a) Roll call and certificate of proxies.
- (b) Proof of notice of meeting or waiver of notice.
- (c) Reading and disposal of minutes of preceding meeting, if any.
- (d) Reports of officers, if any.
- (e) Reports of committees, if any.
- (f) Unfinished business.
- (g) New business.
- (h) Election or appointment of inspectors of election.
- (i) Election of Directors.
- (j) Adjournment.

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

**Section 4.13. Rules of Order and Procedure.** The rules of order and all other matters of procedure at all annual and special meetings of the Members shall be determined by the Chairman of such meeting.

**Section 4.14. Inspectors of Election.** The Board of Directors may, in advance of any annual or special meeting of the Members appoint an uneven number of one or more inspectors of election to act at the meeting and at any adjournment thereof. In the event inspectors are not so appointed, the Chairman of any annual or special meeting of Members shall appoint such inspectors of election. No officer or Director of the Association, and no candidate for Director of the Association, shall act as an inspector of

election at any meeting of the Members if one of the purposes of such meeting is to elect Directors.

## **ARTICLE V**

### **BOARD OF DIRECTORS: SELECTION; TERM OF OFFICE**

**Section 5.1. Number.** The affairs of the Association shall be managed by a Board of Directors initially consisting of up to three (3) natural persons. Until the lapse of the Declarant Control Period, all of the Directors shall be appointed by the Declarant. Commencing with the first annual meeting of the Association following the lapse of the Declarant Control Period, the Board shall consist of not fewer than three (3) nor more than seven (7) Directors elected by the Members. The number of Directors may be changed by a vote of the Members at any annual meeting of the Members after the lapse of the Declarant Control Period; provided, however, that (a) the limitations of this Section shall continue to apply; and (b) no such change shall operate to curtail or extend the term of any incumbent Director. The Directors need not be Members of the Association.

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

**Section 5.3. Removal.** Directors appointed by the Declarant may be removed only by the Declarant. After the first annual meeting of the Members following the lapse of the Declarant Control Period, any Director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association. In the event of death, resignation or removal of a Director following the lapse of the Declarant Control Period, his successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor. If a Member serving as a Board member is more than sixty (60) days delinquent in any payment due the Association, and has not brought the payments current within the thirty (30) day period following such sixty (60) day delinquency period, said Board member may be removed by the Board of Directors.

**Section 5.4. Compensation.** No Director shall receive compensation for any service he may render to the Association. However, any Director may be reimbursed for his actual expenses incurred in the performance of his duties.

**Section 5.5. 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 a majority of such Directors. Such approval shall be filed with the minutes of the proceedings of the Board of Directors. Any action so approved shall have the same effect as though taken at a meeting of the Directors.

## **ARTICLE VI**

### **NOMINATION AND ELECTION OF DIRECTORS**

**Section 6.1. *Nomination.*** Nomination for election to the Board of Directors commencing with the first annual meeting of the Members following the lapse of the Declarant Control Period, may be made by the Board of Directors, or if the Board of Directors so choose, a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee, if appointed, shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more Members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the Members to serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among Members or non-Members.

**Section 6.2. *Election.*** Election to the Board of Directors shall be by secret written ballot. At such election the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

## **ARTICLE VII**

### **MEETINGS OF DIRECTORS**

**Section 7.1. *Regular Meetings.*** Until the lapse of Declarant Control Period, meetings of the Board of Directors shall be held as and when determined by the Declarant. Thereafter, regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the Directors, but at least two (2) such meetings shall be held during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each Director, personally, by mail, telephone, facsimile, or Electronic Transmission, if authorized by the applicable Director, at least six (6) days prior to the date named for such meeting.

**Section 7.2. *Special Meetings.*** Special meetings of the Board of Directors may be called by the President on three (3) days' notice to each Director, given personally, by mail, telephone, telegraph, or by Electronic Transmission if so determined by the Board of Directors and approved by such Director, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice on the written request of any two (2) of the Directors.

**Section 7.3. *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. In the event that, during the term that a Member serves as a member of the Board of Directors such Member becomes more than sixty (60) days delinquent in any payment due the Association, he shall not be permitted to vote on any matter coming before the Board of Directors. However, if said Board member is present at a meeting of the Board of Directors, he will be counted for purposes of obtaining a quorum.

**Section 7.4. Fidelity Bonds.** Following the lapse of the Declarant Control Period, the Board of Directors shall require that all officers, Directors, Committee members, and employees of the Association regularly handling or otherwise responsible for the funds of the Association shall furnish adequate fidelity bonds or equivalent insurance against acts of dishonesty. The premiums on such bonds or insurance shall be paid by the Association.

## **ARTICLE VIII**

### **POWERS AND DUTIES OF THE BOARD OF DIRECTORS**

**Section 8.1. Powers.** The Board of Directors shall have the power to:

(a) adopt and publish rules and regulations governing the use of the Common Area, 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 of a Member during any period in which such Member shall be in default in the payment of any assessment levied by the Association.

(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 By-Laws, the Articles of Incorporation, or the Declaration;

(d) following the lapse of the Declarant Control Period, 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;

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

(f) appoint the members of the Covenants Committee and such other Committees as the Board of Directors deems necessary or advisable; and

(g) impose reasonable fines for any infraction of the provisions of the Association's governing documents.

**Section 8.2. Duties.** It shall be the duty of the Board of Directors to:

(a) cause to be kept a complete record of all acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members,

or at any special meeting when such statement is requested in writing by twenty-five percent (25%) of the Members who are entitled to vote;

(b) supervise all officers, agents and employees of this Association, and to see that their duties are properly performed;

(c) 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

(d) 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;

(2) send written notice of each assessment to every Owner subject thereto at least thirty (30) days in advance of each annual assessment period; and

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

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

(f) procure and maintain adequate insurance on property owned by the Association;

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

(h) enforce the covenants and restrictions set forth in the Declaration;

(i) maintain the community's Common Area and any improvements thereon; and

(j) otherwise perform or cause to be performed the functions and obligations of the Board and the Association as provided for in the Declaration and Articles of Incorporation and these By-Laws.

**Section 8.3. Management Agent.** The Board of Directors may, but shall not be required to, employ for the Association a professional 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.

## **ARTICLE IX** **OFFICERS**

**Section 9.1. Designation.** The principal officers of the Association shall be a President, a Vice President, a Secretary and a Treasurer, all of whom shall be elected by the Board of Directors. Prior to the lapse of the Declarant Control Period, the officers of the Association need not be Members. Thereafter, except for the President, the officers of the Association need not be Members. The President shall be elected from among the members of the Board of Directors. The Directors may appoint Assistant Secretaries and Assistant Treasurers, and such other officers as, in their judgment, may be necessary.

**Section 9.2. Election of Officers.** The officers of the Association shall be elected annually by the Board of Directors at the organizational meeting of each new Board, and shall hold office at the pleasure of the Board of Directors. Election materials prepared with funds of the Association shall list candidates in alphabetical order, and may not indicate a candidate preference.

**Section 9.3. Removal of Officers.** Upon an affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors called for such purpose.

**Section 9.4. President.** The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Members and of the Board of Directors. He shall have all of the general powers and duties which are usually vested in the office of the president of a corporation, including, but not limited to, the power to appoint committees from among the membership, from time to time, as he may, in his discretion, decide is appropriate to assist in the conduct of the affairs of the Association.

**Section 9.5. Vice President.** The Vice President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board shall appoint some other member of the Board to do so on an interim basis. The Vice President shall also perform such other duties as shall, from time to time, be imposed upon him by the Board of Directors.

**Section 9.6. Secretary.** The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the Members of the Association; he shall have custody of the Seal of the Association; he shall have charge of the

membership transfer books, and of such other books and papers as the Board of Directors may direct; he shall count all votes at the meetings of the Members of the Association; and he shall, in general, perform all the duties incident to the office of Secretary.

**Section 9.7. Treasurer.** The Treasurer shall have responsibility for corporate funds and securities, and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit, of the Association in such depositories as may, from time to time, be designated by the Board of Directors. He shall be bonded under a fidelity bond, in such amount as may be determined by the Board of Directors.

## **ARTICLE X**

### **LIABILITY AND INDEMNIFICATION OF OFFICERS AND DIRECTORS AND MEMBERS OF THE COMMITTEE; INTERESTED DIRECTORS**

**Section 10.1. Liability and Indemnification of Officers and Directors and Members of Committees.** The Association shall indemnify every person who is or was an officer or Director of the Association or a member of any committee of the Association and who was, is or is threatened to be made a named defendant or respondent in any threatened, pending or completed action, suit or proceeding by reason of service in that capacity, whether civil, criminal, administrative or investigative, if that person (i) acted in good faith; and (ii) reasonably believed (a) in the case of conduct in that person's official capacity, that the conduct was in the best interests of the Association; and (b) in all other cases that the conduct was at least not opposed to the best interests of the Association; and (iii) in the case of any criminal proceeding, had no reasonable cause to believe that the conduct was unlawful. The indemnification provided for in this Article is against judgments, penalties, fines, settlements and reasonable expenses actually incurred in connection with any such threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative; provided, however, that if any such action, suit or proceeding was one by or in the right of the Association, indemnification shall be made only against reasonable expenses and shall not be made in respect of any proceeding in which the person otherwise entitled to indemnification pursuant to the provisions of this Article have been adjudged to be liable to the Association. The termination of any such action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, creates a rebuttable presumption that the person otherwise entitled to indemnification did not meet the requisite standard of conduct set forth in this Article. A person who is or was an officer or Director of the Association or a member of any committee of the Association is not indemnified under the provisions of this Article in respect of any threatened, pending or completed action, suit or proceeding charging improper personal benefit to that person, whether or not involving action in that person's official capacity, in which the person was adjudged to be liable on the basis that personal benefit was improperly received.



The provisions of this Article are intended to provide every person who is or was an officer or Director of the Association or a member of any committee of the Association and who was, is or is threatened to be made a named defendant or respondent in any threatened, pending or completed action, suit or proceeding by reason of service in that capacity, with indemnification to the extent permitted in §2-418(b) of Title 2, Corporations and Associations Article, *Annotated Code of Maryland*, as amended from time to time or superseded. Indemnification under this Article may not be made by the Association unless authorized in the specific case after a determination has been made that indemnification is permissible because the person who is or was an officer or Director of the Association or a member of any committee of the Association has met the standard of conduct set forth in this Article. Such determination shall be made in the manner provided in § 2-418(e) of Title 2, Corporations and Associations Article, *Annotated Code of Maryland*, as amended from time to time or superseded. Reasonable expenses incurred by any person who is or was an officer or Director of the Association or a member of any committee of the Association and who is a party to any threatened, pending or completed action, suit or proceeding by reason of service in that capacity, may be paid or reimbursed by the Association in advance of the final disposition of that proceeding, after a determination that the fact then known to those making the determination would not preclude indemnification under this Article, upon receipt by the Association of:

(a) a written affirmation by that person of that person's good faith belief that the standard of conduct necessary for indemnification by the Association as authorized in this Article has been met; and

(b) a written undertaking by or on behalf of that person to repay the amount if it shall ultimately be determined that the standard of conduct necessary for indemnification by the Association as authorized in this Article has not been met. The undertaking required by this subparagraph (b) shall be an unlimited general obligation of the person making it but need not be secured and may be accepted without reference to financial ability to make the repayment.

Determination and authorization of payments under this Article shall be in the manner specified in § 2-418(e) of Title 2, Corporations and Associations Article, *Annotated Code of Maryland*, as amended from time to time or superseded. The officers and Directors of the Association or members of any committee of the Association shall not be liable to 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 or members of any committee 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 to the extent that such officers or Directors or members of any committee of the Association may also be Members of the Association, and the Association shall indemnify and forever hold each such officer and Director or members of any committee of the Association free and harmless against any and all liability to others on account of any such contract or commitment, except as aforesaid. The provisions of this Article do not limit the power of the Association to pay or reimburse expenses incurred

by any person who is an officer or Director of the Association or members of any committee of the Association in connection with an appearance as a witness in any proceeding by reason of service in that capacity, or otherwise involving the Association, when that person has not been made a named defendant or respondent in the proceeding.

Any right to indemnification provided for in this Article shall be in addition to, and not exclusive of, any other rights to which any person who is or was an officer or Director of the Association or members of any committee of the Association may be entitled by law, or otherwise. The Association may purchase and maintain insurance on behalf of any person who is or was an officer or Director of the Association or members of any committee of the Association against any liability asserted against and incurred by such person in any such capacity or arising out of such person's position, whether or not the Association would have the power to indemnify against such liability pursuant to the provisions of this Article, or otherwise. Any indemnification of, or advance of expenses to, any person in accordance with the provisions of this Article, if arising out of a proceeding by or in the right of the Association, shall be reported in writing to the Members of the Association with notice of the next annual meeting of Members of the Association or prior to the next annual meeting of Members.

**Section 10.2. Interested Directors.** The Directors shall exercise their powers and duties in good faith and with a view to the interests of the Association. A contract or other transaction between the Association and any of its Directors, or between the Association and any corporation, firm or other entity in which any of its Directors is a director or has a material financial interest is not void or voidable solely because of the common directorship or interest, or because the Director is present at the meeting of the Board of Directors which authorizes, approves or ratifies the contract or transaction, or because the vote of the Director was counted for the authorization, approval or ratification of the contract or transaction, if any of the following conditions exist:

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

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

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

Common or interested Directors or the votes which they are entitled to cast or which are entitled to be cast by an interested corporation, firm or other entity, may be counted in determining the presence of a quorum at a meeting of the Board of Directors or at a

meeting of the Members, as the circumstances may require, at which the contract or transaction is authorized, approved or ratified. If a contract or transaction is not authorized, approved or ratified in the manner provided for in subparagraphs (a) or (b) of this paragraph, the person asserting the validity of the contract or transaction bears the burden of proving that the contract or transaction was fair and reasonable to the Association at the time it was authorized, approved or ratified.

## **ARTICLE XI** **COMMITTEES**

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

## **ARTICLE XII** **INSURANCE**

**Section 12.1. Insurance.** The Association's Board of Directors, or its duly authorized agent, must obtain, maintain, and pay the premiums, as a common expense, for policies of insurance providing the coverage described below:

(a) **Property Insurance.** A policy of property insurance covering all of the Common Area (except land, foundation, excavation, and other items normally excluded from coverage) including fixtures and building service equipment, to the extent that they are a part of the Common Area of the Association, as well as common personal property supplies. The insurance policy shall afford, at a minimum, protection against loss or damage by fire and 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. Such policy shall also contain or have attached the following: (1) a standard mortgage clause; (2) an Agreed Amount endorsement; (3) an Inflation Guard Endorsement, if available; and (4) a Construction Code Endorsement, if the Common Area in the Association is subject to a construction code provision which would become operative and require changes to undamaged portions of the building(s) thereby imposing significant costs in the event of partial destruction of the property by an insured peril. The property insurance policy must be in an amount equal to one hundred percent (100%) (less a deductible deemed reasonable by the Board of Directors) of the current replacement costs of the Common Area and shall name as the insured the Association.

(b) **Comprehensive General Liability Policy.** The Association must obtain and maintain a policy providing comprehensive general liability insurance coverage covering all of the Common Area, public ways, and other areas that are under the

supervision of the Association (collectively, the "Common Area"). The comprehensive general liability policy will be for an amount deemed reasonable by the Board of Directors.

**Section 12.2. Fidelity Bonds.** The Board of Directors shall maintain adequate fidelity coverage to protect against dishonest acts on the part of officers, Directors, managers, trustees, employees, and volunteers of the Association and such employees and agents of the Association who handle or are responsible for the handling of funds of the Association. Where the Association has delegated some or all of the responsibility for the handling of funds to a management agent, those bonds are required for its officers, employees, and agents handling or responsible for funds of, or administered on behalf of, the Association. Such fidelity coverage shall meet at least the following requirements:

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

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

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

**Section 12.3. Contribution.** In no event may the insurance coverage obtained and maintained by the Board of Directors or its duly authorized agent hereunder be brought into contribution with insurance purchased by individual Owners, occupants, or their mortgagees.

**Section 12.4. Insurance Claim Adjustment.** Immediately after damage or destruction by fire or other casualty to all or any part of the improvements on the Common Area, the Association must proceed with the adjustment of all claims arising from the loss and apply the proceeds to repair and reconstruction of the damage, or may retain the proceeds for the benefit of the Association, as it sees fit.

**Section 12.5. Limitations.** Any insurance obtained pursuant to the requirements of this Article shall be subject to the following provisions to the extent reasonably available:

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

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

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

### **ARTICLE XIII** **FISCAL MANAGEMENT**

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

**Section 13.2. Principal Office - Change of Same.** The principal office of the Association shall be as set forth in Article I of these By-Laws. The Board of Directors, by appropriate resolution, shall have the authority to change the location of the principal office of the Association from time to time.

**Section 13.3. Books and Accounts.** Books and accounts of the Association shall be kept under the direction of the Treasurer in accordance with generally accepted accounting practices, consistently applied. The same shall include books with detailed accounts, in chronological order, of receipts and of the expenditures and other transactions of the Association and its administration and shall specify the maintenance and repair expenses of the Common Area, services required or provided with respect to the same and any other expenses incurred by the Association. The amount of any assessment or portion of any assessment, required for payment of any capital expenditures or reserves of the Association shall be credited upon the books of the Association to the "Paid-in-Surplus" account as a capital contribution by the Members.

**Section 13.4. Financial Reports.** The Association shall, upon request, furnish the Members and any mortgagee which requests it, in writing, with an annual financial statement, including the income and disbursements of the Association.

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

**Section 13.6. Seal.** The Board of Directors may provide a suitable corporate seal containing the name of the Association, which seal shall be in the charge of the Secretary. If so directed by the Board of Directors, a duplicate seal may be kept and used by the Treasurer or any assistant secretary or assistant treasurer.

## **ARTICLE IX** **AMENDMENT**

**Section 14.1. Amendments.** Subject to the other limitations set forth in these By-Laws, these By-Laws may be amended by the affirmative vote or written consent of Members representing a majority of the then Members of record.

**Section 14.2. Proposal of Amendments.** Amendments to these By-Laws may be proposed by the Board of Directors of the Association or by petition signed by at least thirty percent (30%) of the total votes of the Members, which petition shall be delivered to the Secretary. A description of any proposed amendment shall accompany the notice of any annual or special meeting of the Members at which such proposed amendment is to be considered and voted upon.

**Section 14.3. Amendments by the Declarant.** Notwithstanding the foregoing, these By-Laws may be amended by the Declarant, without the consent of the Members, at any time prior to the lapse of the Declarant Control Period.

## **ARTICLE XV** **INTERPRETATION - MISCELLANEOUS**

**Section 15.1. Conflict.** These By-Laws are subordinate and subject to all provisions of the Declaration and to the provisions of the Articles of Incorporation of the Association. All of the terms hereof, except where clearly repugnant to the context, shall have the same meaning as they are defined to have in the Declaration. In the event of any conflict between these By-Laws and the Declaration, the provisions of the Declaration shall control; in the event of any conflict between these By-Laws and the Articles of Incorporation of the Association, the provisions of the Articles of Incorporation shall control; and in the event of any conflict between the Articles of Incorporation and the Declaration, the Declaration shall control.

**Section 15.2. Notices.** Unless another type of notice is hereinelsewhere specifically provided for, any and all notices called for in these By-Laws shall be given in writing.

**Section 15.3. Severability.** In the event any provision or provisions of these By-Laws shall be determined to be invalid, void or unenforceable, such determination shall not render invalid, void or unenforceable any other provisions hereof which can be given effect.

**Section 15.4. Waiver.** No restriction, condition, obligation or provisions of these By-Laws shall be deemed to have been abrogated or waived by reason of any failure or failures to enforce the same.

**Section 15.5. Captions.** The captions contained in these By-Laws are for convenience only and are not a part of these By-Laws and are not intended in any way to limit or enlarge the terms and provisions of these By-Laws or to aid in the construction thereof.

**Section 15.6. Gender, etc.** Whenever in these By-Laws the context so requires, the singular number shall include the plural and the converse, and the use of any gender shall be deemed to include all genders.

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